UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES **0450/23**

Paper 2 **October/November 2012**

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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Carefree Campsites

Chris, James and Harry are brothers setting up their own business as a partnership. They have decided to open a campsite for caravans and tents. The business will be called Carefree Campsites. Currently Chris manages a large retail store, James works for an advertising agency and Harry works in a bank. They all want a change from their current jobs. They plan to each invest $20 000 of their own money into the business. They will borrow the rest of the capital needed from the bank at 5% interest per year and repay this over five years.

The following three possible sites for the campsite's location have been identified.

Site A:
Site A is on the outskirts of the city. It could be bought at a cost of $400 000. The site has water and electricity and it is next to a busy road from the airport into the city centre. There are private houses around this site and there are no shops nearby.

Site B:
Site B is in an area of natural beauty visited by tourists. This site is twice the size of the other possible sites. Site B could be bought at a cost of $50 000. The site has no buildings on it and it does not have access to water and electricity. The cost to connect water and electricity to the site is $5000. The area is protected by the Government and it is difficult to get permission to build in the area. Carefree Campsites would have to prove that it will have very low external costs on the area.

Site C:
Site C is near to several other campsites used by tourists. It is only available to rent. The rental cost is $25 550 per year for the land and the shower buildings. Some improvements are required to the buildings and these would have to be paid for by Carefree Campsites if they rented the site.

Appendix 1

Forecast information for Carefree Campsites for sites A, B and C

	Site A	Site B	Site C
Number of tent/caravan units	60	120	60
Estimated price for each tent/caravan unit per day	$40	$20	$30
Average percentage of tent/caravan units occupied per day	100%	50%	75%
Estimated variable costs for each tent/caravan unit per day	$10	$5	$10
Fixed costs per day for the whole site (not including rent of land or any repayments of loans/mortgages)	$1000	$500	$750

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Appendix 2

Competitor's website



Appendix 3

News Plus October 2012

The Government is encouraging more foreign tourists to visit the country. The exchange rate of the currency is depreciating. Unemployment is high.

Economic growth is increasing in many other countries. This will be good news for all businesses linked to tourism which have had falling sales in recent years.

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