

Centre Number	Candidate Number	Name
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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

BUSINESS STUDIES

7115/01

Paper 1

May/June 2006

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.

Answer **all** questions.
The business described in this question paper is 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 Examiner's Use	
1	
2	
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4	
5	
Total	

This document consists of **15** printed pages and **1** blank page.

1 Playwell is a company that produces a range of games. The company's best selling products are computer games. For many years Playwell only sold games to the domestic market but now they are now trying to export to other countries as well. However export sales have been disappointing. Figs. 1 and 2 show data about the company's sales in 2005 which were \$240 m.

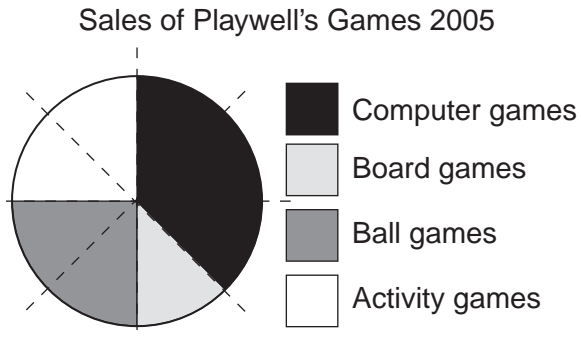


Fig. 1

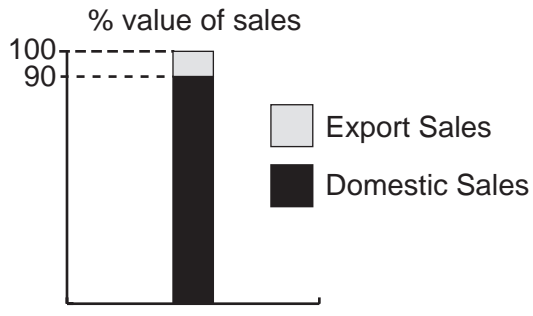


Fig. 2

(a) Calculate for 2005:

(i) The value of sales of computer games.

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[2]

(ii) The value of Playwell's exports.

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[2]

(b) (i) Playwell's Marketing Director believes that the market demand for the board games is price inelastic. Explain what is meant by 'price inelastic demand'.

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[3]

(ii) Explain how Playwell's pricing policy for board games might be influenced by demand being price inelastic.

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[3]

(c) Playwell's Board of Directors feel that good distribution channels are very important for increasing company sales. How important do you think channels of distribution are for increasing sales of Playwell's products?

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[6]

2 Mirex is a large company that sells a range of insurance policies to businesses and the general public. The market for insurance is very competitive and Mirex are always looking for ways to cut their costs. Recently they have invested heavily in new technology.

(a) (i) Mirex has been described as a large company. State **three** ways of measuring the size of a business.

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.....[3]

(ii) What sector of business activity does Mirex operate in? Explain your answer.

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(iii) What is meant by a competitive market?

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.....[2]

3 Gino runs a take-away pizza business. He has estimated that he can produce as many as 1000 pizzas per week although he is only selling 700 on average at present. Gino recently looked again at his costs and prices. These are shown in Table 1.

Table 1

Direct cost per pizza	\$4
Weekly overheads	\$1800
Selling price per pizza	\$7

(a) Give an example of one of Gino's:

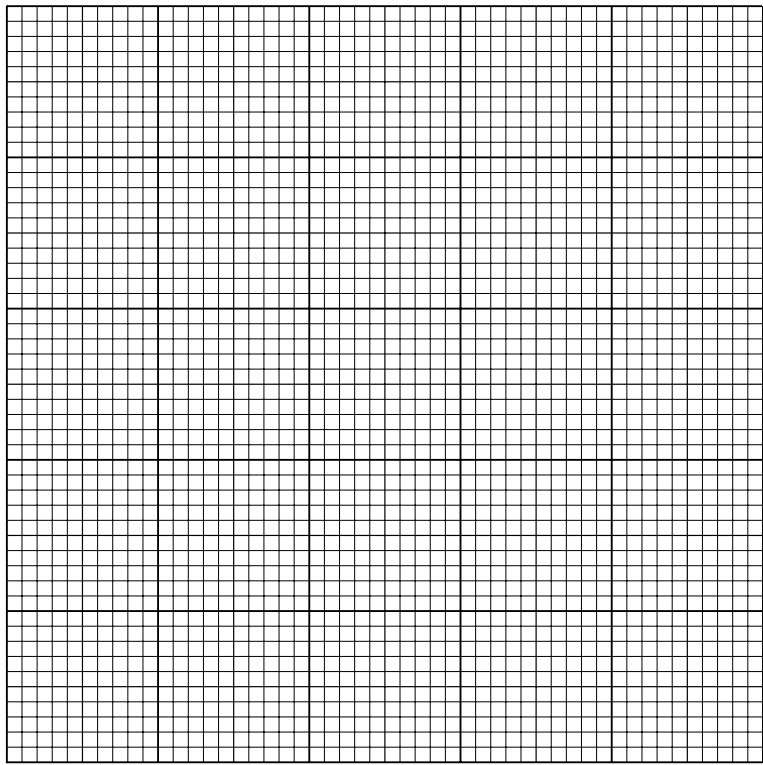
(i) Direct costs

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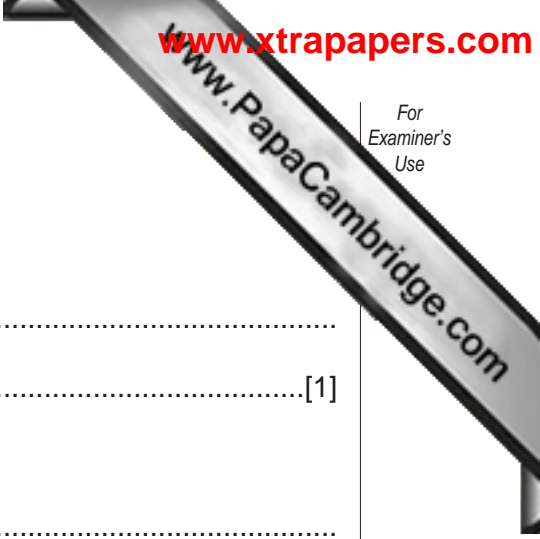
(ii) Overhead costs

.....[2]

(b) (i) Draw a breakeven chart to show Gino's weekly revenue and costs.



[6]



Calculate:

(ii) How many pizzas Gino has to sell to break even.

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.....[1]

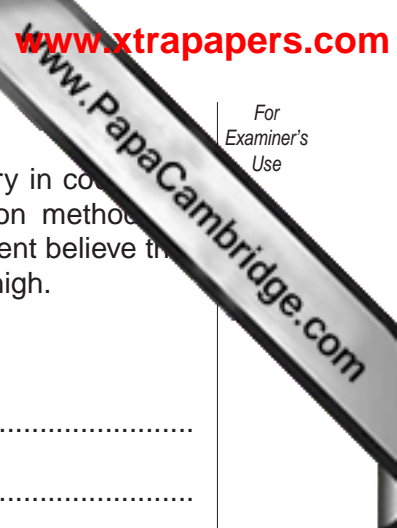
(iii) Gino's **annual** profit when he sells 700 pizzas per week.

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(c) Gino invested \$100000 in his business when he set it up.

Using your profit figure from (b)(iii) calculate the return on capital employed.

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.....[2]



4 B.M.F. is a major electronics manufacturer. It has recently built a new factory in co...
The factory employs a large number of workers and uses flow production methods...
assemble the products. All the workers were recruited locally. The management believe th...
it is very important for the workers to be motivated and for productivity to be high.

(a) Why do you think that B.M.F. uses 'flow production methods'?

.....[4]

(b) Explain **two** methods that the management of B.M.F. could use to motivate their employees.

.....[6]

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