



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

BUSINESS STUDIES

7115/22

Paper 2

May/June 2012

INSERT

1 hour 45 minutes

READ THESE INSTRUCTIONS FIRST

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

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



School Clothes Supplies (SCS)

SCS is owned by Vijay Singh and his three brothers. It is a private limited company and has been trading for 15 years. The business manufactures school uniforms for boys and girls of all ages. These are school uniforms of a standard design sold to large clothes shops. The capital employed in the business is \$10m.

The business is located on the edge of the capital city in country X near to a sea port. The cloth used to make the clothes is purchased from local suppliers but some items, such as buttons, are imported.

SCS employs 100 production workers and 10 office workers. Production workers are paid by time rate. The management style is autocratic. The working conditions are good but each worker does the same job every day. Vijay uses batch production to produce different sizes of each item of clothing.

Vijay and his brothers are thinking of increasing output. They have two options.

Option 1:

Increase the production of the existing range of school clothes of a standard design. No new machinery will be required but more production workers will need to be recruited.

Option 2:

Start producing specially designed uniforms for schools that do not want the standard designs. Additional machinery will need to be leased. New skilled production workers will need to be recruited.

Appendix 1

Main News

April 2012

School uniform to be worn in all schools

A Government spokesperson announced today that all school children must wear a school uniform in future. Schools can choose whether to have a standard uniform which can be purchased from any large clothing shop or their own special design of uniform. These special design uniforms would only be available for customers to buy at a few school uniform shops.

Most schools have the standard school uniform, but it is likely that more schools will change to their own special design of uniform to make their students look different to students from other schools.

Appendix 2

Option 1: Data for the increase in production of standard uniforms

SCS costs and selling prices to shops for **standard** school uniforms

	Trousers	Skirts	Jackets
Variable cost per item	\$3	\$2	\$15
Price per item	\$6	\$5	\$35
Number of sales per year	400 000	200 000	300 000

Total fixed costs per year are \$3 000 000 for the production of all three products.

Option 2: Data for the new production of specially designed uniforms

SCS forecast costs and selling prices to shops for **specially designed** school uniforms

	Trousers	Skirts	Jackets
Variable cost per item	\$4	\$3	\$20
Price per item	\$8	\$7	\$50
Number of sales per year	200 000	100 000	50 000

It is forecast that fixed costs would be \$1 300 000 per year for the production of these specially designed uniforms (this includes the lease of the additional machinery).

Appendix 3

GOVERNMENT ADVERTISEMENT

New laws have been passed to protect workers and consumers.

The new laws are for health and safety, employment and consumer protection.

These laws will affect your business. You can get leaflets to inform you of what the laws mean to your business. Act now or your company may break the law.

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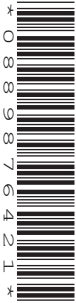
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Candidates answer on the Question Paper.

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 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	
3	
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Total	

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



- 1 (a) Identify and explain **two** advantages and **two** disadvantages to Vijay Singh of the business being a private limited company instead of a partnership.

Advantage 1:

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Explanation:

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Advantage 2:

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Explanation:

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Disadvantage 1:

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Explanation:

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Disadvantage 2:

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Explanation:

..... [8]

(b) Vijay wants new shareholders to invest in the company. Consider **four** different pieces of financial information someone would want to see before deciding whether to become a shareholder. Justify why each piece of information would be important in helping to decide whether or not to invest in the company.

Information 1:

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Explanation:

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Information 2:

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Explanation:

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Information 3:

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Explanation:

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Information 4:

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Explanation:

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..... [12]

- 2 (a) Producing good quality school uniforms is very important to SCS. Identify and explain **two** reasons why good quality products are important to SCS.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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(b) Appendix 3 informs Vijay that there are new laws which cover health and safety, employment and consumer protection. How important do you think each of these laws will be to SCS? Justify your answer.

*For
Examiner's
Use*

Health and safety:

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Employment:

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Consumer protection:

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[12]

- 3 (a) Good communication is important to business. Using **two** possible examples from SCS, explain how poor communication could affect the business.

Example 1:

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Explanation:

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Example 2:

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Explanation:

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..... [8]

(b) Consider **three** types of training SCS could use for its newly recruited production workers. Recommend which **one** of the three types of training you think will be the most effective in increasing the productivity of its new production workers. Justify your choice.

*For
Examiner's
Use*

Type 1:
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Type 2:
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Type 3:
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Recommendation:
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[12]

- 4 (a) Identify and explain **two** possible benefits for SCS of selling its uniforms on the Internet as well as through retail shops.

For
Examiner's
Use

Benefit 1:

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Explanation:

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Benefit 2:

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Explanation:

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..... [8]

(b) For each item of secondary information listed below, consider how it might affect SCS's marketing decisions.

*For
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Use*

Number of schools in the country with their own specially designed uniforms:

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Where competitors' products are sold:

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Competitors' prices:

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[12]

- 5 (a) SCS uses batch production to manufacture its uniforms. Identify and explain **one** advantage and **one** disadvantage to SCS of using batch production.

Advantage:

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Explanation:

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Disadvantage:

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Explanation:

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..... [8]

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