
BUSINESS STUDIES

7115/22

Paper 2

May/June 2017

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.

Chocolicious Chocolates (CC)

CC is a private limited company. It was set up 15 years ago in country X. It manufactures luxury chocolates with fillings made with high-quality ingredients. The different brands of luxury chocolates produced by CC are sold to specialist sweet (candy) shops. CC only uses high-quality imported ingredients.

The factory uses labour-intensive production techniques using batch production. CC has 100 production workers who are skilled at making hand-made chocolates. Most of the workers have been employed at CC since it started. New workers are trained using on-the-job training.

The directors want the company to expand and they are developing a new brand of chocolate bar called Fizz Bomm. The new chocolate bar is to be targeted at the mass market. Variable costs could be reduced by using lower quality ingredients. The directors will purchase a new automated production line to manufacture the new chocolate bars, as output is expected to be high. CC will need to borrow \$500 000.

Appendix 1

Main news

1 May 2017

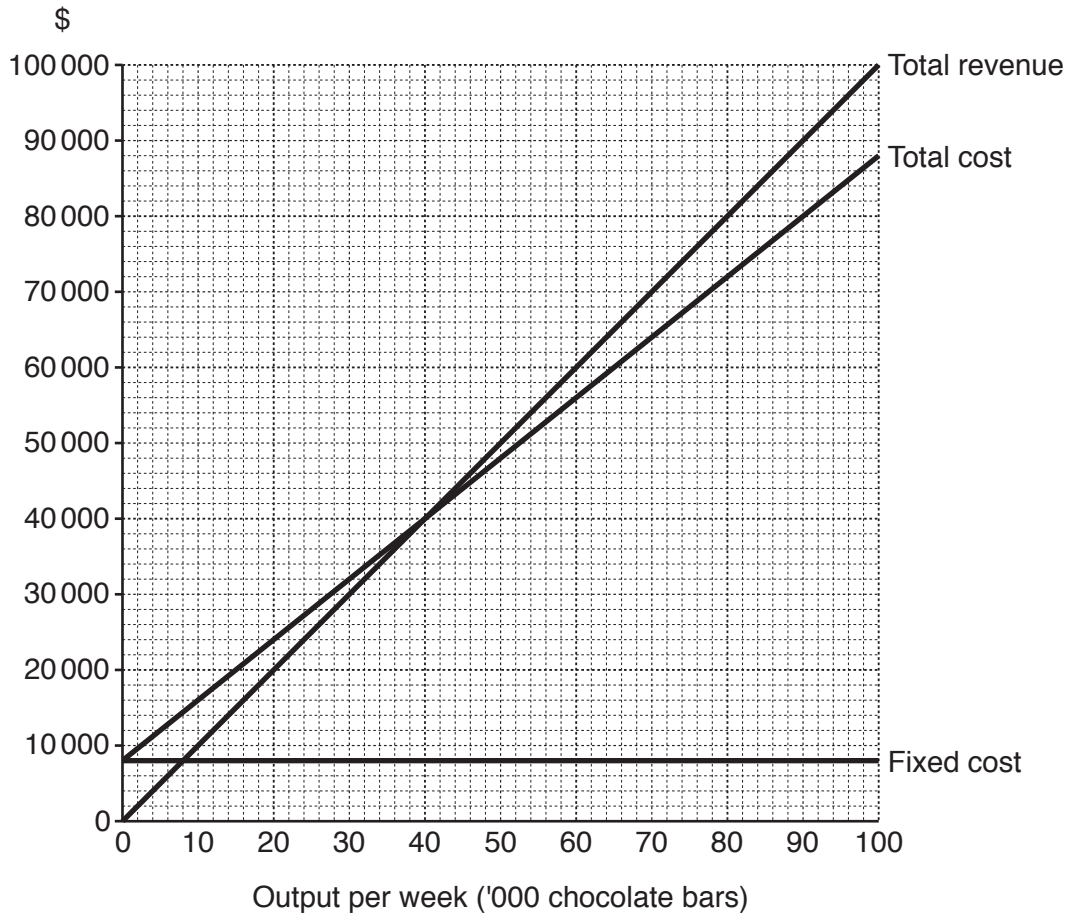
The Government is going to put a tariff on all imported goods from next month. It wants to increase demand for some products made in country X.

Many businesses in country X are unhappy about this decision as they think it will lead to higher costs. However, other businesses welcome this news and argue that a low exchange rate for the currency of country X has already led to a lot of problems.

Appendix 2: Break-even chart for Fizz Bomm

Variable cost = \$0.80 per chocolate bar.

Predicted sales = 100 000 chocolate bars per week at a price of \$1 per unit



Appendix 3

To: Managing Director
 From: Marketing manager
 Date: 1 May 2017
 Re: Fizz Bomm

The marketing mix for the new chocolate bar that is to be targeted at the mass market:

Price: Penetration pricing rather than competitive pricing. There are a lot of competitors in the mass market.

Promotion: Advertise in children's magazines and put discount coupons in the magazines. Competitors only advertise on television.

Place: We can sell through our existing distribution channel. Most of the competing chocolate bars are sold through wholesalers and supermarkets.

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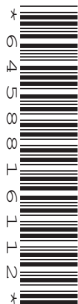
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Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name 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 **two** financial statements the directors will need to see before expanding CC. Explain why they will want to see each of these statements.

Financial statement 1:

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Explanation:

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Financial statement 2:

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Explanation:

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(b) Consider the following **three** factors that affect CC when importing all of its ingredients. Which is the most important factor when deciding whether to import ingredients? Justify your answer.

Exchange rate:

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Import tariffs:

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Delivery time:

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Conclusion:

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[12]

- 2 (a) Identify and explain **two** reasons why on-the-job training is important for new employees at CC.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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- 3 (a) Identify and explain **one** advantage and **one** disadvantage to CC if it changes to a public limited company.

Advantage:

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Explanation:

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Disadvantage:

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Explanation:

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- 4 (a) Fizz Bomm is in the development stage of the product life cycle. Identify and explain **four** other stages of Fizz Bomm’s product life cycle.

Stage 1:

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Explanation:

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Stage 2:

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Explanation:

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Stage 3:

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Explanation:

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Stage 4:

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Explanation:

.....[8]

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