



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

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**BUSINESS STUDIES**

**7115/12**

Paper 1

**October/November 2010**

**1 hour 45 minutes**

Candidates answer on the Question Paper.  
No Additional Materials are required.

**READ THESE INSTRUCTIONS FIRST**

Write your Centre number, candidate number and name on all the work you hand in.  
Write in dark blue or black pen.  
Do not use staples, paper clips, highlighters, 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.

| For Examiner's Use |  |
|--------------------|--|
| 1                  |  |
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| <b>Total</b>       |  |

This document consists of **11** printed pages and **1** blank page.



1 Mike is a sole trader. He owns a shop selling fruit and vegetables. 'I am always looking for ways of increasing my profits' he said, 'but it is hard to compete against big supermarket shops. I have low profit margins on most of my goods so I cannot cut prices any more.' The business also has an overdraft with the bank.

(a) Identify **two** variable costs of Mike's business.

Variable cost 1: .....  
.....

Variable cost 2: .....  
..... [2]

(b) What is meant by a 'low profit margin'?

.....  
.....  
..... [2]

(c) Identify and explain **two** advantages to Mike of using a bank overdraft.

Advantage 1: .....

Explanation: .....  
.....

Advantage 2: .....

Explanation: .....  
..... [4]

(d) Identify and explain **three** methods that Mike could use to compete against larger competitors.

Method 1: .....

Explanation: .....

.....

.....

Method 2: .....

Explanation: .....

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Method 3: .....

Explanation: .....

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..... [6]

(e) Do you think Mike should take on a business partner? Justify your answer.

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2 Imogen is a Human Resources manager in a chain of hotels. Recruiting and retaining employees is a major part of her job. 'Recruiting staff is easy but keeping them is much harder' she said. The employees are paid a wage plus a bonus but wages are low. All employees are given an employment contract when they join the company.

(a) Identify **two** items that are in an employment contract.

Item 1: .....  
.....

Item 2: .....  
..... [2]

(b) What is meant by a 'bonus'?

.....  
.....  
.....  
..... [2]

(c) Identify and explain **two** possible reasons why wage levels are low in this business.

Reason 1: .....

Explanation: .....  
.....  
.....

Reason 2: .....

Explanation: .....  
.....  
..... [4]

- (d) Other than paying higher wages, identify and explain **three** methods that Imogen could use to help keep staff.

Method 1: .....

Explanation: .....

.....

.....

Method 2: .....

Explanation: .....

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Method 3: .....

Explanation: .....

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.....[6]

- (e) Do you think that it is always important for a business to reduce the number of employees leaving each year? Justify your answer.

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- 3 Manfred is the Finance Director of a large public limited company BTX. After looking at the data in Table 1, Manfred was worried that BTX might be facing problems.

**Table 1: Selected Financial Data for BTX (\$'000s)**

|                  | 2008 | 2009 |
|------------------|------|------|
| Sales            | 1200 | 800  |
| Net profit       | 200  | 100  |
| Capital employed | 1000 | 400  |
| Dividends        | 150  | 20   |

The current ratio was 1.2 in 2008 and 1.5 in 2009.

- (a) What is meant by 'dividends'?

.....  
.....  
.....  
..... [2]

- (b) Calculate the return on capital employed (ROCE) in 2009.

.....  
..... [2]

- (c) Explain how ROCE can be used to assess the performance of a company.

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
..... [4]

(d) Identify and explain **three** ways by which the company can improve its net profits.

Way 1: .....

Explanation: .....

.....

.....

Way 2: .....

Explanation: .....

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.....

Way 3: .....

Explanation: .....

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..... [6]

(e) Do you think that the management of BTX should be worried about the performance of the company in 2009? Justify your answer.

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4 Gorgeous Chocs is a manufacturer of high quality chocolates. The company spends a lot of money on marketing but the management knows that it is important that such spending is cost effective. The company accountant has just introduced new financial budgets for each department.

(a) What is meant by 'cost effective'?

.....  
.....  
.....  
..... [2]

(b) What is meant by a 'financial budget'?

.....  
.....  
.....  
..... [2]

(c) Identify and explain **two** factors that Gorgeous Chocs needs to consider in designing the packaging for its products.

Factor 1: .....

Explanation: .....

.....  
.....

Factor 2: .....

Explanation: .....

.....  
..... [4]



(d) Identify and explain **three** factors that Gorgeous Chocs should consider when advertising its products.

Factor 1: .....

Explanation: .....

.....

.....

Factor 2: .....

Explanation: .....

.....

.....

Factor 3: .....

Explanation: .....

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.....[6]

(e) Do you think that the prices charged by Gorgeous Chocs for its products are important in determining the success of these products? Justify your answer.

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.....[6]

5 ATC is a large exporting company with many offices throughout the world. The senior managers know that effective communication is vital in such a large business. Recently the management held a meeting to consider ways of improving communication in the business. Discussion focused on the problems of one-way communication and the importance of feedback.

(a) What is meant by 'one-way communication'?

.....  
.....  
.....  
.....[2]

(b) Identify **two** benefits of the telephone as a means of communication.

Benefit 1: .....  
.....  
Benefit 2: .....  
.....[2]

(c) Identify and explain **two** benefits to the management of receiving feedback from employees.

Benefit 1: .....  
Explanation: .....  
.....  
.....  
Benefit 2: .....  
Explanation: .....  
.....  
.....[4]

(d) ATC invests heavily in new technology in its business. Identify and explain **three** benefits that ATC may gain from this investment in new technology.

Benefit 1: .....

Explanation: .....

.....

.....

Benefit 2: .....

Explanation: .....

.....

.....

Benefit 3: .....

Explanation: .....

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..... [6]

(e) As a large employer of people, ATC knows that it must follow all the laws that affect people at work. Do you think that such laws benefit both ATC and its staff? Justify your answer.

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