Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

9256393365

BUSINESS STUDIES **7115/12**

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 **10** printed pages and **2** blank pages.

CAMBRIDGE
International Examinations

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[Turn over

1 APQ is a multinational company. It makes chemicals that are sold to farmers which help increase the amount of food produced. It plans to open a factory in country X, a developing country with low interest rates. The Finance Director said: 'This factory will create many external benefits. APQ is a public limited company which tries to act in an ethical way with all its stakeholder groups.' The new factory will cost $100m and there will be an opportunity cost for APQ. The Finance Director cannot decide which source of finance to use for the new factory.

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

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..... [2]

(b) Identify **two** possible external benefits that might result from the new factory.

Benefit 1:.....

.....

Benefit 2:.....

..... [2]

(c) Identify and explain **two** advantages to APQ of being a multinational company.

Advantage 1:.....

.....

Explanation:.....

.....

Advantage 2:.....

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Explanation:.....

..... [4]

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(d) Identify **two** stakeholder groups of APQ. Explain **how** APQ could act in an ethical way with each stakeholder group.

Stakeholder group 1:.....

Explanation:.....

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Stakeholder group 2:.....

Explanation:.....

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..... [6]

(e) Explain **two** suitable sources of finance that APQ could use for the new factory. Recommend which source of finance APQ should use. Justify your answer.

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..... [6]

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2 $LAND sells a wide range of products from food to toys. It has 400 shops in country B. $LAND's marketing strategy is based on penetration pricing. $LAND does no advertising and buys all its products directly from manufacturers. Revenue and profit have increased despite the country being in recession. The Marketing Director wants to expand the business by opening shops in other countries. He believes $LAND will be successful in other countries.

(a) What is meant by 'marketing strategy'?

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..... [2]

(b) What is meant by 'penetration pricing'?

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..... [2]

(c) Identify and explain **two** possible advantages to $LAND of advertising.

Advantage 1:.....

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Explanation:.....

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Advantage 2:.....

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Explanation:.....

..... [4]

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(d) Identify and explain **one** advantage and **one** disadvantage to $LAND of buying direct from manufacturers.

Advantage:.....

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Explanation:.....

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Disadvantage:.....

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Explanation:.....

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(e) Do you think that $LAND will be successful in other countries? Justify your answer.

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3 TKF makes furniture such as beds and tables using job production. TKF has 3 part-time office employees, 8 production workers and 1 manager who is expected to carry out quality control. As the factory is busy, most communication is by email. After a number of customer complaints, the manager thinks TKF has some communication barriers. He believes good internal communication can help TKF be more efficient. The manager is also worried about TKF's cash flow position.

Table 1: Cash flow forecast for TKF ($000)

	December	January	February
Cash in	35	20	29
Cash out	29	25	26
Net cash flow	6	(5)	3
Opening balance	(3)	3	(2)
Closing balance	3	(2)	1

Figures in brackets are negative.

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

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..... [2]

(b) What is meant by 'quality control'?

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.....

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..... [2]

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(c) Identify and explain **two** possible communication barriers for TKF.

Barrier 1:.....

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Explanation:.....

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Barrier 2:.....

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Explanation:.....

..... [4]

(d) Identify and explain **two** ways in which good internal communication can help TKF be more efficient.

Way 1:.....

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Explanation:.....

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Way 2:.....

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Explanation:.....

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..... [6]

(e) Do you think the manager is right to be worried about TKF's cash flow position? Justify your answer.

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4 Moeen and Ali plan to start up a small luxury hotel in the centre of a city in country R. They have a budget of $30 000 to pay for all costs. After researching different types of business organisation, as shown in Table 2, Moeen thinks the hotel should be a private limited company. If the business is to be successful, Ali knows choosing the right location will be important. He cannot decide whether to recruit full-time or part-time employees.

Table 2: Private sector business organisations in country R (millions)

Sole trader	3.0
Partnership	0.5
Private limited company	1.2
Other types of business organisation	0.3

(a) Identify **two** ways to measure the size of a business.

Way 1:.....

.....

Way 2:.....

..... [2]

(b) Calculate the percentage (%) of businesses in country R which are partnerships.

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..... [2]

(c) Identify and explain **two** advantages to Moeen and Ali of forming a private limited company.

Advantage 1:.....

.....

Explanation:.....

.....

Advantage 2:.....

.....

Explanation:.....

..... [4]

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(d) Identify and explain **two** factors that might influence Ali's choice of location for the business.

Factor 1:.....

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Explanation:.....

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Factor 2:.....

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Explanation:.....

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..... [6]

(e) Do you think it would be better for the business to use full-time or part-time employees? Justify your answer.

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