Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

5509364994

BUSINESS STUDIES **7115/12**

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 FlyAway is an airline business. It is in the tertiary sector. It offers low-price flights for business customers in country J. Customers have to pay extra for luggage and food on the flight. It is a very competitive market. The Marketing manager knows that improving customer service is important. Bookings and advertising are done through FlyAway's ticket shops and its website. The Marketing manager cannot decide whether to close its ticket shops and use only e-commerce.

Table 1: Selected information about two of FlyAway's routes

Route	Average number of passengers per flight	Average price per ticket ($)	Break-even number of passengers per flight
1	85	80	70
2	110	60	90

(a) What is meant by 'tertiary sector'?

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..... [2]

(b) Calculate the revenue gained from an average flight on route 2.

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..... [2]

(c) Identify and explain **two** ways in which break-even information could help FlyAway.

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** ways in which FlyAway could improve customer service.

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 FlyAway should use **only** e-commerce? Justify your answer.

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2 CGM makes high quality shoes using job production. The production method makes use of specialisation. CGM operates in a niche market. CGM managers know that all business activity creates external costs, so they always try to act in ways that protect the environment. The Operations Director wants to increase profit. CGM could either buy cheaper raw materials or introduce new technology into the production process. The new technology would cost $30 000 and could reduce the number of employees from 30 to 26.

(a) Identify **two** advantages of specialisation.

Advantage 1:.....

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Advantage 2:.....

..... [2]

(b) What is meant by 'external cost'?

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..... [2]

(c) Identify and explain **two** ways in which CGM could try to protect the environment.

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 **one** advantage and **one** disadvantage to CGM of using job production.

Advantage:.....

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Explanation:.....

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Disadvantage:.....

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Explanation:.....

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

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3 Yanis owns a busy restaurant in the city centre. He employs 4 skilled chefs and 6 workers to serve in the restaurant. All employees are on part-time contracts. The chefs are paid a high hourly wage rate, but receive no bonuses. Yanis is worried that too many chefs leave. He is thinking of other ways in which he could motivate the chefs. Yanis wants to open another restaurant but is worried about problems linked to growth. He has prepared a balance sheet as part of his business plan. An extract is shown in Table 2. The current ratio was 1.2:1 in 2016.

Table 2: Extract from balance sheet as at 30 September 2017 ($000)

Non-current assets	160
Current assets	60
Current liabilities	40
Non-current liabilities	120

(a) Identify **two** main parts (other than finance) of a business plan.

Part 1:.....

Part 2:..... [2]

(b) What is meant by 'non-current assets'?

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..... [2]

(c) **(i)** Calculate the current ratio as at 30 September 2017.

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..... [2]

(ii) Explain what the two current ratio results show about Yanis's business.

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..... [2]

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(d) Identify **two** possible problems for Yanis if he expands his business. Explain what he might do to overcome each problem.

Problem 1:.....

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Explanation of how to overcome the problem:.....

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Problem 2:.....

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Explanation of how to overcome the problem:.....

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..... [6]

(e) Do you think Yanis should change the way he motivates his chefs? Justify your answer.

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4 VIS provides a range of insurance services including insurance for cars and electrical products. Last year retained profit decreased. The Managing Director blames higher taxation and also thinks that some markets have become more competitive. Customer complaints have also increased. The Managing Director plans to change the business organisational structure by removing both the regional directors and regional managers. She said: 'Shorter chains of command may help. I know some employees may need training.' She cannot decide on a suitable method of communication to inform employees about the changes to the organisational structure.

(a) Identify **two** reasons why markets can become more competitive.

Reason 1:.....

.....

Reason 2:.....

..... [2]

(b) Identify **two** methods of training that a business might use.

Method 1:.....

Method 2:..... [2]

(c) Identify and explain **two** ways in which higher taxation might affect VIS.

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** advantages to VIS of changing its organisational structure.

Advantage 1:.....

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Explanation:.....

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Advantage 2:.....

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Explanation:.....

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(e) Recommend the best method of communication VIS should use to inform employees about the changes to its organisational structure. Justify your answer.

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