Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

CANDIDATE NAME	
CENTRE NUMBER	
CANDIDATE NUMBER	

7118954892

BUSINESS STUDIES **7115/11**

Paper 1 **October/November 2019**

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.

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1 BFF makes a range of computer screens that it sells to other manufacturers. The Managing Director has been looking at BFF's income statement. She is worried about the effects of an increase in the cost of materials. She said: 'Changes in technology have improved our production methods. BFF needs to remain competitive as imports of computer screens are increasing.' The Managing Director has to decide whether BFF should increase its prices.

(a) What is meant by 'income statement'?

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..... [2]

(b) Identify the effect of an increase in the cost of materials on each of the following:

Cost of sales: .....

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Gross profit: .....

..... [2]

(c) Identify and explain **two** ways in which BFF's managers could use information contained in the income statement.

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 changes in technology used in production could help BFF to remain competitive.

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 BFF should increase its prices? Justify your answer.

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2 WKN sells household goods such as plates and brushes. Last year sales in WKN's 200 shops increased but profit fell by 80% to $5m. WKN's Human Resources Director said: 'All retailers are finding this stage of the business cycle challenging. WKN has to reorganise the business. This will mean redundancy for 1800 shop workers. WKN plans to create 100 new jobs in the marketing department at head office to help maintain customer loyalty. The company is working with trade unions to carry out these changes.' WKN has to decide whether to select the candidates for the new jobs from the workers being made redundant.

(a) Identify **two** stages of the business cycle.

Stage 1: .....

.....

Stage 2: .....

..... [2]

(b) What is meant by 'redundancy'?

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..... [2]

(c) Identify and explain **two** ways a trade union could help WKN's employees.

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 WKN of maintaining customer loyalty.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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..... [6]

(e) Do you think WKN should select all the workers for the new jobs from those about to be made redundant? Justify your answer.

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3 Keila owns a successful small bakery shop. Keila would like to expand her business. She could open a café selling cakes and drinks in a popular tourist location. Keila plans to give out free samples as her main method of promotion. She has prepared some customer and cost information as shown in Table 1. Keila used primary market research to find out some of the information.

Table 1: Forecast customer and cost information for the new café

Average amount spent per customer	$4
Average number of customers per week	325
Variable costs per customer	$2
Fixed costs per week	$500

(a) What is meant by 'fixed costs'?

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..... [2]

(b) Calculate the forecast revenue per week for the new café.

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..... [2]

(c) Identify and explain **two** advantages to Keila's business of using free samples as a method of promotion.

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 Keila's business of using primary market research.

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 Keila should open the new café? Justify your answer using the information in Table 1.

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4 VXH produces a range of soft drinks made from fruit using batch production. VXH uses specialisation in its factory. The business has grown quickly over the last two years. VXH has increased the number of production workers from 40 to 80. This has increased the span of control for each manager. It has been difficult for VXH to keep workers motivated. The Human Resources Manager has to decide whether it is better to use job rotation or financial bonuses to improve employee motivation.

(a) What is meant by 'span of control'?

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..... [2]

(b) What is meant by 'uses specialisation'?

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..... [2]

(c) Identify and explain **two** possible reasons why VXH has grown quickly.

Reason 1: .....

.....

Explanation: .....

.....

Reason 2: .....

.....

Explanation: .....

..... [4]

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(d) Identify and explain **two** possible reasons why VXH uses batch production.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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..... [6]

(e) Do you think VXH should use job rotation or financial bonuses to increase employee motivation? Justify your answer.

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