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**BUSINESS STUDIES**

**7115/22**

Paper 2

**October/November 2016**

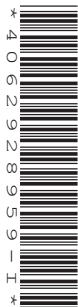
INSERT

**1 hour 30 minutes**

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**READ THESE INSTRUCTIONS FIRST**

This Insert contains the case study material.  
Anything the candidate writes on this Insert will not be marked.



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This document consists of **3** printed pages and **1** blank page.

## GJ Partnership

Ghaziz and Jasmin set up a gardening and house cleaning business as GJ Partnership (GJ) 5 years ago in country X. The business has grown each year. Ghaziz thinks this is because incomes are rising in country X and employment is increasing.

Jasmin thinks that GJ is successful because it employs workers who are honest, reliable and hardworking. Customers can book cleaners or gardeners directly with GJ and they always arrive on time and do their job well. However, Ghaziz thinks the success of the business is mainly because finances are managed well and the cash flow is always positive.

The business employs 50 part-time workers who all work 20 hours per week. They provide GJ's cleaning and gardening services. There are also 2 office workers who arrange for the cleaners and gardeners to do the work at customers' houses. GJ's services are advertised in the local newspaper. GJ charges prices similar to those of competitors.

Jasmin plans to start a new service which will look after elderly people. There are many elderly people who are left on their own during the day because their adult children are at work. Jasmin understands that getting the marketing mix right for the new service is going to be very important.

### Appendix 1

#### Summary of financial information for the two main services offered by GJ

Number of cleaners employed	30
Average time spent in each house	3 hours
Price charged	\$10 per hour
Cleaners' wages	\$5 per hour
Weekly fixed costs of the business (50% for house cleaning and 50% for gardening)	\$300

Note: Assume one cleaner is used per house.

Break-even output for the gardening service = 5 gardens per week

Weekly profit for the gardening service = \$2250

### Appendix 2

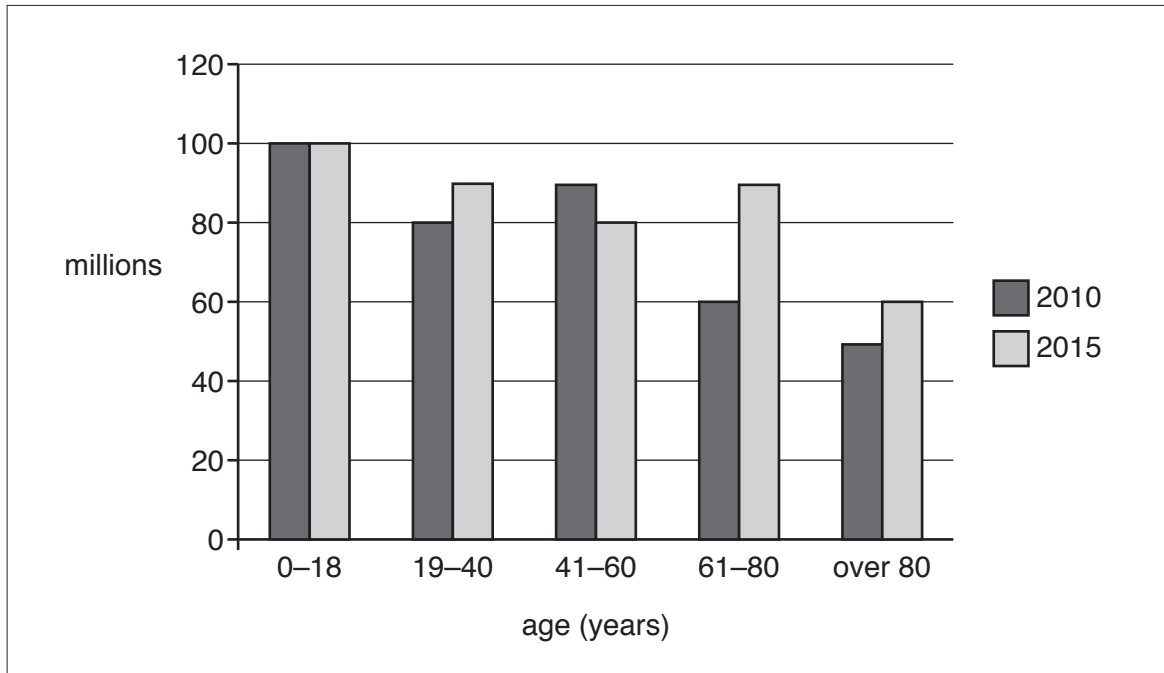
#### Main News

12 October 2016

The Government of country X plans to increase the rate of tax on services. This will help to slow down the rate of economic growth in the country. The Government is worried that rapid economic growth and increasing employment might lead to higher inflation.

Appendix 3

Population statistics for country X in millions of people



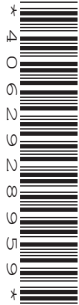
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Paper 2

**October/November 2016****1 hour 30 minutes**

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 Ghaziz and Jasmin of being in 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 the effects of each of the following changes on the success of GJ. Which change do you think will have the biggest effect on the profit of the business? Justify your answer.

Increasing level of employment in country X: .....

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Increase in tax on all services in country X: .....

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Increase in the number of people buying large houses with gardens in country X: .....

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Conclusion: .....

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[12]

2 (a) (i) Calculate the break-even level of output for the house cleaning service using the information in Appendix 1.

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(ii) Calculate the weekly profit for the house cleaning service using the information in Appendix 1.

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(b) Consider **why** the following financial information is important to a bank manager when deciding whether to give Ghaziz and Jasmin a loan to launch the new service. Which do you think is the most important information to the bank manager? Justify your answer.

Break-even level of output: .....

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Profitability of the business: .....

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Liquidity of the business: .....

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Conclusion: .....

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[12]

- 3 (a) Ghaziz and Jasmin plan to expand their business. Identify and explain **one** economy of scale and **one** diseconomy of scale for the business as it expands.

Economy of scale: .....

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Explanation: .....

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Diseconomy of scale: .....

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Explanation: .....

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- 4 (a) Identify and explain **two** reasons why market research is important to GJ before starting the new service.

Reason 1: .....

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Explanation: .....

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Reason 2: .....

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Explanation: .....

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[8]

(b) Explain the following **two** elements of the marketing mix for the new service Jasmin is introducing. Which element do you think is more important when the service is in the introduction phase of the product life cycle? Justify your answer.

Price: .....

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Promotion: .....

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Conclusion: .....

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