Cambridge Assessment International Education

Cambridge O Level

CANDIDATE NAME									
CENTRE NUMBER						CANDIDATE NUMBER				

4411616403

BUSINESS STUDIES **7115/12**

Paper 1 Short Answer and Data Response **October/November 2022**

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. Any blank pages are indicated.

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[Turn over

1 EQR owns 150 cafes. It sells a range of drinks including coffee. Being ethical is important to EQR. The Managing Director has been analysing EQR's statement of financial position. The business has the objective to increase its 6% market share. The Managing Director plans to grow the business by selling franchises for $85 000. She is also considering ways to increase added value.

(a) Define 'market share'.

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..... [2]

(b) Define 'statement of financial position'.

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..... [2]

(c) Outline **two** ways EQR could increase added value.

Way 1: .....

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Way 2: .....

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..... [4]

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(d) Explain **two** advantages to EQR of selling franchises as a way to grow its business.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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(e) Do you think a business being ethical will always lead to lower profits? Justify your answer.

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2 Kemala makes high-quality beauty products. Demand for her best-selling hand cream is price inelastic. She advertises her products in specialist beauty magazines. Kemala is analysing her income statement. An extract is shown in Table 2.1. She said: 'When I started my business, I did not understand why cash is important'.

Table 2.1

Extract from Kemala's income statement 2021 ($000)	
Revenue	480
Gross profit	192
Profit for the year	72

(a) Define 'revenue'.

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..... [2]

(b) Calculate Kemala's profit margin. Show your working.

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..... [2]

(c) Outline **two** reasons why cash is important for Kemala's business.

Reason 1: .....

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Reason 2: .....

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(d) Explain **two** possible reasons why demand for Kemala's best-selling product is price inelastic.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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(e) Do you think advertising in specialist magazines is the best way for a business to promote high-quality products? Justify your answer.

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3 DBG is a construction company. It builds hospitals, roads and schools. DBG has 2000 employees. Managers use a democratic leadership style. They know effective internal communication is important. DBG plans to change its organisational structure.This will lead to some employees being made redundant. The Managing Director has to decide how changes in government spending might affect business activity.

(a) Identify **two** reasons why effective internal communication is important for a business.

Reason 1: .....

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Reason 2: .....

..... [2]

(b) Define 'organisational structure'.

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..... [2]

(c) State **four** factors a business should consider when deciding which employees to make redundant.

Factor 1: .....

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Factor 2: .....

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Factor 3: .....

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Factor 4: .....

..... [4]

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(d) Explain **two** advantages to DBG of its managers using a democratic leadership style.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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(e) Do you think all businesses benefit from an increase in government spending? Justify your answer.

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4 TYA is a limited company which manufactures 300 000 cars a year. It has 600 employees. TYA has high fixed costs. The Managing Director wants to improve efficiency in the factory. He said: 'Globalisation is changing how businesses operate. Many manufacturing businesses are considering whether to relocate their operations to other countries.'

(a) Define 'globalisation'.

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..... [2]

(b) Identify **two** examples of fixed costs.

Example 1: .....

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Example 2: .....

..... [2]

(c) Outline, with reference to TYA, the difference between a limited company and an unincorporated business.

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(d) Explain **two** methods TYA could use to increase efficiency.

Method 1: .....

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Explanation: .....

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Method 2: .....

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Explanation: .....

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(e) Do you think legal controls are the most important factor for a manufacturing business to consider when deciding which country to locate its operations in? Justify your answer.

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