

# The City School

## Unified Mid-Year Examinations

2018 - 2019

Class 10



SCHOOL NAME

INDEX NUMBER

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DATE

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### BUSINESS STUDIES

7115/12

Paper 1 Short Answer and Data Response

1 hour 30 minutes

You must answer on the question paper.

No additional materials are needed.

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### INSTRUCTIONS

- Answer all questions.
- Use a black or dark blue pen. You may use a pencil for any diagrams or graphs.
- Write your School name, Index number and Date in the spaces provided.
- Write your answer to each question in the space provided.
- Do not use an erasable pen or correction fluid.
- You may use a calculator.

### INFORMATION

- The total mark for this paper is 80.
- The number of marks for each question or part question is shown in brackets [ ].

Invigilated By: \_\_\_\_\_

Checked By: \_\_\_\_\_

Marks Tallied By: \_\_\_\_\_

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This document consists of 10 printed pages and 2 blank pages.

**1** FC Barcelona is a big football club. Recently fewer people have been watching its matches and ticket revenue is falling. Some people say that ticket prices for matches are too high and should be reduced. The club has high fixed costs and needs to improve its cash flow. The club directors have been trying to gain finance through sponsorship and a number of businesses are very interested.

**(a)** What is meant by 'cash flow'?

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.....  
.....  
..... [2]

**(b)** Give two examples of fixed costs that a business like a football club would incur.

Example 1: .....

Example 2: ..... [2]

**(c)** Explain two ways the cash flow of FC Barcelona could be improved.

Way 1: .....

.....

Explanation: .....

.....

Way 2: .....

.....

Explanation: .....

..... [4]

**(d) Explain two ways except sponsorship FC Barcelona can use to raise finance.**

**Way 1:** .....

.....

**Explanation:** .....

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**Way 2:** .....

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**Explanation:** .....

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..... [6]

**(e) Do you think reducing prices for FC Barcelona tickets will increase revenue? Justify your answer.**

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2 Gresham Textiles manufactures high quality clothing. Most of their products are exported to Country X. Production is labour intensive technique using batch production. Market competition is increasing rapidly therefore business is investing in automated machinery. The managers believe switching to Lean Production will help business respond well to the competition.

(a) What is meant by 'labour intensive'?

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..... [2]

(b) What is meant by 'Market'?

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..... [2]

(c) Explain two Disadvantages Gresham Textiles might face due to Batch Production.

Disadvantage 1: .....  
.....

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

Disadvantage 2: .....  
.....

Explanation: .....  
..... [4]

**(d) Explain one Advantage and one Disadvantage to Gresham Textiles of using automated machinery.**

Advantage: .....

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Explanation: .....

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Disadvantage: .....

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Explanation: .....

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**(e) Managers of Gresham Textiles want to introduce lean production? Do you think it will help them become more competitive? Justify your answer.**

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- 3 Rafiq is the Operations manager at a small factory. The business makes a range of soft drinks using batch production. Last year Rafiq successfully introduced just-in-time inventory control, based on an idea from one of the 40 employees. As the business is planning to expand, Rafiq thinks it would be a good idea to change to flow production.

**Table 1: Income statement for 2015 (\$000)**

Revenue	X
Cost of sales	360
Gross profit	240
Expenses	Y
Profit	120
Retained profit	100

- (a) What is meant by 'cost of sales'?

.....  
 .....  
 .....  
 ..... [2]

- (b) Refer to Table 1 and calculate the value of:

X: .....  
 .....  
 Y: .....  
 ..... [2]

- (c) Explain **two** possible reasons why profit is important for this business.

Reason 1: .....  
 .....  
 Explanation: .....  
 .....  
 Reason 2: .....  
 .....  
 Explanation: .....  
 ..... [4]

**(d) Explain two advantages to this business of using just-in-time inventory control.**

**Advantage 1:** .....

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**Explanation:** .....

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**Advantage 2:** .....

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**Explanation:** .....

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**(e) Rafiq thinks it would be a good idea to change to flow production. Do you agree? Justify your answer.**

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4 The Snack Factory produces a variety of sweets and chocolate products. They use Production methods making use of the latest technology. The management believes that the methods help reduce costs. Anesh Batal is a trainee manager. He is finding out about the costs of the business.

(a) Define the term variable costs.

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.....  
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..... [2]

(b) Table 1 gives some cost data that Anesh gathered.

**Table 1**

Output level (per week)	10,000	20,000	30,000	40,000
Unit cost	\$3.5	\$3	\$2.9	\$4.0

Identify **two** reasons for an increase in unit cost.

Reason 1: .....

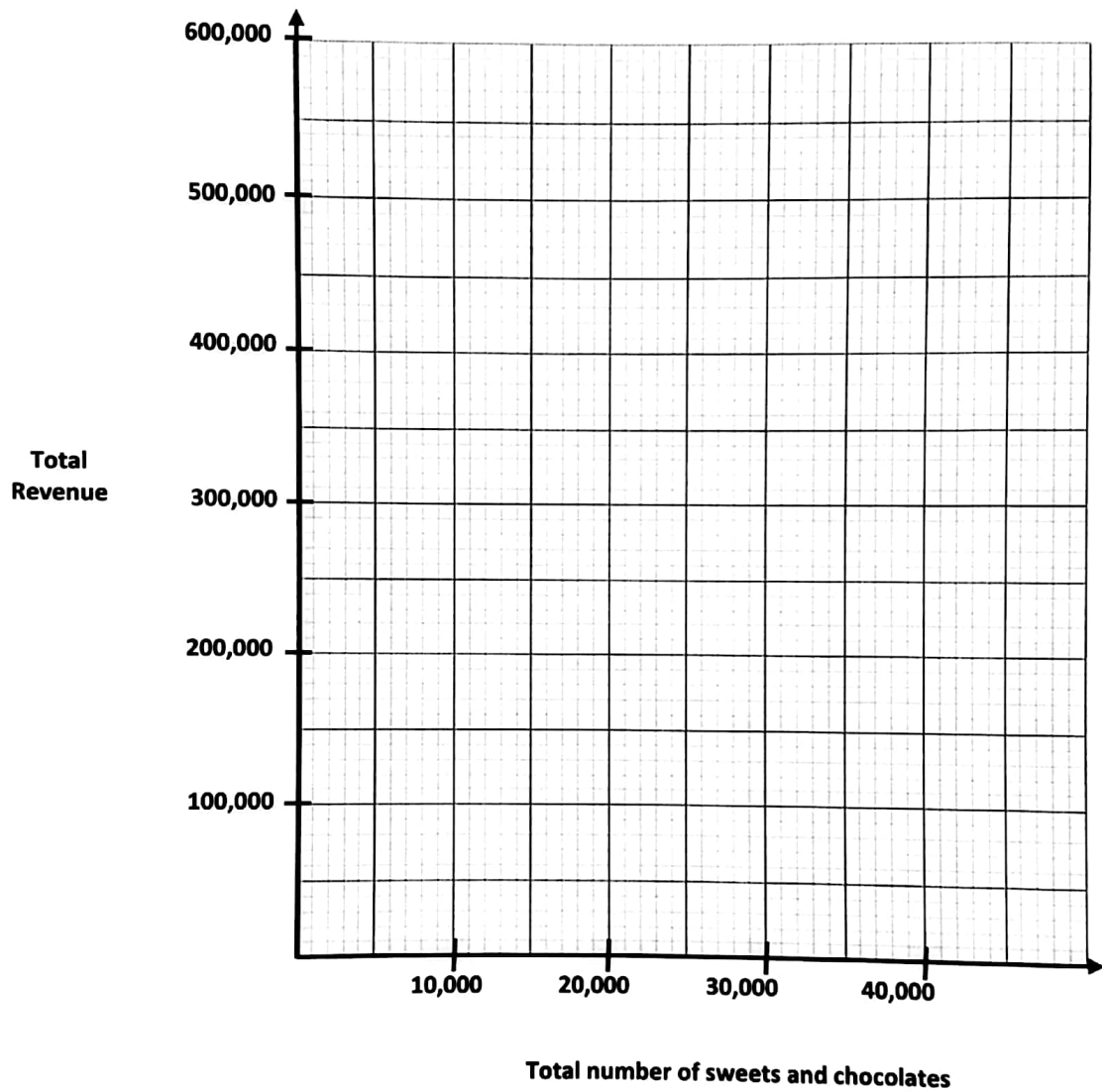
Reason 2: ..... [2]



(c) Using the data from the following table calculate and draw a breakeven analysis:

**Table 2**

Costs	\$
Fixed cost	200,000
Variable cost	4
Output Level	40,000
Selling price	15



[4]

**(d) Explain two ways in which breakeven information could help The Snack Factory.**

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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..... [6]

**(e) The Finance Manager wants to make the business more profitable. Recommend ways in which this could be achieved. Justify your answer.**

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