Cambridge Assessment International Education

Cambridge O Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

1914987266

BUSINESS STUDIES **7115/11**

Paper 1 Short Answer and Data Response **October/November 2020**

1 hour 30 minutes

You must answer on the question paper.

No additional materials are needed.

INSTRUCTIONS

- Answer **all** questions.
- Use a black or dark blue pen. You may use an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

INFORMATION

- The total mark for this paper is 80.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **12** pages. Blank pages are indicated.

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[Turn over

1 SRB is a bank which provides loans to business customers. SRB plans to make 100 managers' jobs redundant from its 80 branches. This would remove one level of hierarchy. This is part of its plan to save $1m in costs over the next 2 years. The Managing Director said: 'SRB is working with the trade union about this plan. SRB will make more use of delegation.The bank has to respond to increased competition from online banks. SRB could either advertise more or develop new products and services.'

(a) Define 'trade union'.

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(b) Define 'level of hierarchy'.

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(c) Outline **two** advantages of SRB using delegation.

Advantage 1:.....

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Advantage 2:.....

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(d) Explain **two** factors SRB should consider when deciding which managers to make redundant.

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 that more advertising is a better way for a business to respond to increased competition than introducing new products and services? Justify your answer.

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2 YMG is a private limited company. It is the largest manufacturer of soft drinks in country V. YMG produces 1 billion litres a year using flow production. The Managing Director wants YMG to expand. He said: 'I plan to increase production to 3 billion litres over the next 5 years. This will allow us to start selling our products in new markets in other countries. I know import quotas and lack of local knowledge can cause problems but there are ways we can overcome them.' The Managing Director also plans to invest $60m in new technology to improve efficiency.

(a) Define 'flow production'.

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..... [2]

(b) Identify **two** methods (other than technology) a business can use to improve efficiency.

Method 1:.....

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Method 2:.....

..... [2]

(c) Outline **two** sources of finance YMG could use for the new technology.

Source of finance 1:.....

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Source of finance 2:.....

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(d) Explain how each of the following problems might affect YMG when entering new markets in other countries.

Problem caused by lack of local knowledge: .....

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Explanation: .....

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Problem caused by import quotas: .....

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Explanation: .....

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(e) Do you think a joint venture is the best way for a business to enter a new market in another country? Justify your answer.

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3 Elton is a sole trader. He sells specialist clothing and equipment for sports, including baseball and hockey. It is a niche market. Elton started his business 5 years ago and it has remained small. A wide range of inventory is important. Elton has been looking at the financial performance of his business. The profit margin for 2018 was 35%. An extract of the accounts is shown in Table 3.1.

Table 3.1

Revenue and cost information for Elton's business for 2018 and 2019 ($)		
	2018	**2019**
Revenue ($)	24 000	25 000
Cost of sales ($)	7 200	**Y**
Gross profit ($)	16 800	18 000
Expenses ($)	8 400	10 000
Profit ($)	**X**	8 000

(a) Define 'sole trader'.

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(b) Calculate **X** and **Y**.

X: .....

Y: ..... [2]

(c) State **four** factors that can influence the amount of inventory a business might hold.

Factor 1: .....

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Factor 2: .....

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Factor 3: .....

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Factor 4: .....

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(d) Explain **one** advantage and **one** disadvantage to Elton of operating in a niche market.

Advantage:.....

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Explanation: .....

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Disadvantage:.....

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Explanation: .....

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(e) Do you think Elton should be pleased with the financial performance of his business? Justify your answer using appropriate ratios.

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4 KTF makes building materials, including cement and bricks. Last year KTF had sales of $25bn. KTF's objectives have often changed since it was started 60 years ago. The Managing Director wants KTF to expand. KTF is going to take over one of its main competitors. The newly expanded business will have combined sales of $40bn. The Managing Director said: 'Many stakeholder groups will be affected by this decision.' She knows there are many external factors that affect business activity including the business cycle, interest rates and legal controls to protect the environment.

(a) Define 'business cycle'.

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(b) Identify **two** reasons why a business might change its objectives.

Reason 1:.....

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Reason 2:.....

..... [2]

(c) Outline **one** advantage and **one** disadvantage to KTF of taking over the other business.

Advantage:.....

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Disadvantage:.....

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..... [4]

(d) Explain how **two** external stakeholder groups might be affected by the take over.

Stakeholder group 1:.....

Explanation: .....

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Stakeholder group 2:.....

Explanation:.....

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(e) Do you think businesses will be more affected by new legal controls to protect the environment than an increase in interest rates? Justify your answer.

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