

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

BUSINESS STUDIES
PAPER 2 Data Response

9707/2

OCTOBER/NOVEMBER SESSION 2002

1 hour 30 minutes

Additional materials:
Answer paper

TIME 1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided on the answer paper/answer booklet.

Answer **all** questions.

Write your answers on the separate paper provided.

If you use more than one sheet of paper, fasten the sheets together.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.

The businesses described in this paper are entirely fictitious.

You are reminded of the need for good English and clear presentation in your answers.

1

The Travelstop Hotel

The Travelstop Hotel provides overnight accommodation, mainly for tourists. The company owns one hotel, which is located in an area that relies heavily on income from tourists. Most of its revenue comes from bookings made through travel companies who pay Travelstop after the tourist has stayed. Recently the owner, Paul Ho, has been approached by JDJ plc. The company would like to book all 40 rooms for 6 nights in November. JDJ plc will pay the usual price. Paul is a little concerned that JDJ plc have a reputation for keeping suppliers waiting for payment of invoices.

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Costs and revenues for the Travelstop Hotel are shown in Table 1.

Table 1

Variable Costs per room per night	\$10	
Fixed Costs per month	\$18 000	10
Price per room per night	\$30	
<i>Expected demand</i> in November (without JDJ plc)	700 room nights	

Travelstop is facing two problems:

Problem 1

Its cash flow position seems to be worsening. Extracts from its accounts are shown in Table 2. 15

Table 2

	July	August	September	October
Sales Revenue	\$30 000	\$31 000	\$34 000	\$32 000
Debtors	\$57 000	\$61 000	\$68 000	\$70 000
Creditors	\$40 000	\$39 000	\$42 000	\$40 000

20

Problem 2

The number of tourists visiting the area has declined in recent months. Paul thinks this is because of recent increases in *interest rates*. He is concerned that if the number of tourists visiting the area continues to fall, this will have a significant impact on his business.

- (a) Define the following terms:
- (i) Expected demand (line 12)
 - (ii) Interest rates (line 23)
- (b) Using the information in Table 2, explain why there might be a cash flow problem in the business and suggest **one** possible remedy for this situation. [4]
- (c) (i) Calculate the number of rooms Travelstop must sell **per month** in order to break-even. [2]
- (ii) Calculate the expected profit for November assuming the booking for JDJ plc is accepted. [3]
- (iii) Using your answers to (i) and (ii) and any other information, advise Paul Ho whether to accept the order from JDJ plc. [5]
- (d) Evaluate the impact on the Travelstop Hotel of a rise in interest rates. [10]

2

The Soup Makers

The Soup Makers manufactures three different products:

product	description	stage of product life cycle
X	Soup Makers' own brand	maturity
Y	a large supermarket's own label product	decline
Z	a high quality product that is being sold in a <i>niche</i> market	growth

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The business is worried about its long term future, given the position of each product within the product life cycle.

Details of revenue and profit for the products for the last financial year are given in Figs 1 and 2.

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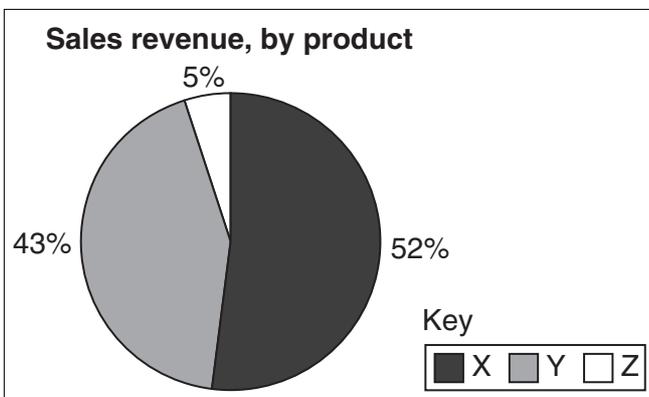


Fig. 1

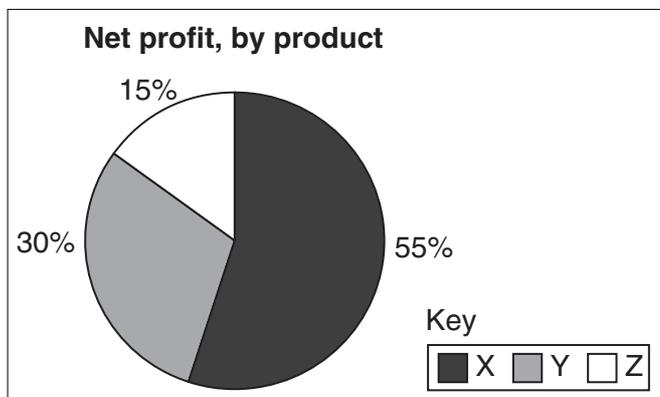


Fig. 2

The Soup Makers is using research and development into a new product to replace Product Y. To help it do this the following network diagram has been prepared.

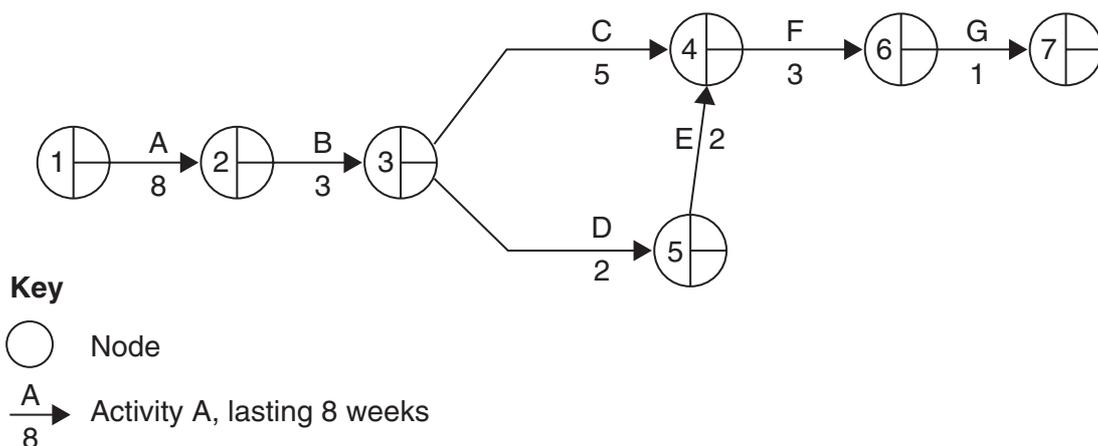


Fig. 3

The Production Manager is concerned about the level of factory efficiency. A *work study* has been undertaken and this has identified several areas of inefficiency. In particular, the supervisors are spending too much time checking the packaging because of old machinery and inexperienced employees. Something must be done about its quality control if the business is to remain competitive.

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- (a)** Define the following terms:
- (i)** Niche market (line 6)
 - (ii)** Work study (line 13)
- (b)** Using the information in Fig. 3:
- (i)** Calculate the minimum duration. [1]
 - (ii)** Identify the critical path. [1]
 - (iii)** Comment on the significance of the critical path for The Soup Makers. [4]
- (c)** Analyse the importance of quality control for The Soup Makers. [8]
- (d)** Evaluate The Soup Makers' decision to stop production of Product Y. [10]

