UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES **0450/22**

Paper 2 **May/June 2011**

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1 hour 45 minutes

READ THESE INSTRUCTIONS FIRST

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Anything the candidate writes on this Insert will not be marked.

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TT Foods

TT Foods is a private limited company and has been in business for 20 years. It produces ready-made meals for several international airlines. The business is located on the edge of the capital city in Country X near to the international airport.

The ready-made meals the company produces are purchased by the airlines and served during international flights. Passengers do not pay for the meals directly.

The business employs 100 production workers who prepare the meals. The workers are paid an hourly rate and receive no fringe benefits. The workers can take home any leftover food but they have to pay for it. A high number of production workers leave the company each year because of poor motivation. The business is not located near any farms and so the food ingredients are purchased from a nearby wholesaler.

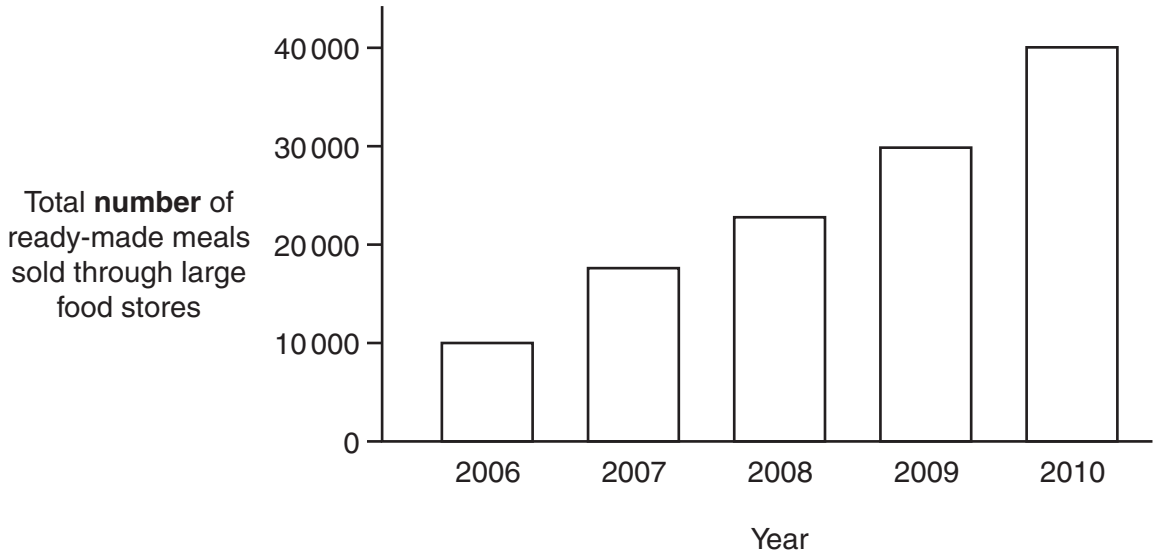
The Directors of TT Foods want to expand the business and they have identified two options.

Expansion Option 1:
Diversify into selling ready-made meals to large food stores. Five new sales staff will need to be employed to visit the stores to sell the meals. The additional fixed costs for this option are $1000 per month and the variable cost is $4 per meal. The estimated break-even number of meals is 1000 per month at a price of $5 per meal. Sales are estimated to be 1500 meals per month.

Expansion Option 2:
To sell ready-made meals to additional airline customers. To do this, TT Foods will need to become more efficient and competitive. The estimated number of sales is 2000 per month at a price of $4 per meal. The addition to fixed costs for this option is $1000 per month and the variable cost is $2 per meal.

Appendix 1

Total sales of ready-made meals sold through large food stores



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Appendix 2

Job Description for Production Manager

Job title:	Production Manager
Department:	Production
Responsible to:	Managing Director
Responsible for:	Team of production workers
Details of job:	Responsible for the production of ready-made meals Responsible for the production workers
Main duties:	Allocate jobs to the production workers Supervise production workers Ensure quality products are produced Discipline workers who are not working hard Communicate company decisions to the production workers Ensure ready-made meals are produced on time

Appendix 3

News Plus May 2011

Over the last year there has been economic growth of 4% and this has resulted in rising incomes for many people. There has been an increasing trend for people to fly to other countries on holiday. With increased incomes, people have been choosing more holidays to nearby countries as well as going to countries further away.

The airline industry has been experiencing an increase in passengers. This has been welcomed by the owners of the international airport, as they say this will bring additional revenue to the businesses at the airport.

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