

Location Entry Codes

As part of CIE's continual commitment to maintaining best practice in assessment, CIE uses different variants of some question papers for our most popular assessments with large and widespread candidature. The question papers are closely related and the relationships between them have been thoroughly established using our assessment expertise. All versions of the paper give assessment of equal standard.

The content assessed by the examination papers and the type of questions is unchanged.

This change means that for this component there are now two variant Question Papers, Mark Schemes and Principal Examiner's Reports where previously there was only one. For any individual country, it is intended that only one variant is used. This document contains both variants which will give all Centres access to even more past examination material than is usually the case.

The diagram shows the relationship between the Question Papers, Mark Schemes and Principal Examiners' Reports that are available.

Question Paper	Mark Scheme	Principal Examiner's Report
Introduction	Introduction	Introduction
First variant Question Paper	First variant Mark Scheme	First variant Principal Examiner's Report
Second variant Question Paper	Second variant Mark Scheme	Second variant Principal Examiner's Report

Who can I contact for further information on these changes?

Please direct any questions about this to CIE's Customer Services team at:

international@cie.org.uk

The titles for the variant items should correspond with the table above, so that at the top of the first page of the relevant part of the document and on the header, it has the words:

- First variant Question Paper / Mark Scheme / Principal Examiner's Report

or

- Second variant Question Paper / Mark Scheme / Principal Examiner's Report

as appropriate.



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

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BUSINESS STUDIES

7115/11

Paper 1

May/June 2008

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.

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



- 1 Lloyd Samuel owns a meat wholesale business. He buys his supplies from local farmers and sells to private customers and retail shops. He pays for his supplies when they are delivered but sells to the retailers on one month's credit. Table 1 is an incomplete cash flow forecast for the last three months of 2008.

Table 1: Cash flow forecast (\$000's)

	Oct.	Nov.	Dec.
Opening balance	5	?	10
Cash In			
Cash from sales to private customers	8	8	13
Cash from debtors	10	11	11
Cash Out			
Purchases	5	9	19
Wages	6	6	6
Overheads	3	3	3
Monthly Net Cash Flow	4	1	?
Closing Balance	9	?	6

(a) Calculate the following values:

- (i) Opening balance in November: [1]
- (ii) Closing balance in November: [1]
- (iii) Monthly net cash flow in December: [1]

(b) Explain **one** reason why Lloyd gives credit terms to the retail shops.

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(c) Why might a cash flow forecast be of use to Lloyd in managing his business?

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(d) Lloyd needs to raise capital to expand his business. He is thinking of forming a business partnership with a friend.

(i) Identify and explain **two** advantages of forming a business partnership.

Advantage 1:

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Advantage 2:

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(ii) Explain **one** problem Lloyd might face in having a business partner.

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(iii) Apart from forming a partnership, explain **one other** source of finance that Lloyd might use to expand his business.

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2 Rose Tuilagi had always wanted to run her own business. She decided to open a Thai restaurant. She knew that competition in the catering industry was strong and that her profit margins might be low. However she believed that her business could make high profits.

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

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(ii) How could her business make high profits if profit margins were low?

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(b) Outline **three** factors that Rose should consider when deciding where to locate her new restaurant.

Factor 1:
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Factor 2:
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Factor 3:
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(c) In order to increase sales, Rose thought it would be a good idea to sponsor the shirts of her local football team.

(i) Why might such sponsorship help increase sales?

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(ii) A friend suggested that she might use other forms of promotion instead. State and explain **two** other types of promotion that you think would be appropriate for Rose to use. Justify your suggestions.

Promotion type 1:

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Promotion type 2:

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- 3 'Managing a large company is not easy' said Neelie Kroner, Chief Executive of Kruger Enterprises, a major electronics manufacturing business. 'There is never just one way to organise a business, just different ways.' He made these remarks to Joshua, his deputy at Kruger Enterprises. Mr Kroner was looking at the organisational charts of two of his competitors [A and B] shown in Fig. 1.

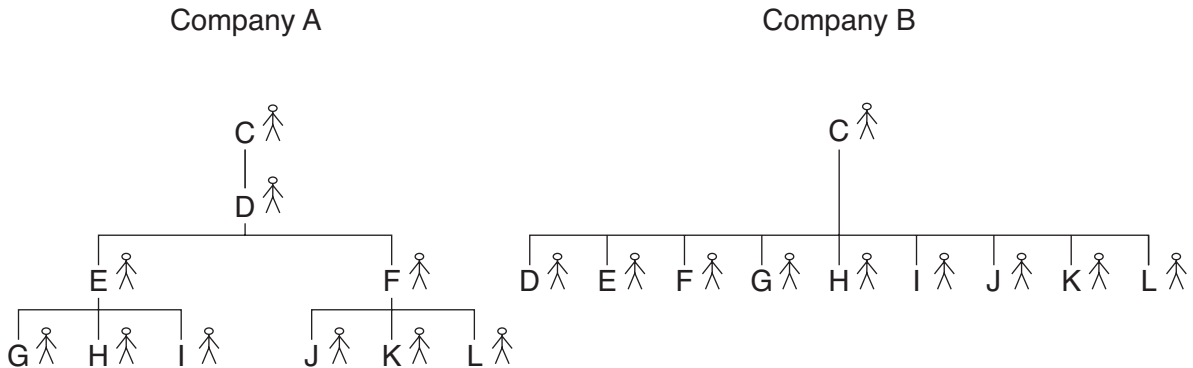


Fig. 1

- (a) Identify and explain **two** differences in the way that these two companies are organised.

Difference 1:

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Difference 2:

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.....[4]

As a large Public Limited Company, Kruger Enterprises needs to communicate effectively both internally and externally.

- (b) How do Public Limited Companies communicate with their shareholders?

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(c) (i) What is meant by 'internal communication'?

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(ii) Why does good internal communication help business efficiency?

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(d) The management of Kruger Enterprises believes that their business would benefit from taking over company A. Do you think that this would be a good idea for Kruger Enterprises? Explain your answer.

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5 Kim Chan has recently been on a management training course. He has learnt that 'work helps to satisfy human needs'. Kim went back to his father's business and told his father, Wu, all about the course. His father laughed and said 'Nonsense, money satisfies human needs. People only work to earn money'.

(a) (i) Explain what is meant by 'work helps to satisfy human needs'.

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.....[4]

(ii) Do you think that Kim's father is correct in stating that people only work for money? Explain your answer.

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.....[4]

Wu Chan has recently reduced the number of employees in his business by 40%. Despite this, sales and output have not fallen.

(b) (i) How can the output in Mr Chan's company stay the same if the number of employees has fallen by 40%?

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BUSINESS STUDIES

7115/12

Paper 1

May/June 2008

1 hour 45 minutes

Candidates answer on the Question Paper.

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- 1 Table 1 shows the incomplete balance sheet for Goldright, a large jewellery manufacturer which is a private limited company.

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Table 1
Goldright
as at April 30 2008
\$000's

Fixed Assets	
Buildings	150
Machinery	100
	250
Current Assets	
Stock	?
Debtors	85
Cash	10
	140
less	
Current Liabilities	
Creditors	60
Bank overdraft	0
	60
Net Current Assets	?
Net Assets	330
Financed by	
Shareholders Funds	200
Long term Liabilities	?
Capital Employed	330

- (a) Calculate the value of the following as at 30th April 2008.

(i) Stock

(ii) Net Current Assets

(iii) Long term Liabilities [3]

- (b) Explain **one** reason why Goldright might make use of creditors.

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 [3]

(c) What use is a balance sheet to any **two** of the stakeholders in Goldright?

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[4]

(d) When would Goldright find it better to use a bank loan than an overdraft to finance its activities? Explain your answer.

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[4]

(e) The accounts of Goldright showed that the business paid dividends of \$40 000.

(i) Explain what is meant by 'dividends'.

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[2]

(ii) Do you think that companies should declare high dividends? Explain your answer.

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[4]

2 Rose Tuilagi had always wanted to run her own business. She decided to open a Thai restaurant. She knew that competition in the catering industry was strong and that her profit margins might be low. However she believed that her business could make high profits.

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

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..... [2]

(ii) How could her business make high profits if profit margins were low?

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(b) Outline **three** factors that Rose should consider when deciding where to locate her new restaurant.

Factor 1:
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Factor 2:
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Factor 3:
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..... [6]

(c) In order to increase sales, Rose thought it would be a good idea to sponsor the shirts of her local football team.

(i) Why might such sponsorship help increase sales?

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(ii) A friend suggested that she might use other forms of promotion instead. State and explain **two** other types of promotion that you think would be appropriate for Rose to use. Justify your suggestions.

Promotion type 1:
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Promotion type 2:
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3 Fig. 1 and Fig. 2 show an outline of the organisational charts of two large multinational companies A and B. (The letters M.D. mean 'Managing Director'.)

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Fig. 1

Company A

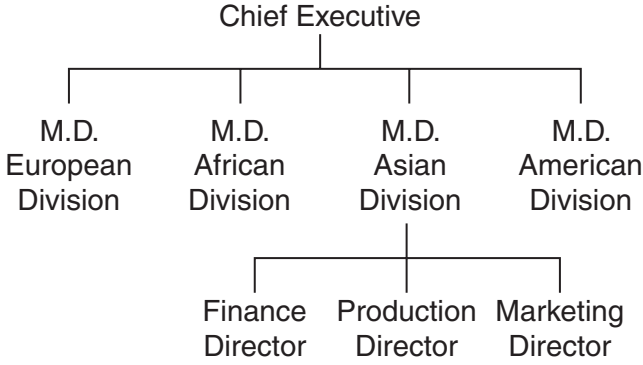
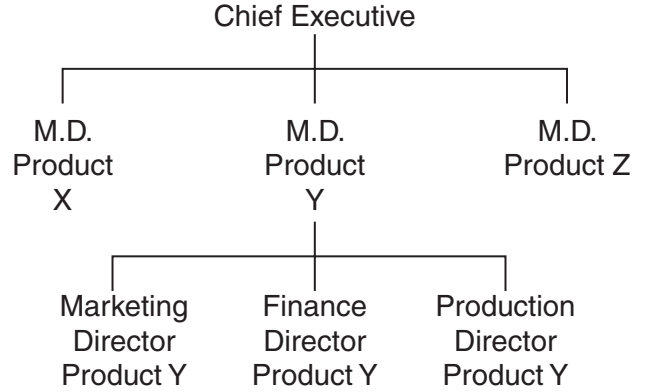


Fig. 2

Company B



(a) Identify and explain **two** differences in the way the two companies are organised.

Difference 1:

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Difference 2:

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..... [4]

(b) Both companies are Public Limited Companies.

Explain **two** main features of a public limited company.

Feature 1:

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Feature 2:

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(c) Last week the management of company B stated that the company was experiencing difficulties and that it was going to stop trading immediately.

(i) Identify and explain **two** reasons why a company might experience difficulties which cause it to stop trading.

Reason 1:
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Reason 2:
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(ii) What money, if any, would the shareholders of company B lose when the company ceases to trade?

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(iii) Do you think governments should give financial aid to failing companies? Justify your answer.

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4 Most governments throughout the world are encouraging business to be more aware of environmental responsibilities.

(a) (i) Using an example, show how a business decision could damage the environment.

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(ii) How do you think governments can control business activity that damages the environment?

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(b) The government of country W recently increased interest rates in their country. Explain how this change might affect the following two businesses based in country W.

(i) A bakery:

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(ii) A car manufacturer:

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..... [6]

(c) The government of country W has also been increasing the size of the public sector.

(i) What is meant by the 'public sector'?

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(ii) State and explain **two** objectives that enterprises in the public sector usually have.

Objective 1:

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Objective 2:

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..... [4]

5 Kim Chan has recently been on a management training course. He has learnt that 'work helps to satisfy human needs'. Kim went back to his father's business and told his father, Wu, all about the course. His father laughed and said 'Nonsense, money satisfies human needs. People only work to earn money'.

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(ii) Do you think that Kim's father is correct in stating that people only work for money? Explain your answer.

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Wu Chan has recently reduced the number of employees in his business by 40%. Despite this, sales and output have not fallen.

(b) (i) How can the output in Mr Chan's company stay the same if the number of employees has fallen by 40%?

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(ii) Do you think that reducing the number of employees will benefit Mr Chan's business?

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(c) In most countries workers have an employment contract.

(i) State **two** pieces of information usually contained in an employment contract.

Information 1:
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Information 2:
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[2]

(ii) Explain why such contracts might be of benefit to both employer and employee.

Benefit to employer:
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Benefit to employee:
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[4]

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