

Centre Number	Candidate Number	Name
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CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

BUSINESS STUDIES

7115/01

Paper 1

May/June 2003

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 in the spaces provided on the Question Paper.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

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.

The businesses described in this question paper are entirely fictitious.

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

For Examiner's Use	
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TOTAL	

This document consists of **13** printed pages and **3** blank pages.



1 (a) When someone sets up their own business for the first time they often decide to operate as a sole trader.

(i) State and explain **two** features of a sole trader business.

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(ii) Give **three** reasons why people may set up their own business.

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2 Gurinder Singh runs a small business that manufactures office furniture. His best selling products are office desks and chairs. Sales turnover has risen but profits have stayed constant. The business is also experiencing cash flow problems.

(a) Explain **two** reasons why Gurinder’s profit might have stayed the same despite sales turnover increasing.

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(b) Identify and explain **two** possible causes of his cash flow problem.

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(c) Gurinder's accounts show that the business owns both fixed assets and current assets. Give an example of a:

(i) fixed asset

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(ii) current asset.

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(d) Gurinder helps to finance his business activities by borrowing from a bank. His business has a secured loan.

What are the disadvantages to a business of using bank loans to finance their activities?

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(e) The success of a business can be assessed by looking at its final accounts. Explain how this can be done.

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3 (a) Fig. 1 shows the wage system in company B.

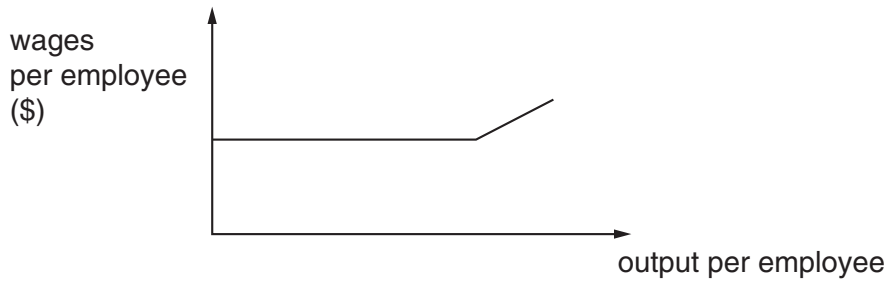


Fig. 1

(i) Describe how the wage system shown in Fig. 1 operates.

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(ii) Is the wage system used by company B a good way of motivating staff? Explain your answer.

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- 4 (a) (i) Draw an organisational chart in the space below that might be appropriate for a large manufacturing business that operates and sells in many countries.

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- (ii) Use your chart to help explain:

(A) span of control

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(B) chain of command.

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5 (a) A fruit retailer buys his stock from a market wholesaler.

(i) State and explain **two** factors that the fruit retailer should consider before deciding the prices to charge his customers.

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(ii) Apart from advertising, suggest a promotion method that the fruit retailer could use to increase sales. Justify your answer.

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(b) The retailer knows that advertising should help to increase his sales.

(i) Explain why advertising can increase sales.

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