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CANDIDATE NAME					
CENTRE NUMBER			CANDIDATE NUMBER		

## **BUSINESS STUDIES**

7115/01

Paper 1

October/November 2007

1 hour 45 minutes

Candidates answer on the Question Paper. No Additional Materials 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.

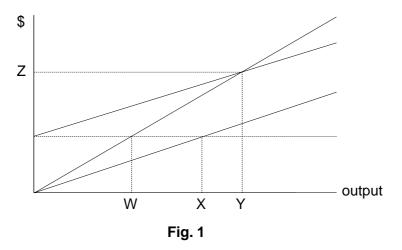
The number of marks is given in brackets [ ] at the end of each question or part question.

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Total	

This document consists of 14 printed pages and 2 blank pages.



www.PapaCambridge.com Carina had invested \$400 000 when she set up her computer manufacturing busine 1 was anxious to make a good return on this capital. She looked at the following breakchart produced by her accountant.



(i)	Label the Total Revenue and Total Cost lines on the chart.	[2]
(ii)	Which of the letters W, X, Y, Z represents the break-even volume?	
		.[1]
	·	xed
•••••		
•••••		
	(ii)	

(c)	How	useful is this break-even chart in making decisions in Carina's business?
		[5]
(d)	In 2	006 Carina's business made a profit of \$80 000.
	(i)	Calculate the rate of return on the capital that Carina originally invested.
		[3]
	(ii)	How might she decide if this return was acceptable?
		ro.

www.PapaCambridge.com (e) Carina's bank manager told her that a cash flow statement was more important profit and loss statement. Do you agree?

General Plastics is a multinational company that has recently set up a factory in Co This General Plastics factory imports some of the raw materials that it uses and assen them at the factory. The finished products are then exported from Country J.

www.PapaCambridge.com (a) Identify and explain two reasons why this General Plastics factory might import its raw materials. Reason 1: .....[4] (b) Changes in currency exchange rates can cause problems for multinational companies. If the currency of Country J increased in value [appreciated], would this benefit General Plastics? Explain your answer.

		the state of the s	
		6	
(c)	J. Id	eral Plastics expected to reduce its costs when it opened its new factory in entify and explain <b>three</b> ways by which the company hoped that its costs might need.  t reduction 1:	anne
	Cos	t reduction 1:	
	Cos	t reduction 2:	
	Cos	t reduction 3:	•
	003	reduction 5.	••
	•••••		••
		1/	
		[6	oj
(a)		ntry J had been enjoying an economic boom.	
	(i)	What is meant by the term 'economic boom'?	
			••
			••
		[2	2]
	(ii)	Do you think that the economic boom would be beneficial to General Plastics Justify your answer.	s?
			••
		_	

E and F are two manufacturing companies that reward their employees in differen 3 Figs. 2 and 3 show how the two pay systems operate.

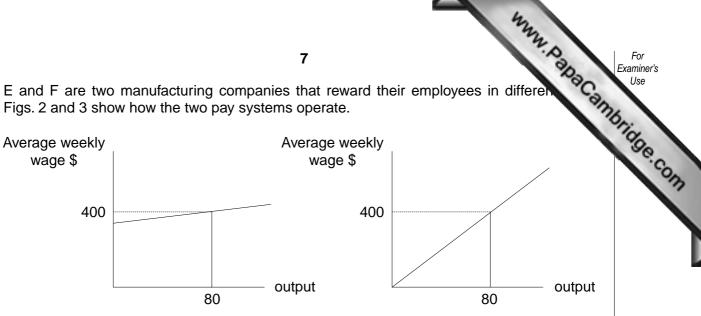


Fig. 2: Company E

Fig. 3: Company F

		3			3
(a)	(i)	Explain the mair	n differences between	the two pay syste	ms.
					[4]
	(ii)		would you prefer to w		
					[4]

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(b)	wee prais	management of another company G pays all its employees the same was ek. It believes that motivation is best achieved by non-financial methods such sing [thanking] employees for 'good performances'. Do you think that this would beffective method of motivation? State your reasons.
		[4]
(c)	emp	Human Resource Manager at company G believes that it is important to train bloyees. The company currently uses internal methods of training, such as 'on the training'.
	(i)	Why do you think that company G trains its employees?
		[4]
		[4]

www.PapaCambridge.com (ii) Would you advise the Human Resource Manager to use external training ma Justify your recommendation.

www.PapaCambridge.com SuperDreams makes fashion clothes that it targets at teenage girls. It sells its p through its own chain of shops. The management knows that the market is very compe with lots of other companies selling similar products. However the management believes the SuperDreams will continue to be successful because it decides what clothes to make after it has researched the market.

(a) (i)	List <b>two</b> methods of market research that SuperDreams could use.
	Method 1:
	Method 2:
	[2]
(ii)	Explain <b>two</b> benefits to SuperDreams of deciding what products to make after researching the market.
	Benefit 1:
	Benefit 2:

(b) Fig. 4 shows the recent relationship between advertising expenditure and sales for SuperDreams.

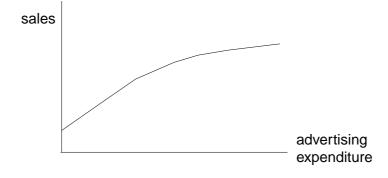


Fig. 4

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	(i)	Describe the relationship between advertising expenditure and sales showing Fig. 4.	Use
			age.
		[2]	
	(ii)	Is this relationship what you would expect? Explain your answer.	
		[2]	
(c)		npanies often try to increase volume of sales by temporary price reductions. Would advise the management of SuperDreams to introduce such reductions? Justify your wer.	
		[4]	

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	The Internet has changed the way some people do their shopping. Do you the SuperDreams should start selling their clothes on the Internet? Justify your answer	
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)	The Internet has changed the way some people do their shopping. Do you the SuperDreams should start selling their clothes on the Internet? Justify your answer	Use
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		S. CO.
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		L
	[6]	

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www.papaCambridge.com 5 The management of Wang Electricals know that good internal communications business are important. They also know that sometimes communications break down. company currently has factories in six different countries. Explain two reasons why good internal communications are important to a business. Reason 1: ..... .....[4] Outline two reasons why internal communications within Wang Electricals might break down. Reason 1: ..... .....[4] (b) The management of Wang Electricals are thinking of expanding their business into another country. Two alternative methods are being considered, namely either to set up a franchise or to operate a joint venture. What is meant by a 'franchise'? 

		14 Explain two advantages that a joint venture might offer Wang Electricals.  Advantage 1:	۔ ا
	(ii)	Explain <b>two</b> advantages that a joint venture might offer Wang Electricals.	
		Advantage 1:	76
		Advantage 2:	
		[4]	
<b>c)</b>	The	stakeholders of Wang Electricals are watching the expansion plans with interest.	
•		List <b>two</b> stakeholder groups.	
		Stakeholder group 1:	
		Stakeholder group 2:	
		[2]	ı
		Do you think that these two stakeholder groups would benefit from the company's expansion? Justify your answer.	;
		[4]	,

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