UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES **0450/23**

Paper 2 **October/November 2011**

INSERT

1 hour 45 minutes

READ THESE INSTRUCTIONS FIRST

This Insert contains the case study material.
Anything the candidate writes on this Insert will not be marked.

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

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LL Drinks

LL Drinks is a public limited company which produces a variety of fruit drinks. The drinks are produced and sold in many different countries across the world. LL Drinks is a successful company, but the directors want to increase its share of the fruit drinks market around the world.

The following two ways of increasing market share have been identified.

Option 1:
Increase sales of its most popular brand of drinks by starting to sell it in 10 more countries. The investment required to launch the drinks into these new markets is estimated to be $50m. This includes market research, marketing campaigns and building factories to produce the fruit drinks in these countries.

Option 2:
Take over a competitor which sells a different range of drinks. The cost of buying all the shares to take over this competitor is estimated to be $100m.

Appendix 1

Summary of financial information

LL Drinks existing business 2010	**$m**
Capital employed	400
Sales revenue	800
Gross profit	600
Net profit	100

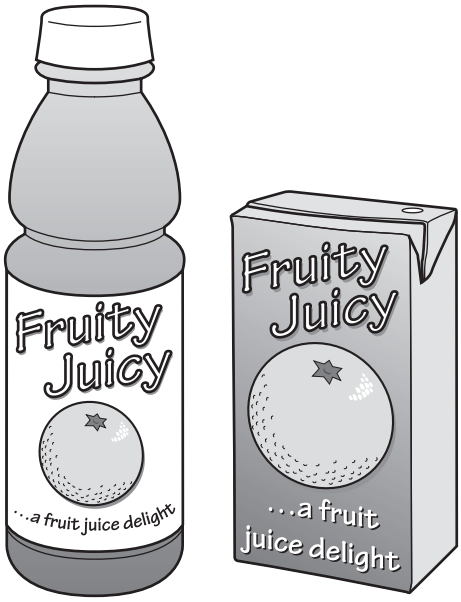
Option 1 forecasts	**$m per year**
Sales revenue from 10 more countries	200
Cost of sales	80
Operating expenses	110

Option 2 forecasts	**$m per year**
Sales revenue from taking over the competitor	400
Cost of sales	120
Operating expenses	220

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Appendix 2

Advert of competitor's carton and bottle of fruit juice drink



Appendix 3

Information on Country A and Country B

	Country A	**Country B**
Average income per person	$3 000	$20 000
Population	10m	10m
Size of fruit juice market	$10m per year	$100 000 per year
Climate	Seasons (hot in summer and cold in winter)	Hot all year round
Average wages	$1 per hour	$10 per hour
Unemployment rate	20%	5%
Rents	Low	High

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