
BUSINESS STUDIES

7115/21

Paper 2

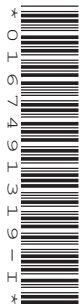
May/June 2015

INSERT

1 hour 30 minutes

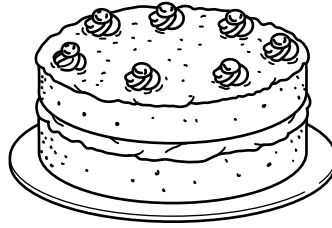
READ THESE INSTRUCTIONS FIRST

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.

Delicious Delights (DD)



David is a successful entrepreneur. He set up Delicious Delights (DD) as a private limited company 10 years ago in country X. David invested all of his own savings when he set up DD and he is still the major shareholder. David is the Managing Director and works 7 days a week. The company has increased profits every year as David develops a new range of cakes each year. David has appointed managers to control each department (see Appendix 1) and the company employs 125 people.

DD employs many employees for the production of cakes. Large ovens are used to bake the cakes. David wants to increase production efficiency. He is considering the following two options.

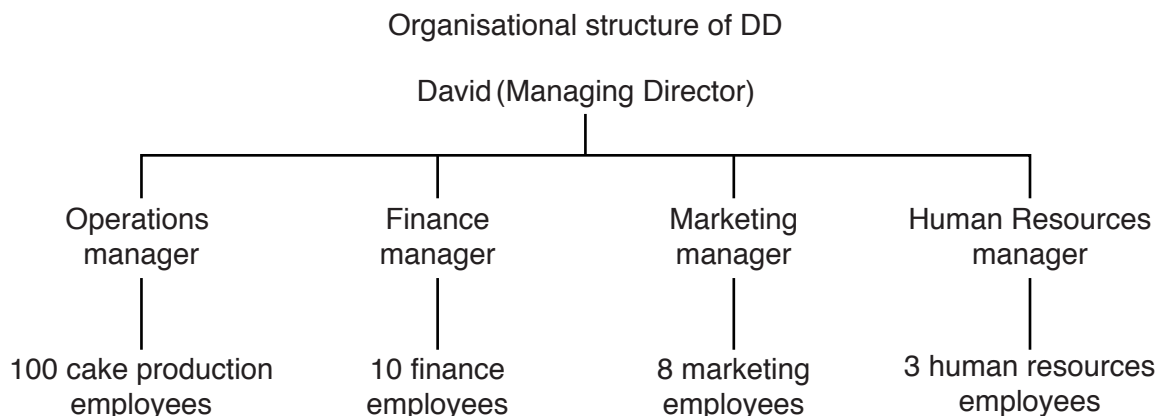
Option A

Provide more training for the existing production employees. This would involve on-the-job training provided by the most experienced employees. David estimates efficiency would increase by 10%.

Option B

Change the production process to an automated production line. This would require an investment of \$8m and only 10 employees would be required to operate the machinery. The other production employees would be made redundant. Off-the-job training would be required for the remaining 10 employees.

Appendix 1



Appendix 2

Financial information from DD Balance Sheet (\$000)

	2013	2014
Non-current (fixed) assets	100 000	100 000
Current assets	1 000	1 000
Inventories (stock)	500	300
Current liabilities	500	600
Current ratio	2	?
Acid test ratio	1	?

Appendix 3

To: Marketing Manager
 From: David
 Date: 10 May 2014
 Re: Increasing cake sales

Hi

I have been looking at our sales figures for cakes and I am constantly thinking of new ways of selling to customers. Customers usually buy our cakes from large supermarkets and small food shops, but I think we could start to sell our cakes directly to customers using e-commerce. There are many cost savings to be made from using e-commerce but would this be a suitable method for our cakes?

We have a large number of loyal customers in country X. However, our competitors are starting to sell cakes in large quantities to supermarkets in other countries. Would this be a better way of increasing sales than using e-commerce?

Let me know what you think.

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Paper 2

May/June 2015

1 hour 30 minutes

Candidates answer on the Question Paper.

Additional Materials: Insert.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name in the spaces at the top of this page.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams, graphs or rough working.

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.

The total number of marks for this paper is 80.

This document consists of **9** printed pages, **3** blank pages and **1** Insert.

1 (a) Identify and explain **two** characteristics David needs to be a successful entrepreneur.

Characteristic 1:

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Explanation:

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Characteristic 2:

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Explanation:

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[8]

(b) David has appointed a manager to control each department as shown in Appendix 1. Identify and explain **three** management functions of the Operations manager. Which do you think is the most important management function? Justify your answer.

Function 1:

Explanation:

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Function 2:

Explanation:

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Function 3:

Explanation:

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Most important function for Operations manager:

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.....[12]

2 (a) Identify and explain **two** ways in which marketing is important for DD.

Way 1:

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Explanation:

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Way 2:

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Explanation:

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- (b) Consider the advantages of using e-commerce and the advantages of selling to supermarkets in other countries. Recommend which way DD should use to increase sales. Justify your answer.

E-commerce:

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Selling to supermarkets in other countries:

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Recommendation:

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[12]

3 (a) The company Balance Sheet helps David assess the performance of the business.

(i) Calculate the current ratio and acid test ratio for 2014.

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(ii) Compare your **two** ratio results with those of 2013 (see Appendix 2).

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(b) David wants to increase efficiency in his factory. Consider Option A and Option B and then recommend which one he should choose. Justify your answer.

Option A:

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Option B:

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Recommendation:

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4 (a) Identify and explain **four** factors DD should consider when packaging cakes if they are exported.

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) External factors can affect the profitability of a company. For each of the following changes consider how it might affect DD's profit. Which change is likely to have the greatest effect on DD's profit? Justify your answer.

Increasing GDP in country X:

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Reduced supply of the raw materials used to make cakes:

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Television programme highlighting the effects on health of eating too many cakes:

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Conclusion:

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[12]

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