

CANDIDATE
NAME

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CENTRE
NUMBER

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CANDIDATE
NUMBER

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7115/11

October/November 2011

1 hour 45 minutes

No Additional Materials are required.

DO **NOT** WRITE IN ANY BARCODES.

The businesses described in this paper are entirely fictitious.

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	
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Total	

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International Examinations

[Turn over

- 1 Carlos was made redundant from his job in a factory. He used his redundancy money and some of his savings to start a new business. He bought a boat to give trips to tourists on a river near his home. The boat cost him \$150 000. Table 1 shows the revenue and cost estimates that Carlos made.

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Table 1

Revenue per boat trip	\$80
Variable cost per boat trip	\$30
Average number of boat trips per week	25
Weekly overhead costs [fixed costs]	\$500

Carlos wanted his business to give him job security and to give a return on his investment of at least 20% each year. He estimates that annual profits will be \$37 500.

- (a) What is meant by 'made redundant'?

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..... [2]

- (b) Identify **two** examples of overhead costs that Carlos might incur.

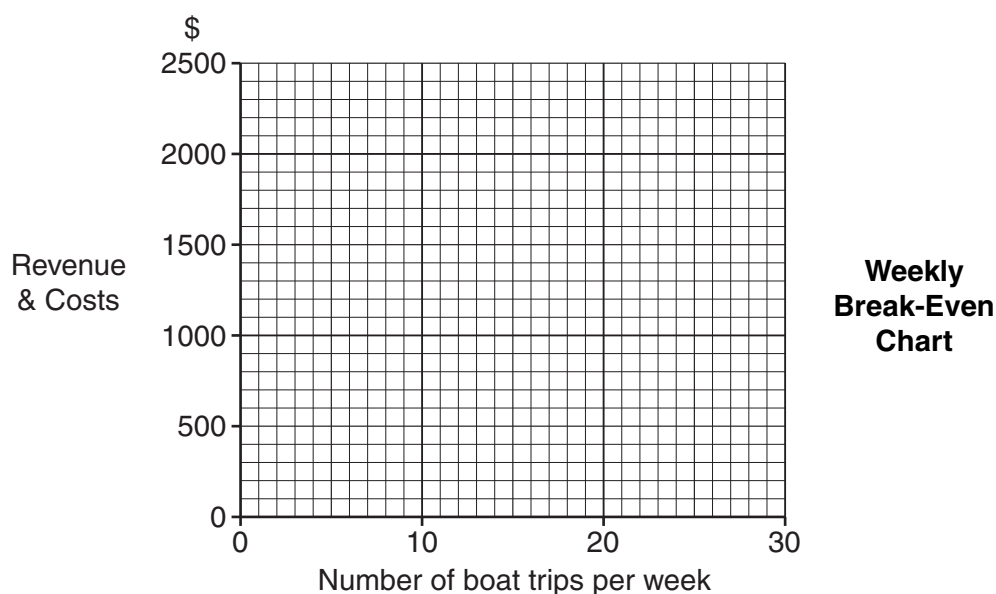
Example 1:

.....

Example 2:

..... [2]

- (c) Using the information given in Table 1, draw a break-even chart for Carlos' business.



[4]

- (d) Identify and explain **three** methods that Carlos could use to promote his new business.

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Method 1:

Explanation:

.....

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Method 2:

Explanation:

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Method 3:

Explanation:

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..... [6]

- (e) Carlos wanted his business to give him job security and a return on capital of at least 20%. Do you think that his business will help him achieve these objectives? Justify your answer.

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- 2 Early Tots makes wooden toys for children. The business uses both primary and secondary market research data to decide what products to make. It has a wide range of toys but some of the products are nearing the end of their product life cycle. The managers are thinking about using extension strategies for these products.

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- (a) What is meant by the term 'secondary market research'?

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..... [2]

- (b) What is meant by the term 'product life cycle'?

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..... [2]

- (c) Identify and explain **two** methods that Early Tots could use to gather primary market research data.

Method 1:

Explanation:

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.....

Method 2:

Explanation:

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..... [4]

- (d) Identify and explain **three** extension strategies that Early Tots could use.

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Examiner's
Use

Strategy 1:

Explanation:

.....

.....

Strategy 2:

Explanation:

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.....

Strategy 3:

Explanation:

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..... [6]

- (e) Consider the advantages and disadvantages of **two** channels of distribution that Early Tots could use for a new range of wooden toys. Recommend which channel Early Tots should use. Justify your answer.

Channel 1:

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Channel 2:

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Recommendation:

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..... [6]

- 3 Crompton Springs, a private limited company, bottles mineral water. The production method is automated but inefficient, because the machinery used was bought 20 years ago. The company uses unskilled and low paid workers to load and unload the production lines. The managers have decided to invest in new machinery.

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- (a) What is meant by 'production method is automated'?

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..... [2]

- (b) Identify **two** features of a private limited company.

Feature 1:

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Feature 2:

..... [2]

- (c) Identify and explain **two** possible reasons why workers at Crompton Springs are low paid.

Reason 1:

Explanation:

.....

.....

Reason 2:

Explanation:

.....

..... [4]

- (d) Identify and explain **three** problems that inefficiency can cause a business.

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Use

Problem 1:

Explanation:

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Problem 2:

Explanation:

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Problem 3:

Explanation:

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..... [6]

- (e) Do you think that the employees at Crompton Springs will be happy with the managers' decision to invest in new machinery? Justify your answer.

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- 4 XYZ is a large retail business with over 50 shops. The business is going to open a new shop and wants to recruit a manager. A job description for the new position of shop manager has been produced. The directors are also looking at the methods they use to pay their employees.

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- (a) Identify **two** ways of measuring the size of a business.

Way 1:
.....

Way 2:
..... [2]

- (b) Identify **two** suitable places to advertise the position of a new shop manager.

Place 1:
.....

Place 2:
..... [2]

- (c) Identify and explain **two** advantages to XYZ of producing a job description for the position of shop manager.

Advantage 1:

Explanation:
.....
.....

Advantage 2:

Explanation:
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..... [4]

- For
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Use

Explanation:

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Explanation:

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Explanation:

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- 5 Country W has a mixed economy. The public sector has grown in recent years. The Government has also introduced many new laws regulating business behaviour and protecting employees and consumers.

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Use

(a) What is meant by the term 'mixed economy'?

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..... [2]

(b) Identify **two** objectives often set by businesses in the public sector.

Objective 1:

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Objective 2:

..... [2]

(c) Identify and explain **two** reasons why the size of the public sector might increase over time.

Reason 1:

Explanation:

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.....

Reason 2:

Explanation:

.....

..... [4]

- (d) Identify and explain **three** ways in which consumers might benefit from consumer protection laws.

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Way 1:

Explanation:

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.....

Way 2:

Explanation:

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Way 3:

Explanation:

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..... [6]

- (e) The management of many businesses in the private sector think that employment legislation is making them less competitive. Do you agree? Justify your answer.

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..... [6]

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