

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education
Advanced Subsidiary Level and Advanced Level

BUSINESS STUDIES

9707/01

Paper 1 Short Answer and Essay

May/June 2004

Additional Materials: Answer Booklet/Paper

1 hour 15 minutes

READ THESE INSTRUCTIONS FIRST

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.
Write your Centre number, candidate number and name on all the work you hand in.
Write in dark blue or black pen on both sides of the paper.
Do not use staples, paper clips, highlighters, glue or correction fluid.

Section A

Answer **all** questions.

Section B

Answer **one** question.

You are advised to spend no more than 35 minutes on Section A.

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.

Section A (Short Answer)Answer **all** questions.

- 1 (a) Define the term 'sole trader'. [2]
(b) Explain **one** disadvantage of being a sole trader. [3]
- 2 (a) Define the term 'price elasticity of demand'. [2]
(b) Explain **one** determinant of demand for a product other than price. [3]
- 3 Outline **two** ways in which a manufacturer might control the quality of its products. [5]
- 4 (a) Briefly explain the purpose of the Cash Flow Statement in company accounts. [2]
(b) Briefly distinguish between internal and external sources of finance. [3]

Section B (Essay)Answer **one** question only.

- 5 (a) Explain the main differences between autocratic and laissez-faire leadership styles. [6]
(b) Discuss the likely effectiveness of a democratic style of leadership. [14]
- 6 Discuss how a government's macro-economic policies might affect the ability of businesses to achieve their objectives. [20]
- 7 (a) Discuss how and why promotional activity might change at different stages of a product's life cycle. [12]
(b) Why might an understanding of the product life cycle be important for business finance managers? [8]