Cambridge Assessment International Education

Cambridge O Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

3750749261

BUSINESS STUDIES **7115/12**

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 Kolo owns a successful hairdressing salon in the city centre. He has 4 part-time employees. The business has made a profit in each of the last 3 years. Kolo wants to expand by opening another hairdressing salon to take advantage of the economic boom. He plans to recruit a manager for the second salon using external recruitment. Kolo has identified 2 possible candidates for the position. Information about them is shown in Table 1.1.

Table 1.1

Extract from Kolo's information on the two candidates		
	Candidate 1	**Candidate 2**
Experience:	5 years experience	20 years experience
Qualifications:	Advanced hairdressing certificate	Basic hairdressing certificate
Other information:	Never managed a salon	Uses autocratic leadership style

(a) Identify **two** features of an economic boom.

Feature 1:.....

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Feature 2:.....

..... [2]

(b) Identify **two** stages of the recruitment process.

Stage 1:.....

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Stage 2:.....

..... [2]

(c) Outline **two** possible advantages to Kolo of recruiting a manager.

Advantage 1:.....

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Advantage 2:.....

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..... [4]

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(d) Explain **two** reasons why choosing the right location for the new salon is important for Kolo.

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 experience is the most important factor for a business to consider when recruiting a new manager? Justify your answer.

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..... [6]

2 DSY is a private limited company. It produces washing machines and cleaning equipment. The Managing Director wants DSY to expand into a different market. He plans to spend $2bn on developing electric cars. There is a lot of competition in the electric car market. This market is growing rapidly. A leading pressure group has identified the environmental problems of non-electric cars. The Managing Director knows that important decisions about the method of production and the new car's brand image still have to be made.

(a) Define 'pressure group'.

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..... [2]

(b) Define 'brand image'.

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..... [2]

(c) Outline **two** advantages to DSY of being a private limited company.

Advantage 1:.....

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Advantage 2:.....

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..... [4]

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(d) Explain **two** factors DSY should consider when deciding on a suitable method of production for the new product.

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 entering a growing market where there is a lot of competition is the best way for a business to expand? Justify your answer.

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3 Veronique is bored with her work in a large factory. As a creative person, she would like to leave and start up a flower shop. Veronique has asked about micro-finance and prepared a cash flow forecast. An extract is shown in Table 3.1. Veronique has also carried out some market research and found out that the demand for flowers is likely to be high during festivals. She thinks she has the right characteristics to be a successful entrepreneur.

Table 3.1

Extract from the cash flow forecast for Veronique's flower shop for the first 3 months ($)			
	Month 1	Month 2	Month 3
Cash in	500	1 200	2 000
Cash out	1 500	1 400	1 200
Net cash flow	(1 000)	(200)	800
Opening balance	0	(1 000)	(1 200)
Closing balance	(1 000)	(1 200)	(400)

(a) Define 'micro-finance'.

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.....

..... [2]

(b) Veronique now thinks that the cash inflow in month 3 will be $1 500.

Calculate the:

New net cash flow in month 3:.....

New closing balance in month 3: ..... [2]

(c) State **four** reasons why a business might have cash flow problems.

Reason 1:.....

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Reason 2: .....

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Reason 3:.....

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Reason 4: .....

..... [4]

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(d) Explain **one** method of primary market research and **one** method of secondary market research Veronique could have used.

Method of primary market research:.....

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Explanation: .....

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Method of secondary market research:.....:

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Explanation: .....

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..... [6]

(e) Do you think being creative is the most important characteristic of being a successful entrepreneur? Justify your answer.

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4 Gino owns a fast-food restaurant selling fried chicken and potato fries. He employs 5 full-time chefs and 12 part-time workers to serve the food. Communication is important and Gino has regular meetings with his part-time employees to keep them informed about any changes in the menu. It took 3 years before Gino's business was able to break-even. He aims to achieve a Return on Capital Employed (ROCE) of 10%. Gino is always looking for ways to increase the number of customers. Inflation may be a problem for Gino's business.

(a) Define 'break-even'.

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..... [2]

(b) Define 'Return on Capital Employed'.

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..... [2]

(c) Outline **two** problems inflation might cause Gino's business.

Problem 1:.....

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Problem 2:.....

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..... [4]

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(d) Explain **two** ways Gino could increase the number of customers.

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 having regular meetings is a better way for a business to communicate with part-time employees than using text messages? Justify your answer.

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