Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

6880054433

BUSINESS STUDIES **7115/11**

Paper 1 **October/November 2017**

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 Ella has just left college and wants to start up her own business. She has designed a new bicycle light with a safety feature not found in any rival products. Ella knows obtaining finance will be difficult. She plans to have the lights produced in another country. Each light will cost $8 to produce. Ella cannot decide whether to use price skimming. She said: 'I have received orders for 300 lights and I have not even started promoting them'. Ella wants to be a successful entrepreneur.

Table 1: Information on possible promotion options for Ella's bicycle light.

	Option 1: Set up her own website	Option 2: Advertise in specialist magazine
Cost information	$500 for web page to show product specifications and contact details	$300 for full page colour advertisement
Other information	For extra $750 website would allow customers to order online	One of the most popular cycling magazines in the country.

(a) Identify **two** characteristics of a successful entrepreneur.

Characteristic 1:.....

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Characteristic 2:.....

..... [2]

(b) Identify **two** possible reasons why Ella plans to produce the lights in another country.

Reason 1:.....

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Reason 2:.....

..... [2]

(c) Identify and explain **two** reasons why obtaining finance might be difficult for Ella's business.

Reason 1:.....

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Explanation:.....

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Reason 2:.....

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Explanation:.....

..... [4]

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(d) Identify and explain **one** advantage and **one** disadvantage to Ella of using price skimming.

Advantage:.....

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Explanation:.....

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Disadvantage:.....

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Explanation:.....

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(e) Recommend which promotion option Ella should choose. Justify your answer using the information in Table 1.

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2 NMBJ makes a range of cookies (biscuits) using batch production. Last year profit increased by $1.5 million. The directors think this is because of an increase in productivity and better management of working capital. NMBJ has a low level of inventory. NMBJ plans to increase the wages of all 300 employees by $50 per month from March. The Finance Director is worried: 'This decision will add $15 000 to wages each month. Many employees are leaving. Is paying higher wages the best way to improve motivation?'

Table 2: Cash flow forecast for the period January - March 2018 ($ 000)

	January	February	March
Cash inflow	560	520	600
Cash outflows:			
Wages	60	60	**X**
Other costs	500	480	520
Total cash outflows	560	540	595
Net cash flow	0	(20)	**Y**
Opening balance	5	**W**	(15)
Closing balance	5	(15)	**Z**

(a) What is meant by 'productivity'?

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..... [2]

(b) Identify **two** reasons why a business might need working capital.

Reason 1:.....

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Reason 2:.....

..... [2]

(c) Calculate the following values shown on the cash flow forecast.

W:.....

X:.....

Y:.....

Z:..... [4]

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(d) Identify and explain **one** advantage and **one** disadvantage to NMBJ of having a low level of inventory.

Advantage:.....

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Explanation:.....

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Disadvantage:.....

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Explanation:.....

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..... [6]

(e) Do you think paying higher wages is the best way for NMBJ to improve employee motivation? Justify your answer.

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3 GDC is a transport delivery business in country Z. It operates in a competitive market. GDC has 5000 employees and 1000 delivery vehicles. GDC's organisational structure has many levels of hierarchy with a long chain of command. The managers use an autocratic leadership style. Last year GDC delivered 2 billion parcels for businesses. The Managing Director said: 'Having a good reputation is important. We have also benefited from economies of scale'. GDC wants to expand its operations to another country, but cannot decide the best way to do this.

(a) What is meant by 'economies of scale'?

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..... [2]

(b) What is meant by 'autocratic leadership style'?

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..... [2]

(c) Identify and explain **one** advantage and **one** disadvantage of GDC's organisational structure.

Advantage:.....

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Explanation:.....

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Disadvantage:.....

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Explanation:.....

..... [4]

(d) Identify and explain **two** reasons why a good reputation might be important to GDC.

Reason 1:.....

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Explanation:.....

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Reason 2:.....

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Explanation:.....

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..... [6]

(e) Recommend the most suitable way for GDC to expand its business to another country. Justify your answer.

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4 CHONS is a public limited company. The directors want to open a new coal mine. All the coal will be exported. The Managing Director is hopeful that the Government will allow the coal mine to be opened. She said: 'CHONS always meets legal controls. In an area of high unemployment surely creating jobs is more important than protecting the environment. Most stakeholder groups including shareholders and suppliers are happy. CHONS will not be asking for any Government support.'

Table 3: Information about the proposed coal mine

Planned output	50m tonnes per year
Number of years coal mine will operate	60 years
Jobs created	10 000
Level of waste products causing pollution	High
Risk of traffic problems	High

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

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..... [2]

(b) Identify **two** ways (other than legal controls) that a government might use to influence business decisions.

Way 1:.....

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Way 2:.....

..... [2]

(c) Identify and explain **one** advantage and **one** disadvantage of CHONS being a public limited company.

Advantage:.....

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Explanation:.....

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Disadvantage:.....

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Explanation:.....

..... [4]

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(d) Identify and explain **two** ways in which legal controls might affect CHONS.

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 Government should allow CHONS to open the coal mine? Justify your answer using the information in Table 3.

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