
BUSINESS STUDIES

7115/22

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.

Frozen Fancies (FF)

Frozen Fancies (FF) is a partnership owned by Samah and Selina. The business was started five years ago after Samah and Selina were able to borrow finance easily from the bank. FF produces ice-cream in country X. The ice-cream is made from high quality ingredients and is sold at a high price. These ingredients are bought from a supplier which is located near FF's factory. Samah and Selina have always used this supplier since they started and have been pleased with the high quality ingredients even though they are expensive.

Sales increased for the first four years. This increase in sales was greater than FF had planned for. Last year the sales started to fall as a multinational food company set up an ice-cream factory and started selling ice-cream in country X. This ice-cream is not high quality and sells at prices below those of FF. FF targets a market segment of high income consumers and intends to keep selling its ice-cream for a high price.

FF's ice-cream is in high demand for 6 months but demand is lower for the rest of the year. The factory has 100 full-time production workers when it is busy but half of these workers are made redundant during less busy months.

FF plans to launch a new ice-cream flavour onto the market. It must decide between strawberry flavour and coconut flavour. The development of the new product will be financed by FF taking out a bank loan.

Appendix 1

New City News

1 May 2015

A multinational food producing company has set up in country X. This is good for the unemployed. It is also increasing economic growth leading to further economic development for the country. The Government has built new roads to improve distribution.

However, some businesses did not like this multinational opening a new factory as it has increased wages of other businesses in country X.

Appendix 2

ABC Ice-cream Ingredients

We supply ingredients at low prices

All our products are quality assured

We comply with all Government
regulations on food standards

Free delivery to your business
once a week

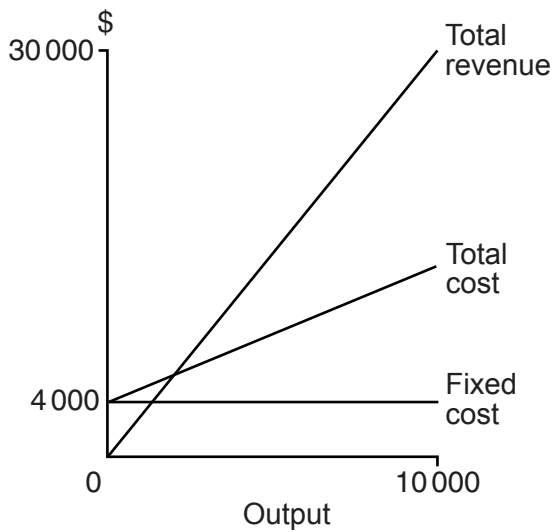
Appendix 3

Financial information for the two new ice-creams

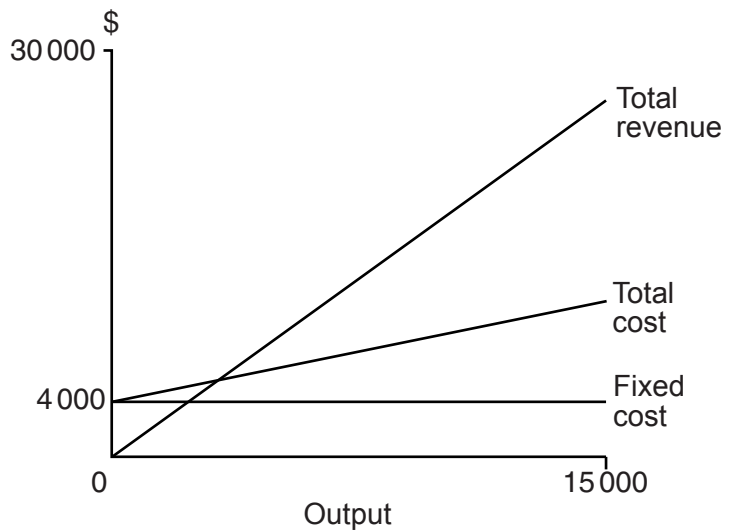
	Variable cost per ice-cream	Price per ice-cream	Estimated average sales per week
Option A Ice-cream strawberry flavour	\$1	\$3	10 000
Option B Ice-cream coconut flavour	\$0.50	\$1.75	15 000

Option A:

Break-even chart for strawberry flavour ice-cream

**Option B:**

Break-even chart for coconut flavour ice-cream



BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.uk after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.

CANDIDATE
NAME

--

CENTRE
NUMBER

--	--	--	--	--

CANDIDATE
NUMBER

--	--	--	--



BUSINESS STUDIES

Paper 2

7115/22

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) Samah and Selina wrote a business plan before FF started trading 5 years ago. Identify and explain **two** ways their business plan might have helped to make the business successful.

Way 1:

.....

Explanation:

.....

.....

.....

.....

.....

Way 2:

.....

Explanation:

.....

.....

.....

.....

..... [8]

(b) Consider the advantages to FF of employing full-time workers and the advantages to FF of employing part-time workers. Do you think a combination of these two types of workers would be best? Justify your answer.

Advantages of full-time workers:

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Advantages of part-time workers:

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Conclusion:

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

[12]

2 (a) Identify and explain **two** benefits to FF of targeting a specific market segment for its products.

Benefit 1:

.....

Explanation:

.....

.....

.....

.....

.....

Benefit 2:

.....

Explanation:

.....

.....

.....

.....

.....

[8]

(b) Samah and Selina will want to promote the new flavour of ice-cream. Consider the advantages and disadvantages of the following **three** methods of promotion. Recommend which is the best method for Samah and Selina to use. Justify your answer.

Advertising on social networks:

.....
.....
.....
.....
.....

Handing out leaflets with a discount offer on them:

.....
.....
.....
.....
.....

Giving out free samples in shopping malls:

.....
.....
.....
.....
.....

Recommendation:

.....
.....
.....
.....
.....

[12]

- 3 (a) Samah and Selina are considering buying ingredients from another supplier called ABC (see Appendix 2). Identify and explain **one** advantage and **one** disadvantage to FF of changing to ABC.

Advantage:

.....

Explanation:

.....

.....

.....

.....

.....

Disadvantage:

.....

Explanation:

.....

.....

.....

.....

..... [8]

(b) Samah and Selina want to start selling a new flavour of ice-cream. Consider the **two** options outlined in Appendix 3. Recommend which one they should choose. Justify your answer.

Option A:
.....
.....
.....
.....
.....
.....
.....
.....
.....

Option B:
.....
.....
.....
.....
.....
.....
.....
.....
.....

Recommendation:
.....
.....
.....
.....
.....
.....
.....
.....
.....

..... [12]

- 4 (a) The Government of country X has recently increased interest rates. Identify and explain **two** ways an increase in interest rates might affect FF.

Way 1:

.....

Explanation:

.....

.....

.....

.....

.....

Way 2:

.....

Explanation:

.....

.....

.....

.....

..... [8]

(b) A multinational food company is producing and selling its products in country X (see Appendix 1). Consider the advantages and disadvantages to FF of this multinational operating in country X. Do you think it is beneficial to FF? Justify your answer.

Advantages to FF:

.....
.....
.....
.....
.....
.....
.....
.....

Disadvantages to FF:

.....
.....
.....
.....
.....
.....
.....
.....

Conclusion:

.....
.....
.....
.....
.....
.....
.....
.....

[12]

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge International Examinations Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cie.org.uk after the live examination series.

Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.