



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

CANDIDATE
NAME

CENTRE
NUMBER

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BUSINESS STUDIES

7115/02

Paper 2

May/June 2007

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.

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.

For Examiner's Use

1

2

3

4

5

Total

This document consists of **13** printed pages and **3** blank pages.



Everyone's Electricals (EE)

Everyone's Electricals (EE) has a chain of shops selling all types of household electrical goods at low prices. The business has been trading for many years and was a private limited company. Directors recently converted it to a public limited company. The business imports all of its electrical goods from several countries, mainly from Country Z.

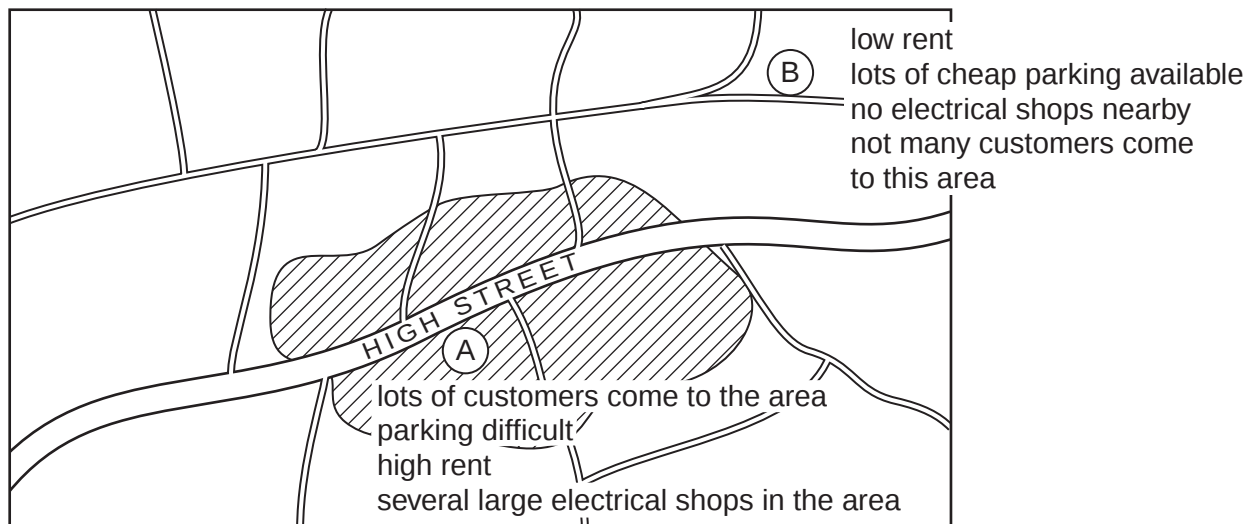
The types of electrical goods sold by EE are televisions, DVD players, video recorders, audio equipment, MP3 players, washing machines, fridges, freezers and computer equipment. Sales of video recorders have been falling in the last year but sales of the large screen television sets have increased after they first went on sale in the shops.

EE owns shops across the whole country. 375 people are employed in its shops and 75 people are employed at head office. The shop employees have received on-the-job training in customer service and have been provided with information about the products they sell. They are proud that there are very few customer complaints as they give good advice on the best products to buy and replace products if there are any problems.

The Directors of EE want to increase the number of its shops from 25 and they are thinking about taking over a chain of rival electrical shops, Budget Deals. This business owns 15 shops mostly in towns and city centres. 180 people are employed in its shops and 60 people in its head office. The employees in these shops have not been trained in customer service. They are expected to read information leaflets that come with the products, so they know little about the products they are selling. Customer complaints are increasing. In some towns there are both EE shops and Budget Deals shops. The Managing Director of EE says 'The business will gain from economies of scale with this take-over'.

Appendix 1

Map of the centre of New City



Key:



= main shopping area of New City

(A) = EE shop

(B) = Budget Deals shop

Appendix 2

Daily News

25 May

EE plans to cut jobs!

The shopworkers' Trade Union is worried about possible job losses. The planned take-over of Budget Deals by EE could lead to redundancy (retrenchment). It is expected that some shops will close and not all the employees will have a job in the remaining shops. It is not clear which workers will lose their jobs. An EE spokesman said 'It might depend on experience, length of employment with the company and their age'.

The Trade Union is negotiating with EE to see if a solution can be found. Will industrial action be taken?

Appendix 3**Memorandum**

To: Manager Director of EE
From: Purchasing Manager of EE
Date: 24 May 2007
Re: Should we change our suppliers?

The exchange rate of our country has increased (appreciated) against other countries' currencies over recent months. The only currency that it has remained stable against is the currency of Country Z. We buy most of our supplies from Country Z. The quality of our supplies from Country Z manufacturers is high. They do not break down very often. The quality of supplies from firms in other countries is not as good but it is improving.

Country Z has a good road system and deliveries from the factories do not take very long.

Do we need to consider changing our suppliers?

- 1 (a) The Directors of EE recently converted the business from a private limited company to a public limited company. Explain **two** possible benefits and **two** possible drawbacks of this business of the change.

Benefit 1:.....

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Benefit 2:.....

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Drawback 1:.....

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Drawback 2:.....

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[10]

5

- (b) If EE take over Budget Deals then EE will need to raise finance for new delivery (trucks). Explain **three** sources of finance EE could use.

Finance source 1:

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Finance source 2:

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Finance source 3:

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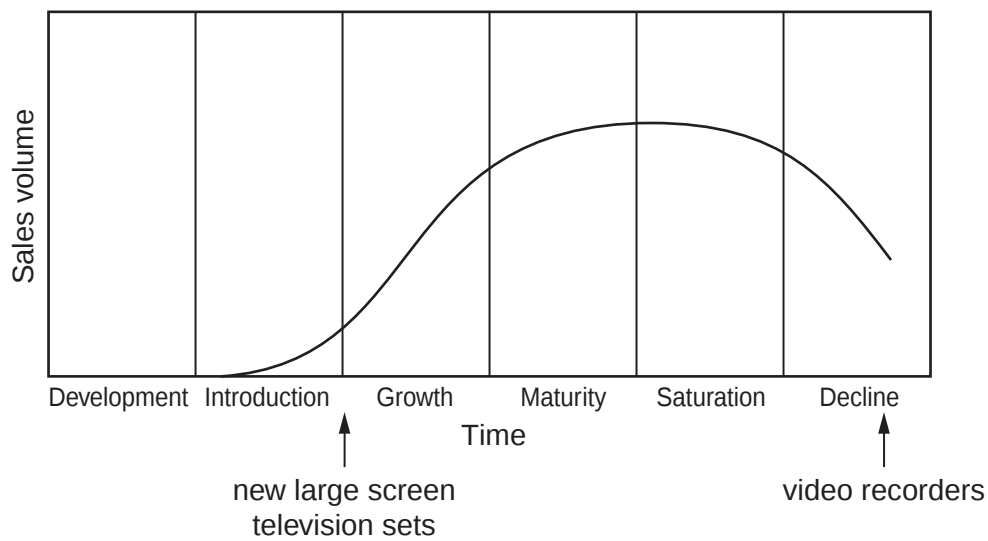
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[10]

- 2 (a) EE currently sells its products directly to consumers through its shops. The Directors are considering selling goods on the Internet. Discuss whether you think they should do this.

.....[12]

The following diagram shows the positions of large screen TVs and video recorders. Product Life Cycle.



- (b)** Why would you expect EE to use a different pricing strategy for video recorders to the pricing strategy used for new large screen television sets?

[8]

- 3 (a) EE is planning a take-over of Budget Deals. State and explain **three** possible economies of scale from which EE might benefit.

Economy of scale 1:

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Economy of scale 2:

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Economy of scale 3:

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[8]

(b) See Appendix 1. Both EE and Budget Deals have shops in New City. Recommend which shop EE should close if it takes over Budget Deals. Justify your choice.

[12]

- 4 (a) Appendix 2 outlines the possible need to reduce the number of employees following the takeover. Discuss the factors that will be **most** important to EE when deciding which employees will be made redundant.

.....[12]

(b) EE provides training to its staff. Analyse the benefits of this training to customers and employees of EE.

Benefits to customers:

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Benefits to employees:.....

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- 5 (a) See Appendix 3. Do you think EE should change its main supplier? Explain your answer.

.....[10]

. [10]

- (b) Governments often pass laws which affect how employees are treated and how customers are treated.
- (i) Outline **one** law to protect employees and **one** law to protect customers (the names of the laws need not be included).

Law to protect employees:.....

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Law to protect customers:

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- (ii)** Discuss the effects each of these laws might have on EE.

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