Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/22**
Paper 2 **February/March 2018**
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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City Café (CC)

When George Brown left school he worked as a chef in several restaurants but he had always wanted to be his own boss. He set up City Café (CC) as a sole trader 15 years ago. He purchased a building with $10 000 he received from his grandfather and made it into a café. It is located in the centre of Main City, in country X. George works very hard and is willing to take risks. He creates his own recipes for the café and his customers like the food.

CC has been successful every year and George has always paid himself a high salary. However, he now wants to increase the profit from CC by expanding the café. It is already open every day from 08:00 to 20:00 and in order to serve more customers he needs a larger café.

The café is located in a very busy shopping mall. George has undertaken some market research and found out that 50% of his customers visit the café every day. The other 50% of customers visit less frequently and are often attracted by the special menu items on the board outside the café.



George is considering two options for expansion.

Option 1:

Buy the building next door and make it into one larger café that can serve 50% more customers. The building became empty after a clothes shop closed. The cost of the shop is $20 000 and it will cost $10 000 for redecorating and building work.

Option 2:

Move to a new building 10 kilometres away in another part of the city. This building is twice as large as the existing café and will cost $2 000 a year to rent as it is not for sale. George will be allowed to redecorate and he will need to buy equipment for the kitchen. The total cost for this will be $5 000. It is in a busy part of the city with many shoppers visiting the area.

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Appendix 1

Daily News *2 February 2018*

The Government has forecast that interest rates will be increased later this year. This is very worrying for many local businesses that require finance. Country X has a fast growing economy and the Government does not want this to lead to higher inflation.

A multinational coffee shop chain wants to open cafés in malls all over country X, attracted by the high rate of economic growth. Local businesses are worried about the competition from this business as it benefits from economies of scale. Some market researchers think that customers will prefer to stay with their local café and not use an international style of café.

Appendix 2

Three applicants for the vacancy of chef (cook)

	Jim	Sally	Vera
Experience	6 years as a chef in a small café with some responsibility for managing the café	10 years as a chef in a large city centre restaurant	18 years as a chef in a high quality café in an expensive shopping mall
Age	25	35	40
Interests	Holidays abroad	Taking part in cooking competitions	Baking cakes and cooking
Qualifications	Health and safety qualification 3 IGCSEs	Qualified chef 6 IGCSEs	12 IGCSEs 2 Cambridge A Levels
Wage per hour in previous job	$5	$7	$10

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Appendix 3

Cash flow forecast for CC for the second half of 2018 ($000)

	July	August	September	October	November	December
Cash from sales	10	15	10	5	5	4
Total cash inflows	10	15	10	5	5	4
Payment to suppliers	3	5	2	2	2	2
Fixed costs	4	4	4	4	4	4
Bank loan repayment	2	2	2	2	2	2
Total cash outflows	9	**X**	8	8	8	8
Net cash flow	1	4	2	(3)	(3)	(4)
Opening bank balance	1	2	6	8	5	2
Closing bank balance	2	6	**Y**	5	2	**Z**

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