UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES **0450/23**

Paper 2 **October/November 2013**

INSERT

1 hour 45 minutes

READ THESE INSTRUCTIONS FIRST

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This document consists of **4** printed pages.

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Gorgeous Gifts (GG)

George started GG ten years ago in country X. He could have bought an existing business for $50 000 but he wanted to start a new business of his own.

George formed a partnership with his friend Fred who did not want any management responsibilities. They each invested $15 000 into the business. GG now has six stalls selling gifts. The stalls are located in seaside towns which are visited by many tourists.



Now George wants to expand GG. He has the following two options.

Option 1
Open six shops in the seaside towns and sell his stalls. The shops are much bigger than the stalls and could sell a wider variety of gifts. George wants to buy the shop buildings and will need a loan to do this. He can sell each stall for $5000 but each shop costs $50 000.

Option 2
Keep the gift stalls but open gift shops inside city centre hotels. There is a chain of 20 hotels that has a shop available in each of their hotels across the country. George will have to make one payment of $20 000 to the hotel chain when he opens his shops. He will also have to give them 10% of his profits from the shops each year.

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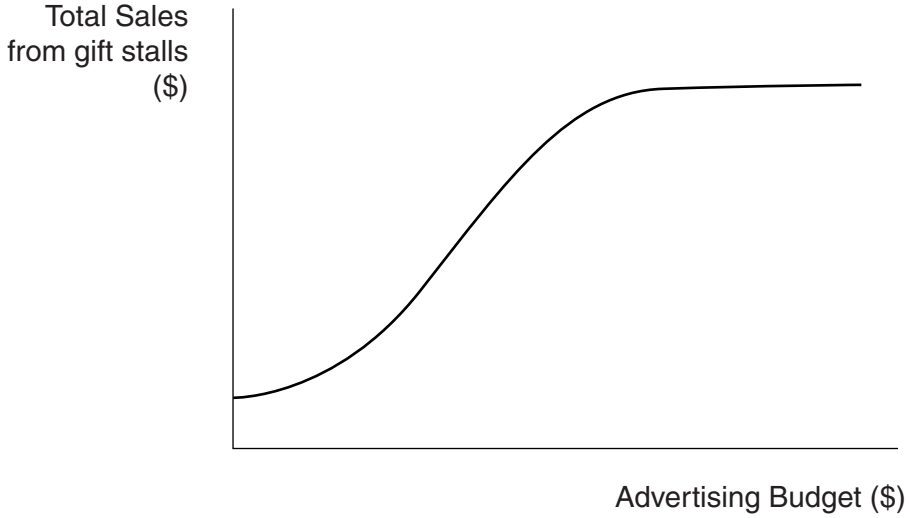
Appendix 1

Balance Sheet for GG for year ending August 2013 ($)

	2012	2013
Fixed Assets		
Market Stalls	30 000	30 000
Current Assets		
Stock	10 000	18 000
Debtors	0	0
Cash at Bank	5 000	2 000
Total	15 000	20 000
Current Liabilities		
Creditors	10 000	10 000
Overdraft	0	0
Total	10 000	10 000
Working capital	5 000	10 000
Net Assets employed	35 000	40 000
Financed by:		
Partners' capital	30 000	30 000
Profit and loss reserves	5 000	5 000
Bank loan	0	5 000
Capital employed	35 000	40 000

Appendix 2

Sales revenue and advertising expenditure for GG in recent years



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Appendix 3

Competitor's shop in a hotel



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