UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

BUSINESS STUDIES **7115/22**

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.

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Bashir Baskets

Bashir is a sole trader and owns a business called Bashir Baskets. The business makes baskets of flowers for weddings using job production. The business has grown quickly but profits have stayed the same over the last two years.

The problem for Bashir is that he has 10 workers who are very busy between April to September when there are many weddings. However, from October to March they do not do much work as only half the number of weddings take place. His workers are all skilled at arranging baskets of flowers.

Bashir wants to continue to expand the business and he has identified the following two markets he can choose between.

Option 1:
Baskets of flowers for the home. Baskets of flowers for the home are becoming more popular due to rising incomes. The average price for a basket of flowers charged by other businesses is $10 and Bashir could charge the same price. Bashir estimates that he could sell about 2000 baskets per month all year round. It would cost $5 to make each flower basket.

Option 2:
Baskets of flowers for restaurants. There is a constant demand from restaurants for flower baskets all year. Restaurants buy large baskets that use twice as many flowers than small baskets for the home. He believes that sales would be around 1000 baskets per month all year round. Bashir has estimated that he could sell large baskets of flowers to restaurants for $30 each. However, the cost to make each basket would be $10.

Bashir estimates that the additional fixed costs for each of these options would be $5 000 per month.

Appendix 1

Summary of financial information for Bashir Baskets 2009

All figures are in $ **per month**

	October – March	**April – September**
Revenue from wedding flowers	20 000	40 000
Variable costs for wedding flowers	11 500	23 000
Fixed costs for Bashir Baskets	9 000	9 000

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Appendix 2

Competitor's Advertisement for Flowers for the Home

Rishi Flowers

Specialists in flowers for your home

Make your house smell of flowers and look lovely. Bring the garden into your home with a beautiful flower basket from Rishi Flowers.

Colours and size of basket made to your personal design.

For your own unique basket of flowers to make
your home extra special come to Rishi Flowers today.

Prices for baskets are $10 each.

Come to the shop in the main shopping mall or order online at Rishiflowers.com.

Appendix 3

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

Dear Bashir

I am the trade union representative for flower workers. Several of your employees who are trade union members have been complaining to me that they might be expected to work harder in the months of October to March.

If you want more output from these workers they want some time off later in the year, otherwise they want an increase in the hourly wage rate or a change to piece rate.

Tim Smith

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