



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Advanced Subsidiary Level and Advanced Level

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**BUSINESS STUDIES**

**9707/01**

Paper 1 Short Answer and Essay

**October/November 2007**

**1 hour 15 minutes**

Additional Materials: Answer Booklet/Paper

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**READ THESE INSTRUCTIONS FIRST**

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.

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.

**Section A**

Answer **all** questions.

**Section B**

Answer **one** question.

You are advised to spend no more than 35 minutes on Section A.

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.

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This document consists of **2** printed pages.



### Section A (Short Answer)

Answer **all** questions.

- 1 (a) Define the term 'span of control'. [2]  
 (b) Explain **one** reason why an organisation chart would be useful to the **employees** in a business. [3]
- 2 (a) Other than price, outline **one** factor which could cause an increase in the demand for mobile phones. [2]  
 (b) A business sells a product whose demand is relatively price inelastic. Explain the effect on sales **and** revenue of a price increase. [3]
- 3 Briefly explain the importance of economies of scale to a manufacturer of cars. [5]
- 4 (a) State **two** sources of finance which could be used to finance **revenue** expenditure. [2]  
 (b) Explain the term 'capital expenditure'. [3]

### Section B (Essay)

Answer **one** question only.

- 5 (a) Analyse the benefits which a private limited company might gain by becoming a public limited company. [8]  
 (b) Discuss how different stakeholder groups might view the decision to change from private limited company to a public limited company. [12]
- 6 Discuss the extent to which financial rewards are a good way of motivating employees. [20]
- 7 (a) Explain how JIT (Just in Time) could be used to manage stocks in a manufacturing business. [8]  
 (b) Discuss why businesses need an effective method of stock management. [12]

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