Cambridge Assessment International Education
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/23**
Paper 2
INSERT

October/November 2019

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 regulated for use in England, Wales and Northern Ireland as a Cambridge International Level 1/Level 2 Certificate.

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Richard's Restaurant (RR)

RR is a sole trader business started by Richard 5 years ago. RR is a restaurant that has a reputation for good quality food and excellent service. The restaurant has been very successful with high levels of customer loyalty. Richard does not promote his restaurant as customer recommendations help to keep the restaurant fully booked most evenings.

Richard has 20 part-time employees and 10 full-time employees. The full-time employees are skilled chefs and restaurant supervisors. The part-time employees serve in the restaurant or help in the kitchen.

Richard's main business objectives are to increase profit and market share. To achieve these Richard is planning to open a second restaurant. The new restaurant will also provide a delivery service for ready-made meals such as cooked food for garden parties. Richard knows that none of his competitors offer this service. He thinks it will appeal to high income consumers and people whose houses have gardens.

Richard has some important decisions to make as RR expands:

- Whether or not to remain as a sole trader
- How to make sure he has enough employees for the new restaurant
- Which building to buy for the new restaurant
- How to promote the new restaurant and delivery service

Appendix 1

Two potential locations for the new restaurant

Location 1

- The building will cost $20 000 to buy but needs $5 000 for decoration and equipment.
- There is easy access and free parking nearby.
- There is high unemployment in the area and many household incomes are low.
- It is located 5km away from the existing restaurant.
- It will take 6 months to prepare the building so it will not be ready to open until July 2020.

Location 2

- The building is already set up as a fully equipped restaurant, so no change is needed.
- The cost to buy is $50 000.
- There is no easy access for parking.
- It is a high income area and unemployment is low.
- It is 1km away from the existing restaurant and can be opened quickly.

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Appendix 2

Email to Richard from the Head Chef

To: Richard

From: Head chef

Date: 12 October 2019

Re: Competition

Hi Richard

Do you know that a new multinational company has opened a restaurant close to our existing business? This multinational advertises on television, which is encouraging more people to eat at restaurants. It has economies of scale and lower prices which makes it difficult for local restaurants like ours to compete. Two of our kitchen employees have been offered jobs by this company. It uses an online booking app which is something we could consider for our planned delivery service.

Appendix 3

RR's cash-flow forecast for 2020 before the location decision is made for the new restaurant ($000)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	10	20	20	20	20	15	15	10	10	15	20	7
Total cash in	10	20	20	20	20	15	15	10	10	15	20	7
Wages/Ingredients	5	10	10	10	10	7	7	5	5	7	10	3
Other expenses	3	3	3	3	3	3	3	3	3	3	3	3
Total cash out	8	13	13	13	13	10	10	8	8	10	13	6
Net cash flow	2	7	7	7	7	5	5	2	2	5	7	1
Opening balance	(14)	(12)	(5)	2	9	16	21	26	28	30	35	42
Closing balance	(12)	(5)	2	9	16	21	26	28	30	35	42	43

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