Name

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

## **BUSINESS STUDIES**

NATIONS 7115/01

Paper 1

October/November 2004

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 businesses described in this question paper are 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.

For Examiner's Use	
1	
2	
3	
4	
5	
Total	

This document consists of **12** printed pages.

www.PapaCambridge.com Khan Clothing Ltd manufactures a range of clothing. The company's products are 1 other businesses such as retailers. Khan Clothing Ltd is profitable but has cash problems. The Managing Director, Imran, is concerned about the large sum of money own by debtors. He is not sure how to deal with the problem. He could arrange a bank overdraft, as suggested by his accountant. Imran thinks that a long term loan might be more suitable.

(i) Explain what is meant by debtors.	
	2]
(ii) How can a profitable business have cash flow problems?	
[	4]
) (i) What is an overdraft?	
[	2]

	32
	3
(ii)	What would you advise Imran to do about the cash flow problem? Explanswer.
	[4]
ble 1	is a summary of Khan Clothing Ltd's Balance Sheet for 2003 (end of November).
	Table 1
	Fixed assets 800 000 Current assets 1200 000 Current liabilities 1500 000 Net assets 500 000
	Financed by  Long term liabilities 400 000  Shareholders' Funds ?
) (i)	Long term liabilities 400 000
) (i)	Long term liabilities 400 000 Shareholders' Funds ?
) (i)	Long term liabilities 400 000 Shareholders' Funds ?  Calculate the value of the shareholders' funds of the business.
(ii)	Long term liabilities 400 000 Shareholders' Funds ?
	Long term liabilities 400 000 Shareholders' Funds ?  Calculate the value of the shareholders' funds of the business.  [2]
	Long term liabilities 400 000 Shareholders' Funds ?  Calculate the value of the shareholders' funds of the business.  [2]

	my my	
	4	For nminer's
(iii)	The company's bank manager asked to see the balance sheet. Why do you he would find this useful? Use Table 1 to support your answer.	Use
		Se.C.
		ATT.
		L
	[4]	

www.PapaCambridge.com Ginola Ltd is a company which produces a range of high quality sports equipment. 2 the Chairman of the company, told the marketing department to research into peo leisure activities. Table 2 shows information that they gathered from a survey of 2000 peop aged between 15 and 40.

Table 2

	% taking part in each activity		
	Men	Women	
Football	20	1	
Swimming	15	22	
Tennis	10	27	
Golf	12	5	
Running	13	30	

(a)	(i)	Explain how Ginola Ltd might use this market research information.
		[4]

(ii) Draw a bar chart to show the percentage of men and women taking part in tennis and golf.

For Examiner's Use

		m
		6
(b)	Da\ Exp	6  rid thinks that it would be a good idea to charge a price lower than his completed as why this policy might <b>not</b> be a good idea.
		[4]
(c)	(i)	Give <b>two</b> examples of promotional methods that David could use for sports equipment.
		[2]
	(ii)	Why is promotion an important part of the marketing mix for a product?
		[6]

www.PapaCambridge.com The Snack Factory produces a variety of sweets and chocolate products. They or 3 production methods making use of the latest technology. The management believe that methods help reduce costs. Anesh Batal is a trainee manager. He is finding out about the costs of the business.

(a) Explain what is meant by:

	(i)	variable cost,
		[3]
	(ii)	unit cost.
		[3]
(b)	Why	might the business' production methods lead to low costs?
		[Δ]

## Table 3

				~	3/2	
		8			4. D	-
	Table 3 gives some cost data that	at Anesh gathe	ered.		Pal	20.
		Table 3				3
	Output level (units per week) Unit cost	10 000 \$3.5	20 000 \$3	30 000 \$2.9	40 000 \$3.1	•
	Explain why the unit cost rises w	hen output is	above 30 00			
					•••••	•••
						•••
						•••
					•••••	
					[	4]
I)	The Human Resources manage fallen since the new production methods of dealing with this proluce.	on lines had	been introd	uced. Expla		
			-			

www.PapaCambridge.com 4 Electro plc is a very large company. It manufactures a wide range of products. Its sale valued at \$500 million in 2003 and it employed 260 000 people in its world-wide operal. Table 4 shows the percentage of its sales in different world markets.

## Table 4

Electro plc % of Sales Revenue, 2003

40% America Europe 25% 20% Asia Africa 15%

(a) (i)	Why could Electro plc be described as a multinational company?
	rol
	[3]
(ii)	Calculate the value of Electro plc's sales to America in 2003.
	[2]
(iii)	What benefits might a multinational company bring to the countries in which it operates?
	[4]

ĺ	For
Į	Examiner's
q	1100

www.PapaCambridge.com (b) (i) Draw an organisational chart for a large manufacturing business such as plc.

(ii)	Explain what is meant by the span of control in an organisation.
	[2]
(iii)	Is a wide span of control always a problem for a business? Explain your answer.

[5]

	For
Exa	aminer's
	11

www.PapaCambridge.com 5 Anna Currie is the Managing Director of Global Travel Ltd, which organises and holidays. 'Technological change is having a large impact on our business. For example sell more holidays on the internet than from our travel agency shops. Not everyone in socie benefits from these changes though. There are social costs as well. We had to close ten of our travel agency shops last year. The company has high overhead costs and we have to sell a lot of holidays just to break even.'

(a)		iain <b>two</b> advantages that e-commerce has given to businesses such as Global rel Ltd.
		[6]
(b)	(i)	Explain <b>one</b> reason why sales of holidays from the travel agency shops of Global Travel Ltd have fallen.
		[2]

(ii)	Do you think that private sector businesses should have social responsitions. Explain your answer.
	[5]
(c) (i)	What is meant by an overhead cost?
	[2]
(ii)	Explain why overheads might be a problem for a company such as Global Travel Ltd.
	[5]