



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE
NAME

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BUSINESS STUDIES

7115/12

Paper 1

October/November 2009

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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1	
2	
3	
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5	
Total	

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



1 Joel owns a business that specialises in decorating offices. In 2008 Joel's business carried out a contract to redecorate the offices of Yinvesco. The work took three months to complete. Yinvesco then took a further two months to pay the account and deducted 15% because they said that not all the work had been completed satisfactorily. Joel was very unhappy about this because the contract only had a small profit margin. "I base my price on full costs including overheads and add on 10%" he said.

(a) Identify the pricing method used by Joel's business.

..... [2]

(b) Explain what is meant by 'a small profit margin'.

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..... [2]

(c) Explain **two** reasons why Joel's business might have experienced cash flow problems when carrying out the Yinvesco contract.

Reason 1:
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Reason 2:
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..... [4]

Joel is thinking of changing his supplier of paint.

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(d) Identify **three** factors Joel should consider when choosing a paint supplier and explain why each factor is important.

Factor 1:

Explanation:

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Factor 2:

Explanation:

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Factor 3:

Explanation:

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..... [6]

(e) Do you think that Joel should use a different pricing method for his business? Justify your answer.

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..... [6]

2 Table 1 shows the Balance Sheet for Ulwar, a public limited company.

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Table 1: Balance Sheet Ulwar as at 30 September 2009

	\$ m
Fixed assets	80
Current assets	20
Current liabilities	12
Net current assets	8
Net assets	88
Financed by	
Shareholders funds	38
Long term liabilities	50
Capital employed	88

In 2008 Ulwar made a profit of \$8m and in 2009 the company made a profit of \$10m.
In 2008 the return on capital employed by the business was 10%.

(a) Identify an example of:

A current liability

A long term liability [2]

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

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..... [2]

(c) Explain why the amount of long term liabilities on Ulwar's Balance Sheet might be of concern to its bank.

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..... [4]

The management of Ulwar is thinking of raising extra capital by issuing more shares.

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(d) Identify and explain **three** factors the company should consider before making this decision.

Factor 1:

Explanation:

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Factor 2:

Explanation:

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Factor 3:

Explanation:

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..... [6]

(e) Referring to the measures of business success, such as ROCE, do you think Ulwar had a successful year in 2009? Justify your answer.

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3 Jose is the owner of a national newspaper in country T. Jose uses a democratic style of management and believes that this approach is liked by his employees. All Jose's workers receive performance-related pay. He always recruits employees for the senior management jobs from inside the business. None of the workers in the business belong to a trade union but this is about to change.

(a) What is meant by 'performance-related pay'?

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..... [2]

(b) What is meant by a 'democratic style of management'?

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..... [2]

(c) Identify and explain **two** disadvantages of using performance-related pay to reward employees.

Disadvantage 1:

Explanation:

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.....

Disadvantage 2:

Explanation:

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..... [4]

(d) Identify and explain **three** problems that trade unions can cause the management of a business.

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Use*

Problem 1:

Explanation:

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Problem 2:

Explanation:

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Problem 3:

Explanation:

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..... [6]

(e) Do you think that Jose's business would benefit from recruiting some senior managers from outside the business? Justify your answer.

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- 4 Isaiah had been to college to study business. His tutors told him that added value was very important if a business was to be successful and profitable. Table 2 shows a task given to Isaiah by his tutors.

Table 2: The concept of added value

Type of Business	Raw Material	Process of Added Value	End Product or Service
Petrol Supplier	<i>Oil</i>	<i>Oil Refining</i>	<i>Petrol</i>
Restaurant			<i>Meal</i>

- (a) Complete Table 2 above by **filling in** the **two** gaps for the restaurant business. [2]

- (b) What is meant by 'added value'?

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..... [2]

Isaiah is about to set up a business manufacturing fashionable sports clothes.

- (c) Identify and explain the importance of **two** factors that Isaiah should consider in deciding on the location of his business.

Factor 1:

Explanation:

.....

.....

Factor 2:

Explanation:

.....

..... [4]

(d) Identify and explain **three** methods that Isaiah could use in marketing his new business to potential customers.

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Method 1:

Explanation:

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Method 2:

Explanation:

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Method 3:

Explanation:

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..... [6]

(e) Do you think that if Isaiah adds value then his business will be successful and profitable? Justify your answer.

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5 The economy of country D is in recession. A number of large companies have gone out of business. The government is being advised to give financial support to failing businesses. Other people are saying that the public sector should expand. The manufacturing businesses in country D use outdated machinery and create a lot of pollution.

(a) Identify **two** methods of measuring the size of a business.

Method 1:

Method 2: [2]

(b) Explain what is meant by 'the public sector should expand'.

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..... [2]

(c) Identify and explain **two** reasons why offering financial support to businesses might disadvantage consumers.

Reason 1:

Explanation:

.....

.....

Reason 2:

Explanation:

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..... [4]

(d) Identify and explain **three** methods that the government could use to reduce the level of pollution that a business creates.

Method 1:

Explanation:

.....

.....

Method 2:

Explanation:

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Method 3:

Explanation:

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[6]

(e) Do you think that the benefits of expanding the public sector would be greater than the disadvantages in country D? Justify your answer.

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[6]

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