

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

**BUSINESS STUDIES**

**9707/01**

Paper 1 Short Answer and Essay

October/November 2006

**1 hour 15 minutes**

Additional Materials: Answer Booklet/Paper

**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.

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



**Section A (Short Answer)**

Answer **all** questions.

- 1 (a) Distinguish between assets and liabilities in a balance sheet. [2]  
(b) Briefly explain why businesses depreciate their fixed assets. [3]
- 2 (a) Define the term “product portfolio”. [2]  
(b) Briefly explain the importance of the product life cycle in planning a product portfolio. [3]
- 3 Briefly discuss the importance of effective stock control for production managers. [5]
- 4 (a) Define the term “levels of hierarchy”. [2]  
(b) Briefly explain the advantages of a matrix organisational structure. [3]

**Section B (Essay)**

Answer **one** question only.

- 5 (a) Explain the importance of a market-orientated approach for a business in the consumer goods market. [8]  
(b) Evaluate the pricing strategies a business might use when launching a new product. [12]
- 6 Discuss the advantages and disadvantages of delegation for an expanding business. [20]
- 7 (a) Explain the difference between batch and flow production methods. [8]  
(b) Evaluate the usefulness to a business of the Payback and Average Rate of Return techniques in deciding whether to invest in changing its production method from batch to flow. [12]

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