Name

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UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education Ordinary Level

BUSINESS STUDIES

7115/02

Paper 2

May/June 2004

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 in the spaces provided on the Question Paper. Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer all questions.

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. The business described in this question paper is entirely fictitious.

If you have been given a label, look at the details. If any details are incorrect or missing, please fill in your correct details in the space given at the top of this page.

Stick your personal label here, if provided.

For Exam	iner's Use
1	
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5	
TOTAL	

S and P Partners

www.PapaCambridge.com S and P Partners produce fruit drinks. Shama formed a partnership with her friend Phillippe, a qualified accountant, 10 years ago. Shama was made redundant from a company that produced soft drinks. She decided to set up her own business instead of working for someone else. Shama formed a partnership with Phillippe because she did not have sufficient savings herself and she wanted his accounting knowledge.

The business has been successful and has grown every year. Reinvested profits have been used to provide the finance for expansion.

The business currently employs 10 workers in the factory and 3 employees in the office. Batch production is used to manufacture the drinks. The production is labour intensive but Shama and Phillippe are considering automation. This should improve efficiency, expand output and make the business more competitive. The production employees are worried about automation.

The drinks are sold to wholesalers and large supermarkets. The drinks are only advertised on television. Shama has developed a new drink, which contains fruit, milk and crushed ice. It has to be served chilled or it does not taste as good. Phillippe said, 'Why don't we set up our own chain of café bars serving the new drink? These café bars could be popular with teenagers and young adults. He suggested setting up a chain of 10 café bars to start with. If these are successful more could be opened.

Shama replied, 'This is a good idea but raising enough finance will need changes to the business organisation. We could form a private limited company. It is important that the new drink is sold directly to customers. This will make sure that they can buy a fresh drink of good quality to keep our high reputation.'

The business does not have a human resources department. Shama recruits all new staff herself. If the business expands further then she will not have the time to do this. The organisational structure will need to change. To expand the business they will have to employ new staff. Additional office staff will be needed as well as several managers. The spans of control will widen and the chain of command will lengthen.

Summary accounts of S and P Partners, year ending 31 December 2003 and 2002 (in \$'000's)

	2003	2002
Sales revenue	1500	1000
Cost of sales	300	200
Gross profit	1200	800
Expenses	900	650
Net profit	300	150

Partners' funds in the business \$1 000 000

10

20

15

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Why do you think else?	Shama set up her ow	n business rather than	working for so	For Examiner's Use
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тірап	y be the best	option to t	take? Jus	stify your	answer.		My	1
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	is needed for the second secon					 	 	

What is meant by batch production (line 9)?	bric
What is meant by batch production (line 9)?	30
Would flow production be a better method of production for the new fruit drink? Explain your answer.	
[8]	
Outline what is meant by 'spans of control will widen and the chain of command will lengthen' (line 27).	

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	6	For Examiner's
(d)	Several new employees need to be recruited. Would you advise Shama to use recruitment or external recruitment for managers of the café bars? Give reason your answer.	Use
		COM
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	[6]	
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- (b) Fig. 1 shows part of a questionnaire drawn up by S and P Partners to find market segment for their new drink. It has not been finished.
- www.PapaCambridge.com (i) Add four additional questions (Q3, Q4, Q5, Q6) in the spaces provided on the questionnaire.

			Que	estion	naire	for S	and P	Partr	ners			
Q1	Gender		ſ	Male		F	emale					
Q2	Age	nder 16		16– 24		25– 34		35– 44		45– 54	Over 54	
Q3												
Q4												
Q5												
Q6												
						F! 4						

Fig. 1

(ii)

Justify your choice of questions.
[6]

	9	For kaminer's
1)	The business currently uses wholesalers and supermarkets to distribute its exist drinks. Explain the possible advantages to the business of using wholesalers method of distribution.	Use
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		The business currently uses wholesalers and supermarkets to distribute its exist drinks. Explain the possible advantages to the business of using wholesalers

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	10 For Examiner's
)	Outline the marketing mix you would suggest for the new drink. Give reasons to the choice.
	Table
	[12]

)	Why might groups other than the partners be interested in the accounts of
	Partners?
	Why might groups other than the partners be interested in the accounts of Partners?
	[8]

	the summary accounts pr