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**BUSINESS STUDIES**

Paper 2

INSERT

**7115/21**

**October/November 2017**

**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.

### Animal Hotel (AH)

AH was a business idea of Elsie's. She loves animals and wanted to provide services to support busy animal owners. Services offered include washing, brushing, exercising and caring for animals overnight. Elsie is a qualified animal nurse. She set up her own business 2 years ago with \$10 000 given by her grandfather and a bank loan for \$10 000. The business is located in the centre of New City.

Elsie employs 12 adults and 6 children to help look after the cats, dogs and other animals. The adult workers are low skilled and are paid the legal minimum wage. The children are all under the age of 12 and are paid very low wages, which are below the legal minimum wage. Materials such as shampoo and brushes are purchased from a local wholesaler.

Elsie has been very successful in the first two years of trading. If she wants to expand the business she will need to move to a bigger site and employ many more people. Elsie will need to recruit a manager for the new site.

She is considering the following three sites.

	Site X	Site Y	Site Z
Size of site	10 000m <sup>2</sup>	5 000m <sup>2</sup>	1 000m <sup>2</sup>
Buildings	Small farm buildings in need of repair at a cost of \$10 000. There is space to expand.	All in good condition. They will need changing for use with animals, at a cost of \$5 000.	Ready for use with animals and in good condition. No spending required.
Distance from New City	10 miles and not near main road	Edge of New City near main road	Centre of New City on main road
Cost of site	\$10 000	\$20 000	\$60 000
Maximum number of animals that AH can care for overnight	20	40	120
Maximum number of animals that can be washed and brushed per day	20	30	50

## Appendix 1

### Advert for Animal Hotel (AH)



All animals washed and brushed and cared for overnight when you are away from home.

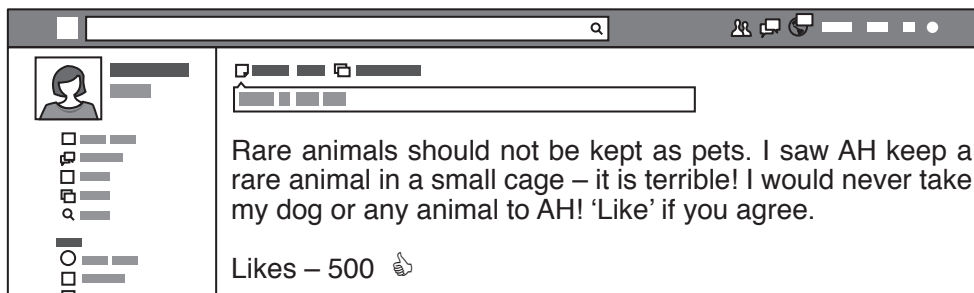


Animal training and advice given.

Need your animal looking after when you are at work? AH provides a happy place for your animal to spend the day! Your animal is worth it!!

## Appendix 2

### Social media message from customer of AH



## Appendix 3

### Selected financial information for AH

Average price per night per animal	\$5
Average number of animals cared for overnight	25
Average price for washing and brushing an animal	\$10
Average number of animals per day	25
Total costs of operating AH per day	\$325

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**7115/21**

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**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 **two** ways the size of AH can be measured. Explain the limitations of each of these measures.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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..... [8]

(b) Consider **three** methods of market research Elsie could use to find out the number and types of customers for the proposed locations. Recommend the best method for Elsie to use. Justify your answer.

Method 1: .....

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Method 2: .....

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Method 3: .....

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Recommendation: .....

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2 (a) (i) Calculate the profit per day for AH using the information in Appendix 3.

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(ii) Identify and explain **one** way AH could increase profit from the existing site.

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(b) Consider why a cash flow forecast, an income statement and a balance sheet are important to AH. Which one of these do you think is most important to Elsie’s decision about how to finance the new site? Justify your answer.

Cash flow forecast: .....

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Income statement: .....

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Balance sheet: .....

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Conclusion: .....

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3 (a) Identify and explain **two** possible ethical issues that AH should consider.

Ethical issue 1: .....

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Explanation: .....

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Ethical issue 2: .....

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Explanation: .....

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(b) Consider the advantages and disadvantages of the **three** sites Elsie is considering. Recommend which site is the best one for AH to choose. Justify your answer.

Site X: .....

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Site Y: .....

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Site Z: .....

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Recommendation: .....

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- 4 (a) Identify and explain **one** advantage and **one** disadvantage of using social media networks for the promotion of AH.

Advantage: .....

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Explanation: .....

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Disadvantage:.....

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Explanation: .....

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(b) Consider the **advantages** of internal and external recruitment for the new manager. Recommend which method of recruitment is best for AH to use. Justify your answer.

Internal recruitment: .....

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External recruitment: .....

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Recommendation: .....

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[12]





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