

Candidate Name \_\_\_\_\_

Centre Number	Candidate Number

**CAMBRIDGE INTERNATIONAL EXAMINATIONS**  
**Joint Examination for the School Certificate**  
**and General Certificate of Education Ordinary Level**

**BUSINESS STUDIES**  
**PAPER 1**

**7115/1**

**OCTOBER/NOVEMBER SESSION 2002**

1 hour 45 minutes

Candidates answer on the question paper.  
No additional materials are required.

**TIME** 1 hour 45 minutes

**INSTRUCTIONS TO CANDIDATES**

Write your name, Centre number and candidate number in the spaces at the top of this page.

Answer **all** questions.

Write your answers in the spaces provided on the question paper.

**INFORMATION FOR CANDIDATES**

The number of marks is given in brackets [ ] at the end of each question or part question.

The businesses mentioned in the questions are entirely fictitious.

FOR EXAMINER'S USE	
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2	
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5	
<b>TOTAL</b>	

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



1 (a) Give an example of a business activity that would be classified as:

(i) a primary activity,

.....[1]

(ii) a secondary activity.

.....[1]

(b) Identify and explain **two** advantages of a partnership form of business organisation compared to a sole trader.

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(c) What is meant by the term limited liability?

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(d) (i) Explain the purpose of the Annual General Meetings held by Public Limited Companies (plc).

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- (ii)** Public Limited Companies have to publish their annual financial accounts. What can be learned from the analysis of such accounts?

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- (e)** Explain why profits are important to businesses in the private sector.

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2 (a) How could a sports shoe manufacturer segment its market?

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(b) (i) Define the term advertising.

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(ii) Explain why some advertising might not be cost effective.

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(c) The management of a hotel aims to increase the number of business guests using the hotel. Giving your reasons, suggest where you think they should advertise their hotel.

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(d) "The only way to compete with rival businesses is to charge lower prices." Do you agree with this statement?

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(e) State **three** functions that packaging performs.

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- 3 (a) Give **three** examples of current assets found on a balance sheet.

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- (b) Explain the difference between profit and revenue.

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(c) Company	A		B
		(\$000's)	
Profit	10		5
Capital	50		20
Sales	100		60

Using profitability ratios explain which company in your view has the better performance.

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(d) Using an example explain the concept of economies of scale.

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(e) Under what circumstances might a business sell a product for less than its unit cost?

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4 X and Y are two car manufacturing companies. The wage rates in X are 25% higher than in Y.

(a) Why might these companies be paying different wage rates?

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(b) Should a business pay its workers the lowest wage possible? Justify your answer.

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(c) Sometimes a business will give fringe benefits to their employees.

(i) Give **two** examples of fringe benefits.

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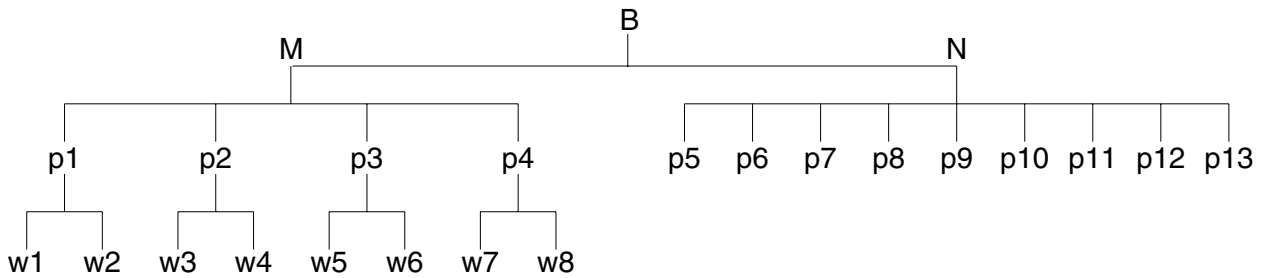


(ii) Why might businesses give such benefits?

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(d) Fig. 1 shows a simplified organisational chart for a company.

Fig. 1



(i) Identify the span of control of manager M.

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(ii) What advantages and disadvantages can a wide span of control cause manager N?

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