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**BUSINESS STUDIES**

**7115/22**

Paper 2

**October/November 2017**

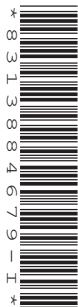
INSERT

**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.

## Garden Supplies (GS)

GS is a partnership. It was set up last year by two brothers. The business grows plants and trees on land owned by the brothers in New City. The brothers each invested \$5000 of their own money to buy this land. Customers buy plants and trees from GS for their gardens. GS also cares for the gardens of several luxury hotels in New City.

The business employs 2 gardeners. However, GS has just gained new business contracts with other hotels in New City. This expansion will require another 4 gardeners to be recruited. The brothers must ensure that the gardeners maintain the good reputation of GS or the business will lose customers. The behaviour of the gardeners is as important as their quality of work.

New gardening equipment is required to ensure their employees can be efficient, such as when cutting grass or plants. This new equipment will cost \$10000.

GS has a high level of inventory. The brothers want to buy more land to expand the business. They are considering the following three sites.

Site X:

\$5000 for 10000m<sup>2</sup> of good fertile land. It has been used for growing vegetables. It has no buildings on the land and no road leading to it. It is 30 miles from New City.

Site Y:

\$12000 for 6000m<sup>2</sup> of land on the edge of New City. There are two large glasshouses for growing plants. However, they need repairing which will cost another \$4000. There is a road nearby but it is not near a main road. It is 5 miles from the hotels.

Site Z:

\$30000 for 2000m<sup>2</sup> in New City. It has a glasshouse and also has a shop with a car park. It is next to a main road. There are houses all around it, so there is no room to expand the business.

## Appendix 1

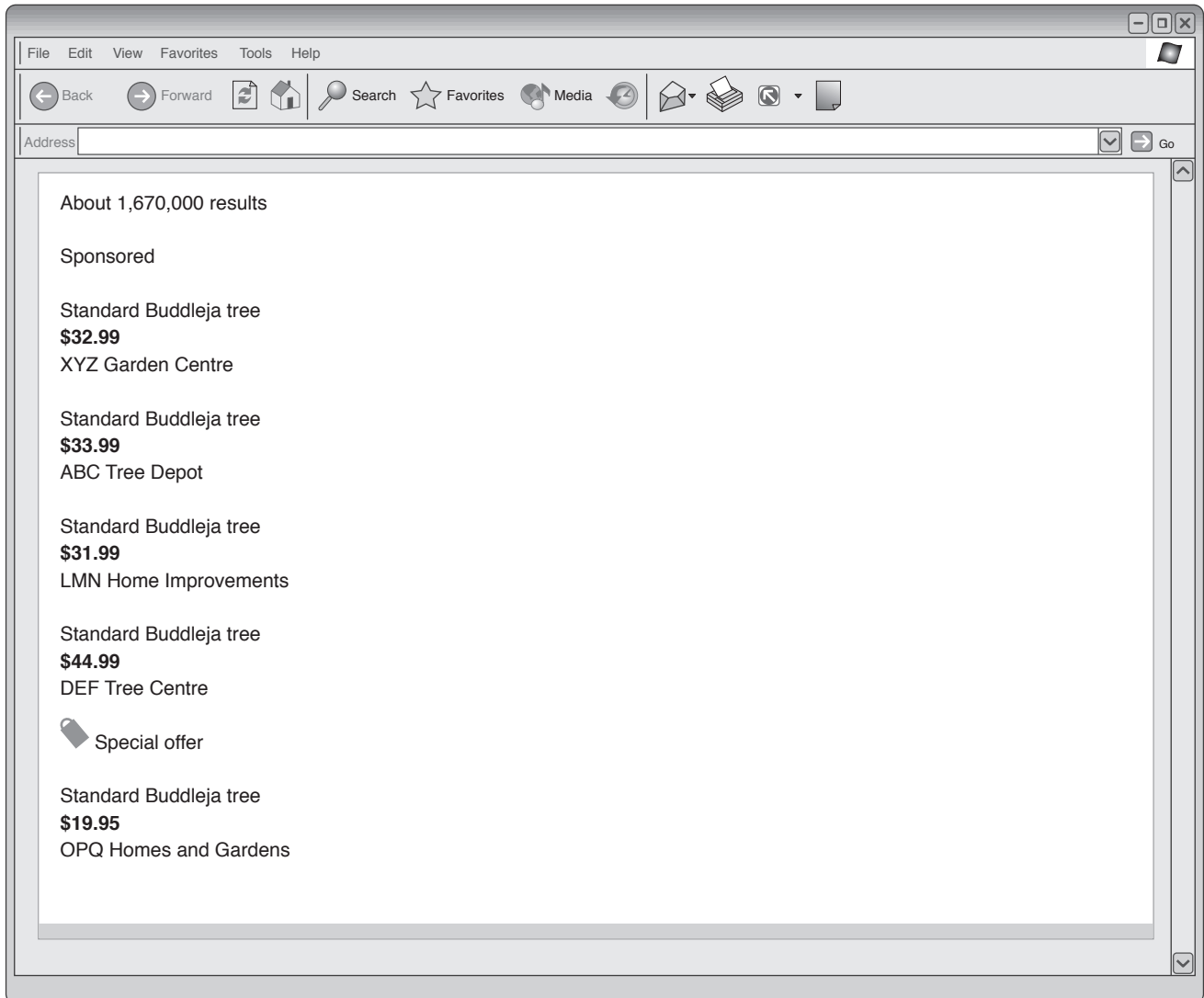
### Advert for GS



The finest quality plants money can buy anywhere in the world. We sell plants and trees at the lowest prices available. GS will deliver free of charge. We will also make containers of plants to your own orders with plants and colours of your choice.

## Appendix 2

### Internet search by the brothers on competitors' prices for one type of tree



## Appendix 3

### GS: financial information for the first year of trading (\$)

Revenue from selling plants and trees	40 000
Revenue from hotels	20 000
Cost of materials (e.g. seeds and pots)	10 000
Labour costs	35 000
Transport	8 000
Other expenses	2 000

### Financial information for similar garden businesses

Average gross profit margin	= 90%
Average profit margin	= 20%
Average profit per year	= \$30 000

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Paper 2

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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 and explain **one** advantage and **one** disadvantage of GS being a 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 advantages and disadvantages of the following **three** sources of finance for the new equipment. Recommend the best source for GS to choose. Justify your answer.

Bank loan: .....

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Lease: .....

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Retained profit: .....

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Recommendation: .....

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[12]

2 (a) Identify and explain **two** ways GS can increase added value.

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 the following **three** pricing strategies GS could use when selling plants and trees to customers. Recommend which is the best pricing strategy to choose to increase GS's profit. Justify your answer.

Cost-plus: .....

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Competitive: .....

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Promotional: .....

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Recommendation: .....

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- 3 (a) Identify and explain **four** characteristics the partners should include in the person (job) specification when recruiting the new employees.

Characteristic 1: .....

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Characteristic 2: .....

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Characteristic 3: .....

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Characteristic 4: .....

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[8]

(b) Consider the advantages and disadvantages of the **three** sites the brothers are considering buying. Recommend which site is the best one for GS to buy. 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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[12]

4 (a) Identify and explain **two** problems for GS of having a high level of inventory.

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

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[8]







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