Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

3665260283

BUSINESS STUDIES **7115/11**

Paper 1 **October/November 2016**

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.

CAMBRIDGE
International Examinations

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[Turn over

1 C&C has a good reputation for making high quality, hand-made shoes. It has 120 full-time skilled employees. C&C needs to recruit another 20 production employees to meet increased demand. The Managing Director said: 'I don't know why people worry about globalisation. Two years ago we did not export, now exports are 10% of our output and increasing.' C&C has orders for 100 000 pairs of shoes in 2017. The Managing Director cannot decide whether to introduce new technology into the production process.

(a) What is meant by 'globalisation'?

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..... [2]

(b) Identify **two** possible threats to C&C from globalisation.

Threat 1:.....

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Threat 2:.....

..... [2]

(c) Identify and explain **two** suitable ways in which C&C might advertise the job vacancies.

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** benefits to C&C of having full-time employees.

Benefit 1:.....

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Explanation:.....

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Benefit 2:.....

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Explanation:.....

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(e) Do you think C&C should introduce new technology into the production process? Justify your answer.

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2 Dowson is a large business which owns a number of shops. It sells a range of electrical goods such as computers and televisions. The Finance Director has been looking at some recent financial data, as shown in Table 1. He is pleased with Dowson's liquidity but knows he must reduce its high level of debt including an overdraft of $6m. He said: 'The economy is in recession. Many small retailers have failed. Size is an advantage!'

Table 1: Extract of financial data for Dowson

	2015	2016
Revenue	$280m	$300m
Profit	$175m	$180m
Current ratio	1.2:1	1.5:1
Acid test ratio	0.8:1	0.5:1
Return on capital employed	10%	10%

(a) What is meant by 'Return on capital employed'?

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..... [2]

(b) What is meant by a 'recession'?

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(c) Identify and explain **two** ways in which the size of the business may benefit Dowson.

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** problems for Dowson of having a high level of debt.

Problem 1:.....

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Explanation:.....

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Problem 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 the business? Justify your answer using the ratio results in Table 1.

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3 YOGO is a new business which Amelia has just set up using Government support. YOGO makes a range of sweets (candy) targeted at adults. It is a niche market. Amelia has been looking at the marketing part of her business plan. She has to decide which pricing method to use. Amelia is spending a lot of money on packaging. She did not do any primary market research as she thinks she can use secondary data to make decisions. She believes that all adults like sweets.

(a) Identify **two** reasons why a Government might support business start-ups.

Reason 1:.....

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Reason 2:.....

..... [2]

(b) Identify **two** parts (other than marketing) of a business plan.

Part 1:.....

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Part 2:.....

..... [2]

(c) Identify and explain **two** possible pricing methods that Amelia might use.

Method 1: .....

Explanation:.....

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Method 2:.....

Explanation:.....

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..... [4]

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(d) Identify and explain **two** reasons why packaging is important for YOGO's products.

Reason 1:.....

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Explanation:.....

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Reason 2:.....

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Explanation:.....

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(e) Do you think Amelia's business would benefit from primary market research? Justify your answer.

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4 DCP makes a range of high quality industrial paints. It sells direct to 6 large business customers which are located in different countries. DCP charges a price of $0.35 per litre. It operates in a competitive market. The Operations manager has been looking at DCP's costs as shown in Table 2. He wants to increase profit but he does not want to buy cheaper materials.

Table 2: Output and cost information for DCP per week

Output (litres)	1 500 000
Total fixed costs ($)	350 000
Total material costs ($)	60 000
Total labour costs ($)	40 000

(a) Identify **two** functions of management.

Function 1:.....

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Function 2:.....

..... [2]

(b) Calculate DCP's average cost per litre.

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..... [2]

(c) Identify and explain **two** ways in which DCP might communicate with its customers.

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** possible reasons why quality is important to DCP.

Reason 1:.....

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Explanation:.....

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Reason 2:.....

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Explanation:.....

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(e) Do you think that charging a higher price is the best way for DCP to increase profit? Justify your answer.

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