Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

1650801146

BUSINESS STUDIES **7115/11**

Paper 1 **October/November 2015**

1 hour 30 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name in the spaces at the top of this page.
Write in dark blue or black pen.
You may use an HB pencil for any diagrams, graphs or rough working.
Do not use staples, paper clips, glue or correction fluid.
DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.
The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.
The number of marks is given in brackets [ ] at the end of each question or part question.
The total number of marks for this paper is 80.

This document consists of **9** printed pages and **3** blank pages.

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CAMBRIDGE International Examinations

1 TWH makes a range of toys using batch production. TWH's Managing Director, Dylan, plans to invest in new technology to reduce average costs. 'It's the only way to increase efficiency as I do not know how we can improve employees' motivation' he said. Dylan cannot decide on whether it would be better to use retained profits or a long term loan as the source of finance.

Table 1: Data for 2014

Number of toys made per week	260 000
Number of employees	500
Average wage per hour paid by TWH	$6
Average wage per hour paid by similar businesses	$6.50

(a) What is meant by 'average cost'?

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.....[2]

(b) Calculate the output per employee per week in 2014.

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.....[2]

(c) Identify and explain **two** possible advantages to TWH of using batch production.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **two** ways that TWH could improve the motivation of its employees.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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(e) TWH can either use retained profit or a long term loan to finance the purchase of new technology. Which option do you recommend TWH should use? Justify your answer.

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2 Ramford is a private limited company. It has four factories which make a wide range of food products including breakfast cereal and ice cream. The Finance Director is worried about the company's financial performance. She has read that many businesses failed in the last year. 'I think we are suffering from diseconomies of scale' she said. Ramford's directors have decided to cut the number of different products it makes from 80 to 10.

Table 2: Extract from accounts

	2013	2014
Revenue (sales) ($m)	200	150
(Net) profit ($m)	70	60
Capital employed ($m)	280	300
(Net) profit margin	35%	?
Return on Capital Employed	25%	?

(a) What is meant by a 'private limited company'?

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.....[2]

(b) Identify **two** causes of business failure.

Cause 1: .....

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Cause 2: .....

.....[2]

(c) Identify and explain **two** diseconomies of scale that Ramford might be experiencing.

Diseconomy 1: .....

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Explanation: .....

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Diseconomy 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** factors that Ramford should consider when deciding which products to remove from its product range.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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(e) Do you think the Finance Director is right to be worried about the financial performance of Ramford in 2014? Justify your answer using the data in Table 2 and appropriate ratios.

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3 Grimshaw manufactures mobile (cell) phones for the mass market. Last year its market share increased by 3%. The Managing Director is planning to set up a new factory in country T to supply the mobile phone market in that country for the first time. Grimshaw plans to sell a new model of mobile phone. The Managing Director has asked for market research to be done. He said: 'As a multinational, we can set up a new factory anywhere; I want to know whether the Government of country T will offer us any help to build our factory there.'

(a) What is meant by 'mass market'?

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(b) What is meant by 'market share'?

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(c) Identify and explain **two** advantages of market research to Grimshaw.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **two** advantages to Grimshaw of developing new products.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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(e) Do you think the Government of country T should help businesses such as Grimshaw set up in its country? Justify your answer.

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4 Tebo has recently been made redundant from his job as a car mechanic. He is thinking of setting up his own business. Even though he has no management experience, he knows that managing cash flow will be important to the success of the business. Tebo is considering whether to apply for a FIXIT franchise. This franchise would cost $15 000, which would use all of his savings. FIXIT is a car repair franchise, with 36 franchisees.

(a) What is meant by 'made redundant'?

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(b) Identify **two** functions of management that Tebo might have to perform.

Function 1: .....

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Function 2: .....

.....[2]

(c) Explain why managing cash flow will be important for Tebo's business.

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(d) Identify and explain **two** factors Tebo should consider when deciding where to locate his business.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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(e) Do you think that buying a FIXIT franchise is the best way for Tebo to start his business? Justify your answer.

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