



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education Ordinary Level

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**BUSINESS STUDIES**

**7115/22**

Paper 2

**May/June 2011**

INSERT

**1 hour 45 minutes**

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**READ THESE INSTRUCTIONS FIRST**

This Insert contains the case study material.  
Anything the candidate writes on this Insert will not be marked.

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This document consists of **3** printed pages and **1** blank page.



## TT Foods

TT Foods is a private limited company and has been in business for 20 years. It produces ready-made meals for several international airlines. The business is located on the edge of the capital city in Country X near to the international airport.

The ready-made meals the company produces are purchased by the airlines and served during international flights. Passengers do not pay for the meals directly.

The business employs 100 production workers who prepare the meals. The workers are paid an hourly rate and receive no fringe benefits. The workers can take home any leftover food but they have to pay for it. A high number of production workers leave the company each year because of poor motivation. The business is not located near any farms and so the food ingredients are purchased from a nearby wholesaler.

The Directors of TT Foods want to expand the business and they have identified two options.

### Expansion Option 1:

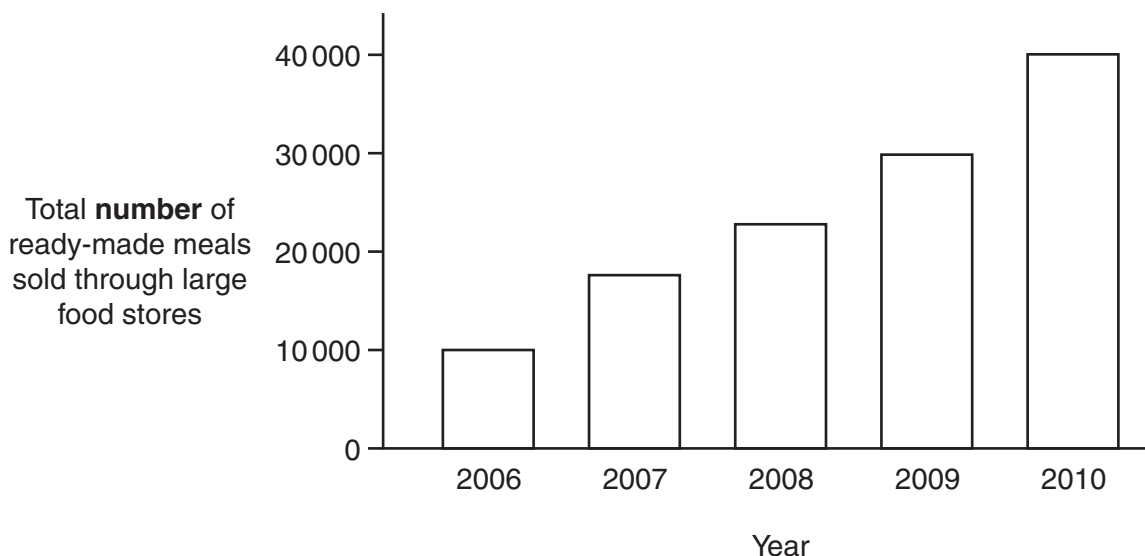
Diversify into selling ready-made meals to large food stores. Five new sales staff will need to be employed to visit the stores to sell the meals. The additional fixed costs for this option are \$1000 per month and the variable cost is \$4 per meal. The estimated break-even number of meals is 1000 per month at a price of \$5 per meal. Sales are estimated to be 1500 meals per month.

### Expansion Option 2:

To sell ready-made meals to additional airline customers. To do this, TT Foods will need to become more efficient and competitive. The estimated number of sales is 2000 per month at a price of \$4 per meal. The addition to fixed costs for this option is \$1000 per month and the variable cost is \$2 per meal.

## Appendix 1

Total sales of ready-made meals sold through large food stores



**Appendix 2**

## Job Description for Production Manager

Job title:	Production Manager
Department:	Production
Responsible to:	Managing Director
Responsible for:	Team of production workers
Details of job:	Responsible for the production of ready-made meals Responsible for the production workers
Main duties:	Allocate jobs to the production workers Supervise production workers Ensure quality products are produced Discipline workers who are not working hard Communicate company decisions to the production workers Ensure ready-made meals are produced on time

**Appendix 3**

News Plus

May 2011

Over the last year there has been economic growth of 4% and this has resulted in rising incomes for many people. There has been an increasing trend for people to fly to other countries on holiday. With increased incomes, people have been choosing more holidays to nearby countries as well as going to countries further away.

The airline industry has been experiencing an increase in passengers. This has been welcomed by the owners of the international airport, as they say this will bring additional revenue to the businesses at the airport.

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General Certificate of Education Ordinary Level

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Paper 2

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**1 hour 45 minutes**

Candidates answer on the Question Paper.

Additional Materials:      Insert

**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 Insert contains the case study.  
The business described in this question paper is 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 Examiner's Use	
1	
2	
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<b>Total</b>	

This document consists of **11** printed pages, **1** blank page and **1** Insert.



- 1 (a) The Directors of TT Foods are thinking of introducing machinery into the production and packing process. Identify and explain **two** reasons why the workers might be **happy** with this decision.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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- 2 (a) Identify and explain **two** factors that will affect the pricing decisions of TT Foods when deciding what price to charge large stores for their ready-made meals.

Factor 1: .....

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Explanation: .....

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Factor 2: .....

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Explanation: .....

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(b) TT Foods want to reduce the costs of the food ingredients they buy. They are considering three possibilities:

- (i) Keep buying their food from a wholesaler but purchase the food less often in much larger quantities or
- (ii) Buy the food directly from farms or
- (iii) Buy their own farms and grow the food themselves.

Consider the advantages and disadvantages of these **three** possibilities and recommend which one the Directors should choose. Justify your choice.

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(ii): .....

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Recommendation: .....

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[12]

3 (a) Appendix 3 suggests that there is increasing demand for airline flights. Identify and explain **two** effects on TT Foods of this increase in the number of passengers.

Effect 1: .....

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Explanation: .....

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Effect 2: .....

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Explanation: .....

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(b) Consider the **two** options outlined in the case for expanding the business of TT Foods. Recommend which of the options the Directors should choose. Justify your choice using appropriate calculations.

*For  
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Expansion option 1: .....

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Expansion option 2: .....

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Recommendation: .....

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[12]

4 (a) Below is an outline for a job (person) specification for a Production Manager. Refer to Appendix 2. Explain why each requirement shown below should be included in the job specification.

Job title: Production Manager

Requirements	Example of requirement	Why each requirement should be included
Qualifications	University degree in Management	Explanation: ..... ..... ..... ..... .....
Skills	Able to lead a team of workers	Explanation: ..... ..... ..... ..... .....
Experience	At least 5 years experience in food processing	Explanation: ..... ..... ..... ..... .....
Personal Characteristics	Well organised	Explanation: ..... ..... ..... ..... .....

[8]

(b) When recruiting a new Production Manager the Directors of TT Foods could recruit internally or externally. Consider the advantages and disadvantages of these two different methods of recruiting the Production Manager and recommend which method the Directors should choose. Justify your answer.

*For  
Examiner's  
Use*

Internal recruitment: .....

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External recruitment: .....

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Recommendation: .....

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[12]

- 5 (a) TT Foods have to follow many consumer protection laws. Identify and explain **four** benefits to consumers of such laws.

Benefit 1: .....

Explanation: .....

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Benefit 2: .....

Explanation: .....

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Benefit 3: .....

Explanation: .....

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Benefit 4: .....

Explanation: .....

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..... [8]

(b) The case mentions that there are a high number of workers leaving the company each year because of poor motivation. Consider **three** different methods that TT Foods could use to increase motivation of the production workers and recommend which method you think will be the most effective. Justify your answer.

Method 1: .....

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Method 2: .....

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Method 3: .....

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Recommendation: .....

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