Name

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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education Ordinary Level

BUSINESS STUDIES

7115/01

Paper 1

May/June 2005

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 business described in this question paper is entirely fictitious.

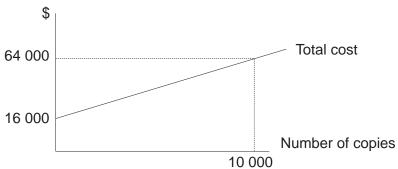
If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

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www.PapaCambridge.com Jomo manages a small printing business. One of his customers asked Jomo to quote 1 for a sales leaflet that they needed. Jomo investigated the costs of the order and his reare shown in Fig. 1. Jomo adds a mark up of 50% to the average cost per unit of an order calculate his selling price.

Fig. 1 Costs for sales leaflet



	10 000
(a) (i)	Explain what is meant by a 'fixed cost'.
	[2]
(ii)	State the value of the fixed costs for the sales leaflet.
	[1]
(iii)	Calculate the variable cost per sales leaflet.
	[2]
(iv)	Calculate the price that Jomo would charge per leaflet if the order size was 10000.

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	3	Fyai
(b)	Do you think that the pricing method Jomo uses is the best one for his business.	M
		1
	[6]	
(c)	The machinery in Jomo's printing business is old. Identify and explain two advantages to the business of buying new machinery.	

www.PapaCambridge.com 2 The Government of country A has recently collected data concerning the business se the country. Table 1 shows this data.

Table 1 Business activity by sector 2004

Sector	% of total employment	% of total GDP
Primary	50	30
Secondary	40	45
Tertiary	10	25

GDP measures the value of the total output produced in a country in one year. In 2004 the GDP of country A was \$1800m.

Table 2 Business size measured by number of employees 2004

Number of employees	% of Businesses
Less than 10	40
10–100	45
greater than 100	15

The number of employees in country A in 2004 was 15m.

(a) Using Table 1 calculate: (i) The number of people employed in Tertiary activities.

(-)	The hamber of people employed in fortuary doublines.	
		[2]
(ii)	The value of the output of the Primary sector of the economy.	

Table O above the size	of hoods are a live	(h		Examiner's Use
able 2 shows the size umber of employees			pie employed. Is t hod? Explain your	
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n country A some of				[4] lain two
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I)	Some people say that business activity is bad because it can damage the environment? Explain your answer.	Use
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	[6]	

www.PapaCambridge.com 3 Carlton is the Managing Director of a company that owns twenty cafes. Carlton was business to grow by opening another ten. He knows that the company will need to capital to finance this expansion. The business currently has a high level of debt and Carlt does not want to increase this further. Table 3 is a summary of the company's balance sheet.

Table 3

Carlton Balance sheet as at 21.12.2004 \$000's

	Fixed Assets Current assets Current liabilities Net assets Share capital Long term liabilities Capital Employed	600 400 300 1100	1200 1400 1400
(a) (i)	Explain what is meant by a	'current asset'.	
			[2]
(ii)	Calculate the current ratio	for Carlton.	
			[0]

		42
		8 A. P.
o)	(i)	Identify and explain two sources of INTERNAL finance that Carlton could finance the expansion.
	(ii)	Do you think that Carlton should increase its debt to finance the expansion? Explain your answer.
		[2]

(c) Carlton made a net profit of \$200 000 in 2004.

	The state of the s
	g riton made a net profit of \$200 000 in 2004. Calculate the rate of return on capital employed.
Car	rlton made a net profit of \$200 000 in 2004.
(i)	Calculate the rate of return on capital employed.
	[3]
(ii)	Explain one way in which a profitable business could run out of cash.
	[4]

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www.PapaCambridge.com Sam said to his accountant 'I am not sure whether all this technological change is my business or not. The internet has given us marketing opportunities but it has also broad problems. Last week my computer systems crashed and the repair costs are high. addition I need to train two of my workers to operate the computer system. I still prefer to speak to the people I do business with face to face.'

(a)	Explain the marketing opportunities that the internet has created for many busines	ses.
		[6]
(b)	Does technological change always benefit business?	
		[6]

Sam is the managing director of his company which is a major book publisher. He know as a company gets larger it is important to create an organisational structure and to dele tasks. The company employees 25 staff and their job positions are shown in Fig. 2.

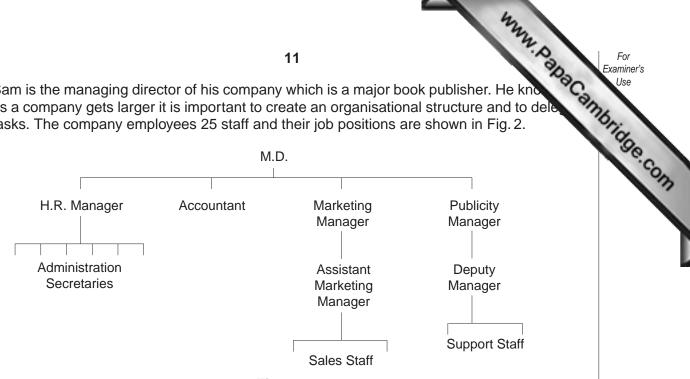


Fig. 2

(c)

(i)	What is meant by an 'organisational structure'?
	[2]
(ii)	Use Fig. 2 to explain the term 'span of control'.
	[2]

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(iii)	What problems might a narrow span of control create for a business?	
	[4]	

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www.PapaCambridge.com 5 Devine Computers is a medium size business that sells computers to both busine personal customers. It is situated in country B. Country B's economy is in recession Devine, the Managing Director, is now thinking of exporting some products to markets other countries. The Managing Director is not sure what are the risks and opportunities of exporting. He also knows that products like computers have a short product life cycle.

(a) (i)	What is meant by a 'recession in an economy'?
	[2]
(ii)	Explain how a recession in country B might affect the sales of Devine Computers.
	[4]

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Fig. 3 sho	ws the product life cycle for Devine Computers.
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	Explain the disadvantages of a short product life cycle for Devine Computer	For Examiner's
i)	Explain the disadvantages of a short product life cycle for Devine Computer	Use
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		Se. CO.
		13
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	[5]	1

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