



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

BUSINESS STUDIES

7115/22

Paper 2

October/November 2011

INSERT

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.



BB Boat Tours

BB Boat Tours was set up 15 years ago as a partnership between three brothers, Abdul, Bruce and Carlos. The business owns three boats and it takes tourists for day boat trips out to sea.

The business offers three types of trips:

- to look at the dolphins and other sea life (used mainly by foreign tourists)
- to go fishing with skilled local fishermen (used mainly by local tourists)
- to go diving with qualified diving instructors (used mainly by foreign tourists).

All the boats owned by the business are of good quality. Food and drinks are provided for the tourists throughout the day.

The business grew rapidly and made good profits, with the boats usually fully booked. However, last year the business made a loss as the boats were only half full each day.

The problem for the brothers is that they do not have much money and are thinking of selling one of the boats. Carlos says: 'We need to offer only two types of boat trips so we can reduce expenses'. Abdul thinks they should make some of their employees redundant. They need different skilled employees for each type of trip and he thinks they employ too many people.

The foreign tourists come mainly from the European Union where the euro is the currency used. BB Boat Tours buys most of its boats and equipment from countries in the European Union. The local currency has been depreciating against the euro.

Appendix 1


Cost and revenue information for BB Boat Tours (when the boats are half full)

Type of day trip	Price of trip per person	Number of passengers per day trip	Variable costs per passenger (food, hire of equipment and wages of employees)
Dolphin watching	\$20	20	\$10
Fishing	\$30	15	\$15
Diving	\$60	10	\$30

The fixed costs for each boat are \$300 per day.

Appendix 2

A competitor's website advertisement for boat tours for tourists




Cheap Boat Tours

If you want to go on a boat tour then come and let us take you out for the day. It will be an experience you will remember forever.

We charge just \$10 for dolphin watching, \$20 for fishing and \$40 for diving. Food and drinks are available onboard the boat for you to buy.

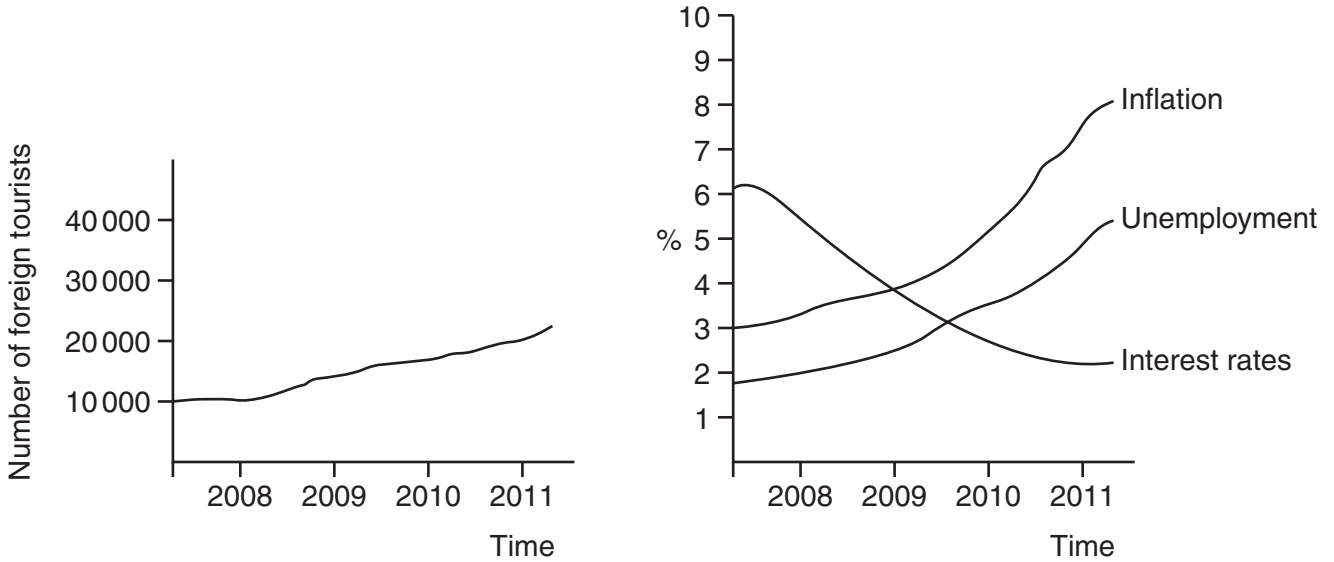
We are so much cheaper than many of the other boat tour businesses.

Email: cheapboattours@gotmail.com for further information or fill in the booking form on the website.



Appendix 3

Government Economic Data



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General Certificate of Education Ordinary Level

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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, highlighters, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.

The Insert contains the case study.

The businesses described in this question paper are 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.

For Examiner's Use	
1	
2	
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This document consists of **11** printed pages, **1** blank page and **1** Insert.



- 1 (a) Carlos thinks that good customer service is very important to the business. Explain **two** reasons why this might be true for BB Boat Tours.

*For
Examiner's
Use*

Reason 1:

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Reason 2:

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..... [8]

(b) Abdul wants to change the pricing strategy used by the business. It currently uses cost plus pricing. Consider **three** other pricing strategies that could be used and recommend which pricing strategy you think would be the best one. Justify your answer.

For
Examiner's
Use

Pricing strategy 1:
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Pricing strategy 2:
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Pricing strategy 3:
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Recommendation:
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[12]

- 2 (a) Bruce is thinking of leaving the partnership. Identify and explain **two** factors Bruce might consider when deciding whether or not to leave the partnership.

Factor 1:

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Explanation:

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Factor 2:

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Explanation:

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3 (a) Appendix 2 shows the website of one of BB Boat Tours' competitors. Identify and explain **four** ways that BB Boat Tours could make use of the Internet.

1.

Explanation:

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2.

Explanation:

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3.

Explanation:

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4.

Explanation:

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.....[8]

(b) The brothers have decided to reduce the number of employees. Explain **three** factors they should consider when deciding which employees to make redundant. Which do you think is the most important factor? Justify your answer.

*For
Examiner's
Use*

Factor 1:
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Factor 2:
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Factor 3:
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Most important factor:
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[12]

- 4 (a) BB Boat Tours made a loss last year and this worried the brothers. Identify and explain **two** reasons why converting the partnership to a private limited company might be better for Abdul, Bruce and Carlos.

Reason 1:

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Explanation:

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Reason 2:

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Explanation:

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- 5 (a) The local currency has fallen in value (depreciated) against the euro. This means each unit of the local currency buys fewer euros than last year. Identify and explain **two** effects this might have on BB Boat Tours.

Effect 1:

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Explanation:

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Effect 2:

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Explanation:

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..... [8]

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