Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME

CENTRE NUMBER

CANDIDATE NUMBER

1921009322

BUSINESS STUDIES **7115/12**

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 Walt owns a company which has developed a new computer game for adults. A focus group report shows customers like it. Walt has been considering the marketing mix, including the packaging for this product which is likely to be sold in many countries. 'I don't want to use a wholesaler as it would affect my profit margin' he said.

(a) What is meant by a 'focus group'?

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.....[2]

(b) Identify **two** reasons why packaging might be important for the new computer game.

Reason 1: .....

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Reason 2: .....

.....[2]

(c) Explain why the profit margin might be important for Walt's business.

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(d) Identify and explain **two** advantages to Walt if he decided to use a wholesaler to distribute his products.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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(e) Consider **two** possible methods of promotion that Walt could use for the new game. Recommend which method he should use. Justify your answer.

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2 CLW makes wood furniture, including chairs and tables. Demand has risen quickly over the past 3 years and the business needs to increase the scale of production at its factory. The factory is located near the city centre in an area of low unemployment. The Finance Director has produced a business plan, including a balance sheet. The Finance Director is pleased with CLW's liquidity.

Table 1: Extract of financial information

	2013		2014	
Non-current (fixed) assets ($m)		240		260
Current assets:				
Inventory (stock) ($m)	180		330	
Trade receivables (debtors) ($m)	320		240	
Cash ($m)	100		90	
Total current assets ($m)		600		660
Current Liabilities ($m)		480		440
Current ratio		1.25:1		?
Acid test ratio		0.875:1		?

(a) What is meant by a 'business plan'?

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(b) What is meant by a 'balance sheet'?

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(c) Identify and explain **two** possible benefits for CLW of holding high inventory (stock) levels.

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

.....[4]

(d) Identify and explain **two** factors (other than finance) that CLW's management need to consider when increasing the scale of production.

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 pleased with the liquidity of CLW in 2014? Justify your answer using the data in Table 1 and appropriate ratios.

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3 NCE manufactures cars in 4 factories using flow production. NCE's Human Resources Director thinks good induction training helps achieve high productivity. Factory X is its most efficient factory. Last year the size of the new car market fell by 20%. NCE now has to make 400 workers redundant at one of its other factories. 'I am pleased NCE is a large business', said the HR Director, 'I think a small business cannot survive in this competitive market.'

Table 2: NCE operations data for 2014

Number of cars made	Number of employees
168 000	2800

(a) What is meant by 'flow production'?

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(b) Calculate the output per employee in 2014.

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(c) Identify and explain **two** ways in which induction training might benefit NCE.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

.....[4]

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(d) Identify and explain **two** factors that NCE would need to consider in deciding which workers to make redundant.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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(e) The HR Director thinks that 'a small business cannot survive in this competitive market'. Do you agree with this view? Justify your answer.

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4 Nellis is a public limited company. It specialises in building large luxury houses. Over the past 3 years its profits have increased as the country is experiencing an economic boom. 'It's not all good news – the Government has announced plans to increase interest rates and introduce new legal controls to protect the environment' said the Managing Director. He believes these new legal controls to protect the environment will only make businesses (such as Nellis) less profitable.

(a) What is meant by an 'economic boom'?

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(b) Identify **two** stages (other than boom) of the business cycle.

Stage 1: .....

Stage 2: .....[2]

(c) Explain how a rise in interest rates might affect Nellis.

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(d) Identify **two** stakeholder groups. Explain why each group is important to this business.

Stakeholder group 1: .....

Explanation: .....

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Stakeholder group 2: .....

Explanation: .....

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(e) The Managing Director believes that the new legal controls to protect the environment will only make businesses (such as Nellis) less profitable. Do you agree? Justify your answer.

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