
BUSINESS STUDIES

7115/21

Paper 2

May/June 2016

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.

Diaz Dentist Clinic (DDC)


Rosa and Eduardo are well qualified dentists. They set up DDC 10 years ago in country X. Rosa and Eduardo invested \$50000 each from their own savings when they formed the business partnership. Since then the business has expanded and it is now one of the largest dentist clinics in the country. It employs 8 dentists, 10 assistants, 3 receptionists and a general manager for the clinic. However, in future they will only require 2 receptionists as they are purchasing a new computer system for the administration of the clinic. This computer system could be paid for by DDC taking out a bank loan.

DDC is in the private sector and only has patients (customers) who pay for their treatment. It has a good reputation for high quality treatment and patients pay high prices. Patients are given up to three months to pay for their treatment. There are also some dentist clinics in country X which are operated by the Government and provide free treatment for poor families.

DDC's premises are now too small. Each treatment room is very small and the dentists complain that there is not enough space to work properly. Rosa and Eduardo are planning to move the clinic to larger premises.

Advertisement

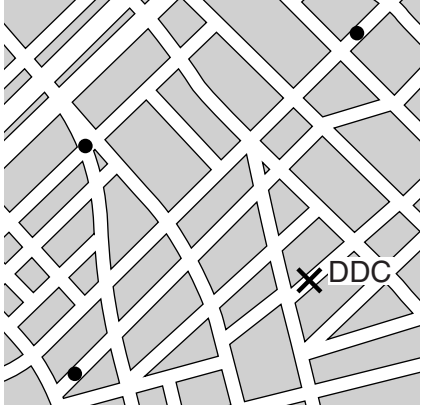
DDC



Treatments (services) available:

- Teeth whitening
- Repair to tooth decay
- Teeth extraction
- Teeth cleaning

Where to find us:



Note: There is no parking near DDC.

Note: The dots show the locations of competitor businesses.

Appendix 1

Main City News

1 May 2016

The Government is increasing the number of dentist clinics which will offer free treatment for poor families. Only people on low wages will be able to use these clinics. The Government hopes this will reduce the number of days people are not at work because of problems with their teeth.

The increase in the number of dentist clinics paid for by the Government is increasing the job vacancies for dentists and assistants. The Government is also improving hospital care for poor families. The Government says all of these changes are helping to reduce unemployment.

Appendix 2

Summary of the three receptionists employed at DDC

	Time employed at DDC	Qualifications and experience	Other interests
Receptionist 1 (age 50)	10 years	Receptionist qualifications	Charity work
Receptionist 2 (age 30)	1 year	No qualifications but lots of experience as a receptionist for other dentists	Plays football
Receptionist 3 (age 25)	4 years	No qualifications and only experience as a receptionist for DDC	Repairs computers at home

Appendix 3

Cash flow forecast for DDC for the second half of 2016 (\$000)

	July	August	September	October	November	December
Cash inflows:						
Payments from patients	400	1 000	2 000	800	200	200
Cash outflows:						
Payments to suppliers	40	100	200	80	20	200
Wages	100	100	100	100	100	100
Rent	500	500	500	500	500	500
Other fixed costs	200	200	200	200	200	200
Total cash outflows	840	900	1 000	880	820	1 000
Net cash flow	(440)	100	X	(80)	(620)	(800)
Opening bank balance	1 000	560	660	1 660	1 580	Y
Closing bank balance	W	660	1 660	1 580	960	Z

Note: Figures in brackets are negative.

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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 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 **one** advantage and **one** disadvantage to Rosa and Eduardo of forming a business partnership.

Advantage:

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Explanation:

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Disadvantage:

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Explanation:

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[8]

(b) Consider an objective of each of the following **three** stakeholder groups of DDC. Do you think there will be conflict between the objectives of each of these stakeholder groups? Justify your answer.

Objective of owners:

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Objective of patients (customers):

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Objective of employees:

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Will there be conflict between their objectives?

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[12]

2 (a) Identify and explain **two** methods of training employees to use the new computer system.

Method 1:

Explanation:

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Method 2:

Explanation:

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[8]

(b) Consider the information about each of the **three** receptionists outlined in Appendix 2. Recommend which receptionist should be made redundant. Justify your answer.

Receptionist 1:

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Receptionist 2:

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Receptionist 3:

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Recommendation:

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.....[12]

- 3 (a) The Government is expanding the public sector provision of health care including dentist clinics (see Appendix 1). Identify and explain **two** external benefits to the rest of society of this increased provision of health care for poor families.

External benefit 1:

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Explanation:

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External benefit 2:

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Explanation:

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.....[8]

(b) Refer to the cash flow forecast in Appendix 3.

(i) Calculate values for:

W:

X:

Y:

Z: [4]

(ii) Consider **two** ways the cash flow could be improved. Recommend the best way for Rosa and Eduardo to improve the cash flow in the second half of 2016. Justify your answer.

Way 1:

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Way 2:

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Recommendation:

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..... [8]

- 4 (a) Identify and explain **four** factors Rosa and Eduardo should consider when choosing larger premises.

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) When DDC has moved to new premises, Rosa and Eduardo plan to use promotional methods to attract more patients. Consider each of the following promotional methods. Recommend which one you think they should choose. Justify your answer.

Advertising on a website:

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National newspaper:

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Money-off coupons:

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Recommendation:

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[12]

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