Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

0713466311

BUSINESS STUDIES **7115/12**

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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[Turn over

1 GOP is an oil producer based in country X. It is a public corporation. GOP plans to build a 200km pipeline across the country using retained profits to pay for it. The pipeline will need planning permission from the Government. Environmental pressure groups are concerned. A spokesperson for GOP said: 'GOP's objectives are different to businesses in the private sector. This pipeline will create 2000 skilled construction jobs and reduce the need for other businesses to import oil.'

(a) What is meant by 'public corporation'?

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..... [2]

(b) Identify **two** economic objectives of country X's government.

Objective 1: .....

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Objective 2: .....

..... [2]

(c) Identify and explain **two** ways a pressure group might try to influence the actions of GOP.

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 the objectives of GOP might be different if it was in the private sector.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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(e) Do you think the Government should allow GOP to build the pipeline? Justify your answer.

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2 Samira owns a successful business selling takeaway fried food. She employs 2 part-time workers. Last year revenue fell for the first time in 10 years. This was because of increased competition from a well-known franchise. To respond to this, Samira could lower her prices, as shown in Table 1. Another option is to start a delivery service. Samira plans to do some market research. She has to decide whether to use secondary research or set up a focus group with some of her customers.

Table 1: Price and variable cost information for Samira's business

	Current price	New price
Average price per item	$4	$3
Average variable cost per item	$2	$2
Forecast average number of customers per week	200	300

(a) What is meant by 'franchise'?

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(b) Calculate Samira's forecast weekly revenue if she lowered the price of her products.

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(c) Identify and explain **two** reasons why revenue is important for Samira'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 **two** factors Samira should consider before starting a delivery service.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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(e) Do you think Samira should use secondary research or a focus group to gather market research information? Justify your answer.

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3 LBM is an online fashion clothing retailer. LBM's target market is 18-35 year olds. Last year revenue increased by 25% to $600m. The Marketing Director said: 'All businesses have to satisfy customer needs. Customer service is important which is why all employees receive induction training. LBM offers customers a wider range of products than its competitors. Promotion is through social media networks. Is there any reason to open our own shops?' LBM plans to add 3500 new styles each week and will need to arrange finance for the additional inventory.

(a) What is meant by 'induction training'?

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..... [2]

(b) Identify **two** reasons why it is important for LBM to satisfy customer needs.

Reason 1: .....

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Reason 2: .....

..... [2]

(c) Identify and explain **two** problems for LBM of having a wide range of products available to customers.

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

..... [4]

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(d) Identify and explain **one** advantage and **one** disadvantage to LBM of opening its own shops.

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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(e) Explain **two** suitable sources of finance that LBM could use to purchase additional inventory. Recommend which source of finance LBM should use. Justify your answer.

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4 NBV is a multinational company. It makes building products such as bricks. Last year NBV's financial accounts showed capital employed as $144 billion**.** NBV has operations in 18 countries and a total workforce of 400 000. NBV experiences some diseconomies of scale. All raw materials are purchased from the countries it operates in to avoid problems with exchange rates. NBV plans to open a factory in Country B for the first time. Some people think this decision will only bring drawbacks for other businesses in country B.

(a) What is meant by 'exchange rate'?

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..... [2]

(b) What is meant by 'capital employed'?

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(c) Identify and explain **two** ways NBV's managers could use its financial accounts to help make decisions.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

..... [4]

(d) Identify and explain **two** diseconomies of scale that NBV might experience.

Diseconomy of scale 1: .....

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Explanation: .....

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Diseconomy of scale 2: .....

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Explanation: .....

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(e) Do you think NBV's decision to set up a factory will only bring drawbacks to other businesses in country B? Justify your answer.

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