Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/23**
Paper 2 **May/June 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.

This syllabus is approved for use in England, Wales and Northern Ireland as a Cambridge International Level 1/Level 2 Certificate.

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

CAMBRIDGE International Examinations

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Archibold Heating (AH)

AH is a business which installs and repairs heating systems in factories, offices and homes in country X. It was set up 2 years ago as a partnership by Archi and Boris. They each invested $10 000 and they both work hard in the business to make it a success. Revenue has increased steadily since the business was set up. Both partners are qualified to install and repair heating systems such as boilers.

The partners are planning to expand by offering a new service of installing and repairing air conditioning equipment. They want to offer this service to home owners as well as business customers.

AH is currently located in a small warehouse with no office space. The partners want to move to larger premises.There are two locations to choose between.

Location A

This is in the city centre and is twice as big as the existing premises.The rent is $50 000 per year. It is near to all AH's main customers and is on a main road. There is no office space but part of the building could be changed into an office for an additional cost.

Location B

This is on the edge of the city and is for sale at $200 000. AH's main customers are 10 km away. The building is three times bigger than the existing premises and it has a fully equipped office.

AH has 2 employees who are fully qualified in heating and air conditioning systems. It also has 4 part-qualified employees and one office worker who looks after the accounts and sales records. All employees have worked for AH since it was set up. There are competing heating and air conditioning businesses in the city centre that offer higher wage rates and better fringe benefits.

Appendix 1

Summary of AH accounting information

	2016	2017
Revenue	$400 000	$500 000
Cost of sales	$100 000	$100 000
Profit	$100 000	$125 000
Gross profit margin	75%	
Profit margin	25%	

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Appendix 2

Email message from AH employee to another AH employee

Did you see the high wage rates paid by BB Heating? 20% higher than ours! But we are already paid well above the minimum wage. They have fewer days holiday but they get free use of a company vehicle at weekends when they are not working.

It's much bigger than AH with over 50 employees. They have to work late most nights. We do get involved in decision making and have a chance to talk through problems with either Archi or Boris. It is never a problem if you need time off work for family reasons.

I am not sure whether to apply to work for BB Heating – what do you think?

Appendix 3

Daily news *April 2018*

Our currency is depreciating against the currency of country Y.

Heating and air conditioning businesses such as AH import components and equipment from country Y. This change in the exchange rate will affect these businesses and also consumers in country X.

Many of the clothes and food products bought by consumers in country X are imported. What will this do to inflation and wage rates?

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