



# Cambridge O Level

CANDIDATE  
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## BUSINESS STUDIES

3177/12

Paper 1 Short Answer and Data Response

May/June 2021

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 an HB pencil for any diagrams or graphs.
- Write your name, centre number and candidate number in the boxes at the top of the page.
- Write your answer to each question in the space provided.
- Do **not** use an erasable pen or correction fluid.
- Do **not** write on any bar codes.
- 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 [ ].

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This document has **12** pages. Any blank pages are indicated.



1 NST produces chocolate bars using flow production. Its products are sold in many countries. The Managing Director is considering ways of increasing added value to NST's products. NST has 3500 employees. The business often needs to recruit new employees. Recently, 10 people have been shortlisted for a vacant position. NST must select the best candidate. Many of NST's employees have joined a trade union as they are worried about working conditions.

(a) Identify **two** methods of selecting a new employee from a shortlist.

Method 1: .....

.....

Method 2: .....

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[2]

(b) Identify **two** ways a business can increase added value.

Way 1: .....

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Way 2: .....

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[2]

(c) Outline **one** advantage and **one** disadvantage to NST of using flow production.

Advantage: .....

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Disadvantage: .....

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[4]

(d) Explain **two** reasons why NST's employees might join a trade union.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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[6]

(e) Explain **two** methods a large business could use to recruit new employees. Justify which method it should use.

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[6]

2 Rishi is an entrepreneur. He started his business 5 years ago. Rishi sells hot drinks from his van in his local area. The business does not benefit from economies of scale. Rishi wants his business to remain small. There has been an increase in the level of competition in the hot drinks market since he started his business. Rishi's sales have fallen. Rishi is considering changing his marketing mix to try to increase sales.

(a) Identify **two** characteristics of a successful entrepreneur.

Characteristic 1: .....

.....

Characteristic 2: .....

.....

[2]

(b) Identify **two** examples of economies of scale.

Example 1: .....

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Example 2: .....

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[2]

(c) Identify **four** methods a business can use to promote its products.

Method 1: .....

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Method 2: .....

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Method 3: .....

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Method 4: .....

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[4]

(d) Explain **two** reasons why Rishi might want his business to remain small.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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..... [6]

(e) Do you think price or product is the most important element of the marketing mix for a small business? Justify your answer.

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..... [6]

- 3 ABC is a waste collection business. Factories pay ABC to collect their waste. The Managing Director knows the business needs long-term finance. An extract from ABC's financial statements is shown in Table 3.1. The Managing Director is worried about the liquidity of the business. She is also considering ways to improve efficiency.

Table 3.1

Extract from ABC's financial statements (\$000)		
	At 31/12/2020	At 31/12/2021
Non-current assets	80	90
Current assets	10	15
Non-current liabilities	30	35
Current liabilities	25	30
Profit (for the year ending)	13	12

- (a) Define 'liquidity'.

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..... [2]

- (b) Calculate the current ratio for ABC in 2021. Show your working.

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..... [2]

(c) Outline **two** reasons why ABC may need long-term finance.

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

(d) Explain how the following **two** users of accounts might use the information in Table 3.1 to help make decisions.

Banks: .....  
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Explanation: .....  
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Investors: .....  
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Explanation: .....  
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[6]

(e) Do you think using new technology is the best way for a business to improve efficiency? Justify your answer.

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[6]



4 MDB grows rice in country Y which has a mixed economy. MDB has 120 employees including 6 who work in the marketing department. Country Y has a high rate of employment and the exchange rate has recently depreciated. MDB has greatly increased exports of its rice to country Z. It now exports 50% of total output to this country, and sells the rest to the local market. The government in country Z is worried about the risk of recession. It has introduced tariffs on rice.

(a) Identify **two** roles of marketing.

Role 1: .....

.....

Role 2: .....

..... [2]

(b) Define 'mixed economy'.

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..... [2]

(c) Identify **two** ways MDB could be affected by a high rate of employment in country Y.

Way 1: .....

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Way 2: .....

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..... [4]

(d) Explain **two** possible reasons why the government in country Z has introduced tariffs.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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[6]

(e) Do you think a depreciation of a country's exchange rate will always be beneficial to businesses based in that country? Justify your answer.

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[6]

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