UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

BUSINESS STUDIES **7115/21**

Paper 2 **May/June 2010**

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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Bimisi Buses

Bimisi Buses is a private limited company owned by Bimisi and his family. The company has grown quickly and profits have increased over the last two years.

The company has two main types of customers:

- Businesses hire the buses to transport their workers to and from work in the morning and evening;
- Schools hire the buses to transport their students to and from school each day.

The problem for Bimisi is that the buses are very busy in the morning and evening but are not used for the rest of the day. His drivers sit around and the buses stay in the bus station.

Bimisi has identified two options for expanding the business.

Option A:
Tourism is a growing business in the country and tourists like to visit areas of natural beauty to see wild animals and ancient monuments. The tourist season is from February to May. Forecast revenue from each tourist day trip is $300 per bus. The expected variable cost for each bus day trip is $200, which includes the cost of a tourist guide.

Option B:
Bimisi Buses could operate bus routes that compete with other bus companies around the city. To run these bus routes the company needs a licence from the local government and this costs $10 000 per bus each year. These bus routes run from early in the morning to late at night (6.00am to 12.00 midnight) 7 days a week. The estimated revenue from each bus per day is $400 and the expected variable cost for each bus is $200 per day.

Appendix 1

Summary of financial information for Bimisi Buses 2008 and 2009 in $000s

	2008	**2009**
Revenue from business hire	1000	1600
Variable costs for business hire	500	800
Revenue from school hire	2000	2400
Variable costs for school hire	1000	1500
Fixed costs for Bimisi Buses	900	900
Net Profit for Bimisi Buses	600	800

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Appendix 2

A competitor's advertisement for bus tours for tourists

Vama Buses, Specialist in Tours for Tourists

Tours to all the nature reserves – see many rare animals in the wild – half day or full day tours

Tours to ancient monuments (e.g. temples and famous buildings) and places of interest
Half day and full day tours

All tours have a person to act as your guide to answer questions and look after you. The buses are all luxury buses with air conditioning to ensure your comfort. Our prices are very competitive.

To book a tour telephone Vama on 066777 88669 or ask your hotel reception to book a tour for you.

Appendix 3

From: Tim Smith (t-smith@gotmail.com)
Sent: 23 May 2010 23:41:47
To: Bimisi (bimisi@gotmail.com)
Cc:

Dear Bimisi

I am the trade union representative for bus drivers. Several bus drivers have been complaining to me that they will be expected to work long hours from early in the morning until late at night if the new bus routes are introduced.

They will be very tired and will want some time off. Otherwise they want an increase in the hourly wage rate.

Tim Smith

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