



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education Ordinary Level

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CANDIDATE NAME											
CENTRE NUMBER						CANI NUM	DIDATE BER	E			_

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.

For Exam	iner's Use
1	
2	
3	
4	
5	
Total	

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



	the state of the s	
	2	
out con bec unh	l owns a business that specialises in decorating offices. In 2008 Joel's business a contract to redecorate the offices of Yinvesco. The work took three month applete. Yinvesco then took a further two months to pay the account and deducted 15 cause they said that not all the work had been completed satisfactorily. Joel was very apply about this because the contract only had a small profit margin. "I base my price on costs including overheads and add on 10%" he said.	For ine
(a)	Identify the pricing method used by Joel's business.	1
	[2]	
(b)	Explain what is meant by 'a small profit margin'.	
	[2]	
(c)	Explain two reasons why Joel's business might have experienced cash flow problems when carrying out the Yinvesco contract.	
	Reason 1:	
	Reason 2:	

[4]

Joel is thinking of changing his supplier of paint.

www.PapaCambridge.com (d) Identify three factors Joel should consider when choosing a paint supplier and explain why each factor is important. Factor 1: Explanation: Factor 2: Explanation: Factor 3: Explanation: (e) Do you think that Joel should use a different pricing method for his business? Justify your answer.

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

Table 1: Balance Sheet Ulwar as at 30 September 2009

2

	\$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.	
		[2]
(c)	Explain why the amount of long term liabilities on Ulwar's Balance Sheet might be concern to its bank.	of
		 [4]

For iner's

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

(d) Identify and explain three factors the company should consider before making

www.PapaCambridge.com decision. Factor 1: Explanation: Factor 2: Explanation: Factor 3: Explanation: [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.

3

	The state of the s	
	6	
man rece jobs but t	e is the owner of a national newspaper in country T. Jose uses a democratic nagement and believes that this approach is liked by his employees. All Jose's workerve performance-related pay. He always recruits employees for the senior management from inside the business. None of the workers in the business belong to a trade union this is about to change. What is meant by 'performance-related pay'?	For ine.
(α)	What is mount by poriormanos rolatos pay.	`
	[2]	
(b)	What is meant by a 'democratic style of management'?	
	[2]	
	Identify and explain two disadvantages of using performance-related pay to reward employees.	
	Disadvantage 1:	
	Explanation:	
	Disadvantage 2:	
	Explanation:	

[4]

www.PapaCambridge.com (d) Identify and explain three problems that trade unions can cause the management business. Problem 1: Explanation: Problem 2: Explanation: Problem 3: Explanation: (e) Do you think that Jose's business would benefit from recruiting some senior managers from outside the business? Justify your answer.

Type of Business Raw Material Process of Added Value End Product or Service			ess was to be su	8 business. His tutors told hiuccessful and profitable. To	able 2 shows a task give	Call
	trol Supplier Oil Oil Refining Petrol	pe of Business				

(a)	Complete Table 2 above by filling in the two gaps for the restaurant business. [2]
(b)	What is meant by 'added value'?
	[2]
Isai	ah 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]

	42
	9
(d)	Identify and explain three methods that Isaiah could use in marketing his new but to potential customers. Method 1: Explanation:
	Method 1:
	Explanation:
	Method 2:
	Explanation:
	Method 3:
	Explanation:
	[6]
(e)	Do you think that if Isaiah adds value then his business will be successful and profitable? Justify your answer.
	[6]

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	10	-
bus Oth	economy of country D is in recession. A number of large companies have gone iness. The government is being advised to give financial support to failing businesser people are saying that the public sector should expand. The manufacturing inesses in country D use outdated machinery and create a lot of pollution. Identify two methods of measuring the size of a business.	ani
(a)	Identify two methods of measuring the size of a business.	
	Method 1:	••
	Method 2: [2	2]
(b)	Explain what is meant by 'the public sector should expand'.	
		••
		••
		••
	[2	2]
(c)	Identify and explain two reasons why offering financial support to businesses migh disadvantage consumers.	ıt
	Reason 1:	
	Explanation:	
		••
		••
	Reason 2:	
	Explanation:	••
	[4	

	the state of the s
	11
(d)	Identify and explain three methods that the government could use to reduce the of pollution that a business creates. Method 1: Explanation:
	Method 1:
	Explanation:
	Method 2:
	Explanation:
	Method 3:
	Explanation:
	[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.
	[6]

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