Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

9298778331

BUSINESS STUDIES **7115/12**

Paper 1 **October/November 2018**

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 **11** printed pages and **1** blank page.

CAMBRIDGE
International Examinations

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[Turn over

1 M&R Motors has 2 car showrooms. It buys old cars and repairs them before selling them to its customers. M&R is always trying to increase added value. M&R plans to open another showroom. The owner said: 'Finding the right location is important. The new showroom will require a manager and I need to find someone with the right qualities.' The job will be advertised in the local newspaper as shown in Figure 1. The advertisement will cost $5 for one week.

Figure 1: Job advertisement M&R is planning to use for the new manager

CAR SHOWROOM MANAGER REQUIRED

- This successful business is expanding.
- The job involves managing the office and selling cars.
- You will be in charge of three workers who will repair the cars.
- Do you have the qualities we are looking for?
- We offer good pay and working conditions.

For more information apply to M&R Motors

(a) What is meant by 'added value'?

.....

.....

..... [2]

(b) Identify **two** qualities that M&R might look for in the new manager.

Quality 1: .....

Quality 2: ..... [2]

(c) Identify and explain **two** methods of selection M&R could use when choosing the new manager.

Method 1: .....

.....

Explanation: .....

.....

Method 2: .....

.....

Explanation: .....

..... [4]

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(d) Identify and explain **two** factors that M&R might consider when deciding on a location for the new showroom.

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 a newspaper is the best way for M&R to advertise the new job? Justify your answer.

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..... [6]

2 FTT is a social enterprise. It sells its high quality fair-trade coffee beans to retailers in country P. Being ethical is important to FTT. It provides local people with information about micro-finance and skills so they can then start growing beans for FTT to sell for them. FTT wants to start exporting coffee beans as its market research shows increasing demand for coffee in other countries. FTT's managers will have to decide on an appropriate pricing method to use when selling the coffee beans in other countries.

(a) What is meant by 'social enterprise'?

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..... [2]

(b) What is meant by 'micro-finance'?

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..... [2]

(c) Identify and explain **two** factors that might affect the accuracy of FTT's market research.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

..... [4]

(d) Identify and explain **two** ways in which being ethical might help FTT.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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..... [6]

(e) Recommend an appropriate pricing method for FTT to use if it starts selling in other countries. Justify your answer.

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3 TRB is a small business in the secondary sector. TRB assembles computers. All components, except for the battery and glass for the screen, are imported from other countries. 40% of its products are exported. Many of its competitors are relocating to low cost countries. TRB's Operations Director thinks the opportunities of globalisation may be greater than the threats for TRB. She is looking at ways to improve efficiency in the factory. One option is to introduce lean production methods.

(a) TRB is in the secondary sector. Identify the other **two** classifications of business sector activity.

Classification 1: .....

.....

Classification 2: .....

..... [2]

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

Way 1: .....

.....

Way 2: .....

..... [2]

(c) Identify and explain **two** methods of lean production that TRB might use.

Method 1: .....

.....

Explanation: .....

.....

Method 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **two** possible benefits to TRB of improving efficiency.

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 there are more opportunities than threats from globalisation for TRB? Justify your answer.

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4 Bakin Group (BG) is a limited company. It has 3 holiday parks that offer families holiday accommodation and activities. BG aims to look after its customers' needs 24 hours a day. Customers pay for the holidays when they arrive at the park. Each park has 3 managers and 40 part-time employees. BG uses a wide range of social media networks for promotion. The Finance Director is worried about BG's cash flow position. He cannot decide if an overdraft is the best way for BG to solve its cash flow problem.

Table 1: **Cash flow forecast for period January - March 2019 ($000)**

	January	February	March
Cash in	120	80	70
Cash out:			
Interest	10	10	10
Wages and other costs	100	90	90
Total cash outflow	110	100	100
Net cash flow	**X**	(20)	(30)
Opening balance	(40)	(30)	(50)
Closing balance	(30)	(50)	**Y**

(a) What is meant by 'limited company'?

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..... [2]

(b) Calculate the values of **X** and **Y**.

X: .....

Y: ..... [2]

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[Turn over

(c) Identify and explain **two** advantages to BG of having part-time employees.

Advantage 1: .....

.....

Explanation: .....

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Advantage 2: .....

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Explanation: .....

..... [4]

(d) Identify and explain **one** advantage and **one** disadvantage to BG of using social media networks for promotion.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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..... [6]

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(e) Do you think an overdraft is the best way for BG to solve its cash flow problem? Justify your answer.

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[Total: 80]

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