
BUSINESS STUDIES

Paper 2

INSERT

7115/22

May/June 2014

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.

Manuel's Fruit and Vegetable Shop

Manuel owns a shop selling fruit and vegetables. It is located on a main road in the capital city of country X. He is a sole trader and has been in business for 10 years. He has 5 employees who all work part-time in the shop.

Manuel buys his fruit and vegetables from a wholesale supplier and he pays cash. The wholesaler charges Manuel a delivery fee of \$20 for each delivery. Manuel usually has 4 deliveries a week. He has thought of buying his own truck (lorry) but that would cost \$4 000 for an old truck or 3 times as much for a new truck.



Manuel wants to encourage more customers to buy fruit and vegetables from his shop each week. He is planning to offer a low cost delivery service to customers who order the same quantity of fruit and vegetables each week. This would discourage customers from buying fruit and vegetables from other shops. He is not sure how to promote this new service.

Manuel gives his existing loyal customers one month's credit. Half of Manuel's sales are to these customers. Most of Manuel's stock is sold with 100% mark up.

Appendix 1

Cash flow forecast for Manuel's Fruit and Vegetable Shop (\$) for the first half of 2015

	January	February	March	April	May	June
Cash sales	500	1000	700	300	600	400
Cash from debtors	500	500	1000	700	300	600
Sales revenue	1000	1500	1700	1000	900	1000
Purchase of stock	500	1000	700	300	600	400
Wages	200	400	600	600	600	600
Overheads	400	400	400	400	400	400
Total costs	1100	1800	1700	1300	1600	1400
Net cash flow	(100)	(300)	0	(300)	(700)	(400)
Opening balance	1000	900	600	600	300	(400)
Closing balance	900	600	600	300	(400)	(800)

Note: Numbers in brackets are negative.

Appendix 2

To: ManuelBBB@gotmail.com
 From: DeliveriesRU@gotmail.com
 Date: 3 May 2014

You enquired about hiring a delivery truck to transport your fruit and vegetables. The price to hire a truck is \$50 per day plus fuel. This includes insurance. All our trucks are safe and clean and can carry a large amount of stock. Please note you will need to book and pay at least one week in advance as we are very busy and may not have a truck for you if it is not booked early.

Appendix 3

Adverts for Manuel's Fruit and Vegetable Shop and a large supermarket



Open: 06.00 – 23.30

Local shop

Fresh products

Personal service



Open: 10.00 – 20.00

Large out of town store

Wide variety of products

Self-service

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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, 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.

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

1 (a) Identify and explain **two** disadvantages to Manuel of operating as a sole trader.

Disadvantage 1:

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Explanation:

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Disadvantage 2:

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Explanation:

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[8]

(b) Consider **three** ways Manuel could use to improve the cash flow of his business. Recommend which way would be the best one to choose. Justify your answer.

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

- 2 (a) Identify and explain **four** reasons why customers may prefer to buy fruit and vegetables from Manuel's shop rather than from large supermarkets.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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Reason 3:

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Explanation:

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Reason 4:

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Explanation:

.....[8]

(b) Manuel is considering how to transport his stock of fruit and vegetables to the shop. Consider the costs and benefits of the following **three** options. Recommend which is the best one to choose. Justify your answer.

Buy his own truck (lorry):

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Pay the supplier a delivery charge:

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Rent a truck when needed:

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Recommendation:

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[12]

3 (a) Identify and explain **two** reasons why many Governments help small businesses such as Manuel's.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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..... [8]

(b) Manuel needs to order fruit and vegetables on a regular basis from his supplier. Consider the advantages and disadvantages of **three** methods of communication he could use to place orders with his supplier. Recommend the best method for him to use. 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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.....[12]

- 4 (a) Having well motivated employees is very important to Manuel. Identify and explain **two** ways Manuel could use to motivate his shop employees.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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..... [8]

(b) Manuel plans to deliver a box of fruit and vegetables every week to each of his regular customers. Consider the advantages and disadvantages of the following **three** promotional methods he could use for this new service. Recommend which promotional method he should use. Justify your answer.

Advertising on local radio:

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Leaflets:

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Posters/billboards:

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Recommendation:

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[12]

5 (a) Identify and explain **four** factors that affect how much stock of fruit and vegetables Manuel's shop should have.

Factor 1:

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Explanation:

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Factor 2:

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Explanation:

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Factor 3:

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Explanation:

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Factor 4:

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Explanation:

.....[8]

(b) Manuel has been operating his successful fruit and vegetable shop for 10 years. He wants to expand by either opening more shops or becoming a franchisor and selling franchises to other people. Consider these two methods of expansion. Recommend which method he should choose. Justify your answer.

Opening more shops of his own:

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Becoming a franchisor and sell franchises to other people:

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Recommendation:

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