

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS General Certificate of Education Ordinary Level

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CANDIDATE NAME					
CENTRE NUMBER			CANDIDATE NUMBER		

BUSINESS STUDIES

7115/02

Paper 2

May/June 2008

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.

Do not use staples, paper clips, highlighters, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer all questions.

The businesses described in this question paper are entirely fictitious.

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.

For Exam	iner's Use
1	
2	
3	
4	
5	
Total	

This document consists of 16 printed pages.



A new business – but which one?

www.PapaCambridge.com Abdul's job is to repair cars. He works for a large car sales business that sells new and second cars. Abdul's uncle died earlier this year and left him \$5 000. He has always wanted to work for him and now he has some money to start his own business. He could do this by buying a franchise. Abdu wife is a qualified accountant. She works for a company that owns several furniture shops.

Abdul is going to choose between opening his own car repair business or buying a franchise from a big furniture retail business. To open his own car repair business will take a lot of effort to find a suitable location with the equipment needed. Buying a franchise for a furniture shop will be expensive. However, the franchise company will help Abdul with a lot of the start-up problems such as finding a suitable shop.

Abdul will need to employ staff whichever business he sets up. The car repair business will need qualified car repair workers and the furniture shop will require sales staff.

Abdul and his wife live in a large city in Country X. The country has a population of 10 million who are enjoying increasing incomes as there has been economic growth in Country X in recent years. However, unemployment is still a problem.

Abdul has carried out some market research for the car repair business as shown in Appendix 3. He has also prepared two profit forecasts for the businesses and these are given in Appendix 1.

Appendix 1

Forecasted Profit and Loss Accounts year ending December 2009 for:

	3 Appendix 1	WWW. Pale
Forecasted Profit an	d Loss Accounts year endi	ng December 2009 for:
	Car repair business	Furniture franchise
	\$	\$
Sales Revenue	100 000	200 000
Cost of Sales	10 000	100 000
Gross Profit	90 000	100 000
Expenses	80 000	60 000
Net Profit	10 000	40 000

Appendix 2

Letter to Bank Manager

Dear Sir/Madam

I want to set up my own business. I have \$5000 to invest in my business but I need additional funds. I have two possible business ideas.

The first one is to set up my own car repair business and for that I will need an additional \$10 000 to buy equipment. I will rent my garage.

The second idea is to buy a franchise for a furniture shop and for that I will need an additional \$90 000. \$40,000 will be needed to buy the franchise and \$50,000 to buy furniture stock. I will rent my shop.

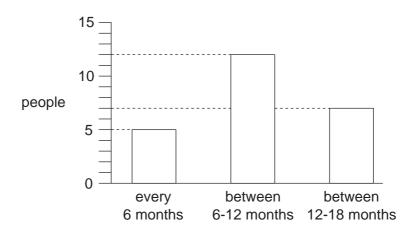
I would like to come and see you to discuss my two ideas.

Yours faithfully Abdul

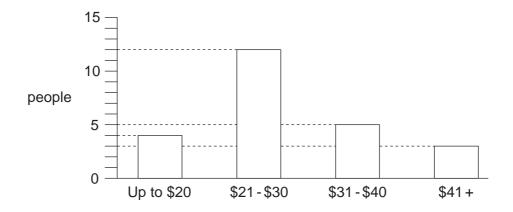
Appendix 3

Questionnaire results for car repair business

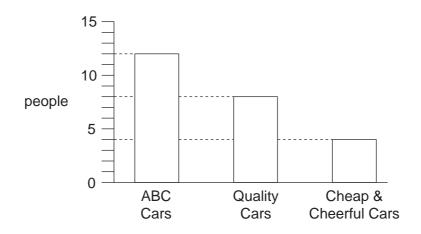
1 How often do you have your car repaired or serviced?



2 How much do you usually pay for the servicing of your car?

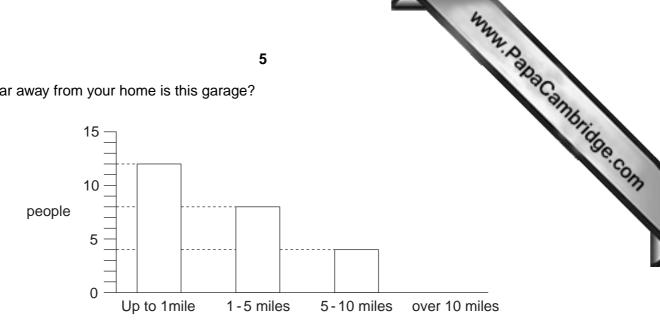


3 Which car repair garage do you take your car to when it is repaired or serviced?



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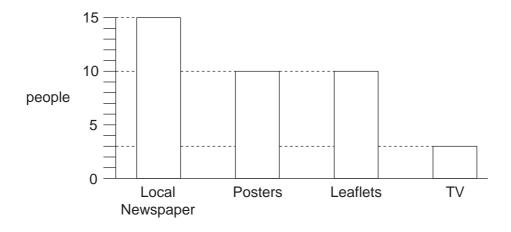
How far away from your home is this garage? 4



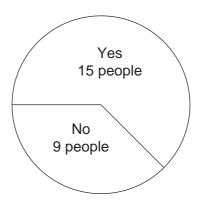
5 Why do you choose this garage?

Cheap	Good	Always	Know the
	quality service	taken car there	owner
10 people	8 people	3 people	3 people

6 Where have you seen advertisements for garages?



7 Does your garage ever have promotions/special deals?



1	(a)	(i)	Abdul has made an appointment to see the Bank Manager. List three questions the Bank Manager might ask Abdul before deciding whether to give the capital he will need. Bank Manager's Question 1: Bank Manager's Question 2:
			Bank Manager's Question 3:
			[3]
		(ii)	For each of the three questions, explain why the Bank Manager would ask the question.
			Explanation (Question 1):
			Explanation (Question 2):
			Explanation (Question 3):

.....[9]

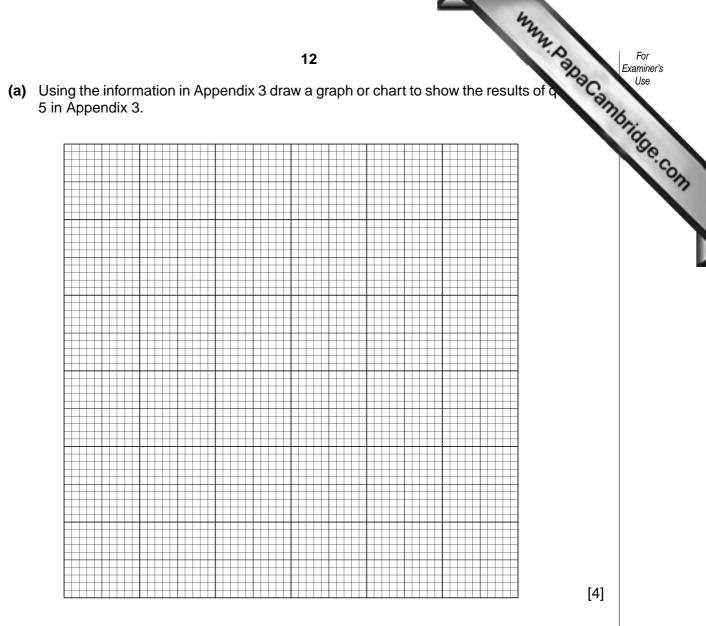
(b)	How useful would break-even analysis be to Abdul in helping him choose between two business options? Explain your answer.	For Examiner's Use
	two business options: Explain your answer.	Brick
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	[8]	

www.PapaCambridge.com 2 (a) Abdul is considering buying a franchise for a furniture shop. What are the adva and disadvantages for Abdul of buying a franchise from a big furniture retail bush instead of setting up his own furniture shop? Advantages: Disadvantages:

www.PapaCambridge.com **(b)** A suitable location will be needed if Abdul decides to open the furniture shop. the most important factors that will affect this decision of where to locate his furn shop.

3	(a)	Abdul has to decide which business to open. Using the financial information Appendices 1 and 2, compare the profitability of the two businesses and advise Awhich one to open. Give reasons for your choice.

www.PapaCambridge.com (b) Governments often help new businesses to start up. Explain why the governments Country X might help Abdul to start his business.



[4]

13 For Examiner's
Abdul has carried out market research for the car repair business and a summaintuse Use results are in Appendix 3. How would this information help Abdul when deciding of marketing for this business?
- Age

	How useful would the Internet be to Abdul if he set up the car repair business?	For Examiner's
(c)	How useful would the Internet be to Abdul if he set up the car repair business?	Use
		Tidge
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	[6]	

5

www.PapaCambridge.com (a) Abdul will need to employ sales staff if he opens the furniture shop. Advise him best ways to recruit and select new staff.

	be successful the furniture shop will need motivated sales staff. Advise Action has been been been been also be successful the furniture shop will need motivated sales staff.	For aminer's
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