Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

1539660048

BUSINESS STUDIES **7115/21**

Paper 2 **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 Insert contains the case study.
The business described in this question paper is 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, **3** blank pages and **1** Insert.

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CAMBRIDGE
International Examinations

1 **(a)** P & P needs to be efficient. Identify and explain **four** methods P & P could use to motivate production workers.

Method 1: .....

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Explanation: .....

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Method 2: .....

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Explanation: .....

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Method 3: .....

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Explanation: .....

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Method 4: .....

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Explanation: .....

.....[8]

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(b) P & P has developed a new type of paint. Consider the following **three** factors that will affect the channel of distribution the company will use. Which factor will be the most important when deciding the best channel of distribution? Justify your answer.

Where customers are located: .....

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How often the product is purchased: .....

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Where competitors sell their products: .....

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Conclusion: .....

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.....[12]

2 **(a)** Identify and explain **two** reasons why P & P might respond to the pressure group and change what the company is doing.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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(b) P & P production results in external costs as outlined in Appendix 3. Consider the external costs and external benefits of the production of paint by P & P. Recommend whether the Government should take any action. Justify your answer.

External costs: .....

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External benefits: .....

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Recommendation: .....

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.....[12]

3 **(a)** P & P has decided to use batch production to produce the new paint. Identify and explain **two** factors which may have influenced this decision.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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(b) Consider the **two** options outlined in Appendix 2 for increasing the output of paint. Recommend which option the directors should choose. Use the cost data in Appendix 2 to help justify your answer.

Option A: .....

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Option B: .....

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Recommendation: .....

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.....[12]

4 **(a)** Identify and explain **two** reasons why added value is important to P & P.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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(b) P & P is planning to start selling its products in other countries by 2018. Consider each of the **three** following changes the company could make. Which one of these changes will be most helpful in selling products to other countries? Justify your answer.

Take over a retail business in one of the other countries: .....

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Change to a public limited company to raise additional capital: .....

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Form joint ventures in the other countries: .....

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Conclusion: .....

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