Centre Number	Candidate Number	Name

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

BUSINESS STUDIES **7115/01**

Paper 1

October/November 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 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 Examiner's Use	
1	
2	
3	
4	
5	
Total	

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

For Examiner's Use

1 Gulliver Travel sells family holidays. Gulliver researched the market and discovered that what families wanted was good value for money when buying their holidays. Gulliver's Managing Director told other directors that 'there are a lot of companies selling holidays so it is very important that we give the customer exactly what they want'. Figures 1 and 2 give data regarding the family holiday market.

Market share of total family holiday market 2005

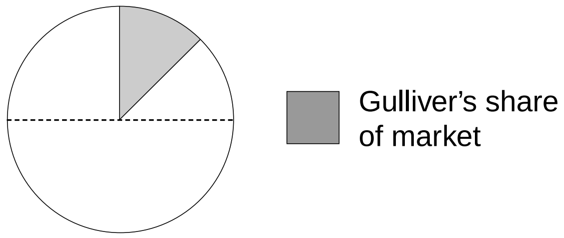

Figure 1

Total value of family holiday market sales 2003–2005

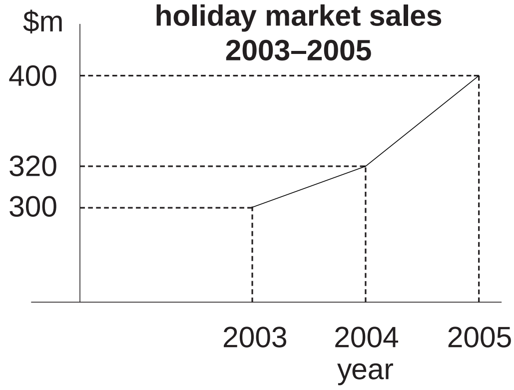

Figure 2

(a) **(i)** Calculate the value of Gulliver Travel's sales in 2005.

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(ii) Using Figure 2 calculate the % growth in the total value of family holiday market sales between 2003 and 2005.

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(b) Explain why the demand for Gulliver's sales of family holidays is likely to be price elastic.

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For Examiner's Use

(c) How could one element of the marketing mix, other than price, be used to i[illegible] Gulliver's sales of holidays?

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(d) Gulliver researched the market by giving a questionnaire to families at the end of their holidays.

(i) Explain why the business might have used this method of gathering data.

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(ii) Explain one reason why the data gathered might not be accurate.

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For Examiner's Use

2 Giovanni had been to see his bank manager to talk about ways of financing the grow[th of his] business. He wanted to open five new shops selling electrical goods such as televisions [and] radio equipment. The bank manager told him that he must think very carefully about t[he] capital needs of this expansion which would involve both fixed and current assets. The bank manager told Giovanni that he would need to see the accounts of the business including a cash flow forecast before the bank could increase its lending.

(a) **(i)** Explain what is meant by a fixed asset.

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(ii) Give an example of a current asset that Giovanni's business would own.

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(iii) What is meant by a cash flow forecast?

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(b) **(i)** Explain **two** reasons why the bank manager would want to see the accounts of the business before increasing the bank's lending to Giovanni.

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For Examiner's Use

(ii) Outline the factors Giovanni should consider before deciding which method of finance would be best suited for this expansion.

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(c) **Table 1**

Extract from Giovanni's Balance Sheet
as at 1 November 2006

	$000's	
Stock	50	
Debtors	60	
Cash	0	
		110
Overdraft	80	
Creditors	40	
		120

(i) Calculate the current ratio for the business from the information given in Table 1.

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(ii) Is the liquidity position of Giovanni's business good? Explain your answer.

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For Examiner's Use

3 The directors of Philochem are thinking about building a chemical factory in country Z.

(a) Identify and explain **three** factors the directors need to consider in making this location decision.

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(b) Using examples show why a knowledge of health and safety laws in country Z would be important for the management of this business.

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For Examiner's Use

(c) Most of the employees in existing factories of Philochem are members of a trade union. What benefits does a worker gain from being a member of a trade union?

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(d) Figure 3 shows data relating to the rates of pay in Philochem (P) and two other large chemical companies (A and B) in Europe between 2000 and 2005.

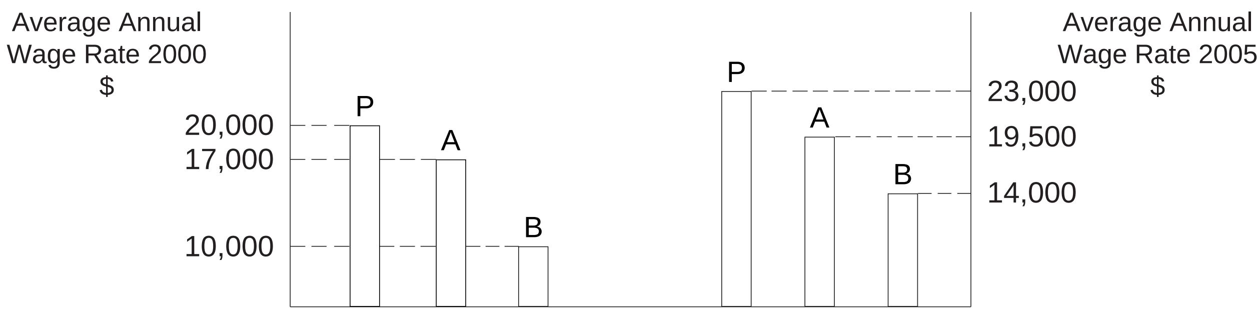

Figure 3

(i) Which company raised its wages by the greatest amount between 2000 and 2005? Explain your answer.

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(ii) Using Figure 3 explain why different companies increase their wage rates over time by different amounts.

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For Examiner's Use

4 Gurinder Singh set up his successful business ten years ago. Gurinder makes [illegible] decisions in his business. He tells staff what to do and he expects them to follow his orders. Gurinder doesn't hold meetings as he feels that they are unnecessary and a waste of time. 'Why consult and discuss when I know best,' he said. 'Everyone who is employed in my company is directly answerable to me. I pay high wages and I expect results. Everyone knows that if they don't work hard I will dismiss them. Employees like my wages even if they don't like me!'

(a) **(i)** Describe the management style used by Gurinder.

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(ii) Do you think that this is a good way to manage a business? Justify your answer.

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(b) It has been suggested to Gurinder that he might introduce delegation into his bu
Explain what is meant by delegation.

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(c) Recently Gurinder dismissed an employee for failing to carry out his orders.

(i) Is this an example of an employee being made redundant? Explain your answer.

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(ii) To what extent do you think high wages motivate staff in companies such as Gurinder's?

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For Examiner's Use

5 J.T. Enterprises is a large private sector business that owns a number of farms in cou
The business breeds a variety of animals such as cows and sheep as well as growing c
They employ many workers and the business is successful and profitable.

(a) Why is profit important to a business such as J.T. Enterprises?

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(b) Using an example from J.T. Enterprises explain what is meant by added value.

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(c) Many farmers such as J.T. Enterprises export their animals and crops. If the currency of Country A depreciates on the foreign exchange markets explain how this could affect the sales of J.T. Enterprises in export markets.

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For Examiner's Use

(d) Business activity may result in social costs and social benefits. Describe the **benefits** that you would expect J.T. Enterprises to produce.

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(e) Identify and explain **two** important changes that have happened in your country in terms of employment and contribution to national wealth in recent times.

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