Cambridge O Level

Cambridge International Examinations
Cambridge Ordinary Level

CANDIDATE NAME			
CENTRE NUMBER		CANDIDATE NUMBER	

6514022564

BUSINESS STUDIES — **7115/21**

Paper 2 — **May/June 2014**

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, glue or correction fluid.
DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.
The Insert contains the case study.
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.

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

CAMBRIDGE
International Examinations

1 **(a)** Identify and explain **two** advantages and **two** disadvantages to Fabian of working for himself rather than being an employee of another business.

Advantage 1: ....

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Explanation: ....

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Advantage 2: ....

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Explanation: ....

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Disadvantage 1: ....

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Explanation: ....

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Disadvantage 2: ....

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Explanation: ....

.... [8]

(b) Refer to Appendix 1. Consider the advantages and disadvantages of each person who wants to form a partnership with Fabian. Recommend which one Fabian should choose. Justify your choice.

Gowri: ....

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Miranda: ....

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Pamela: ....

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Recommendation: ....

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.... [12]

2 **(a)** Identify and explain **two** possible business objectives Fabian and his new partner could set for their business.

Objective 1: ....

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Explanation: ....

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Objective 2: ....

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Explanation: ....

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(b) Consider the advantages and disadvantages of Option A and Option B. Recommend which is the best option for Fabian to choose. Justify your answer using profitability ratios.

Option A: ....

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Option B: ....

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Recommendation: ....

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.... [12]

3 **(a)** Refer to Appendix 2. Identify and explain **four factors** Fabian should consider when deciding which sources of finance to use for his new business.

Factor 1: ....

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Explanation: ....

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Factor 2: ....

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Explanation: ....

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Factor 3: ....

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Explanation: ....

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Factor 4: ....

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Explanation: ....

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(b) Explain to Fabian why each of the following documents will be important to managing his new business. Choose which is likely to be the most useful. Justify your choice.

Profit/Loss account: ....

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Cash flow forecast: ....

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Break-even chart: ....

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Conclusion: ....

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.... [12]

4 **(a)** Fabian will use job production when completing each order for flowers. Identify and explain **two** benefits of using job production for Fabian Flowers.

Benefit 1: ....

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Explanation: ....

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Benefit 2: ....

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Explanation: ....

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(b) Assume Fabian chooses Option B (retail customers). He must decide on a pricing strategy to use. Consider the advantages and disadvantages of the following **three** pricing strategies. Recommend which one he should choose. Justify your answer.

Cost-plus pricing: ....

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Competitive pricing: ....

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Penetration pricing: ....

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Recommendation: ....

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5 **(a)** Identify and explain **one** advantage and **one** disadvantage to Fabian Flowers of having a website for the shop.

Advantage: ....

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Explanation: ....

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Disadvantage: ....

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Explanation: ....

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.... [8]

(b) Fabian needs to decide where to buy supplies of flowers for the shop. Consider the advantages and disadvantages of each of the **three** alternative sources of supply outlined in Appendix 3. Recommend which supplier Fabian should choose to buy his flowers from. Justify your answer.

Import flowers from country X: ....

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Purchase flowers from a flower wholesaler: ....

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Buy from local flower growers: ....

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Recommendation: ....

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.... [12]

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