UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

BUSINESS STUDIES **7115/21**

Paper 2 **May/June 2011**

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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International Examinations

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Chocolate Delight

Chocolate Delight was set up in country X 15 years ago as a private limited company. The business grew slowly as the owners used reinvested profits as the only source of finance for expansion. The company has issued share capital of $6m. The shares are owned by six members of the Sharif family.

Chocolate Delight has three main types of products which are:

- Plain chocolate bars mainly sold to adults
- Boxes of chocolates mainly sold to women
- Chocolate covered sweets mainly sold to children.

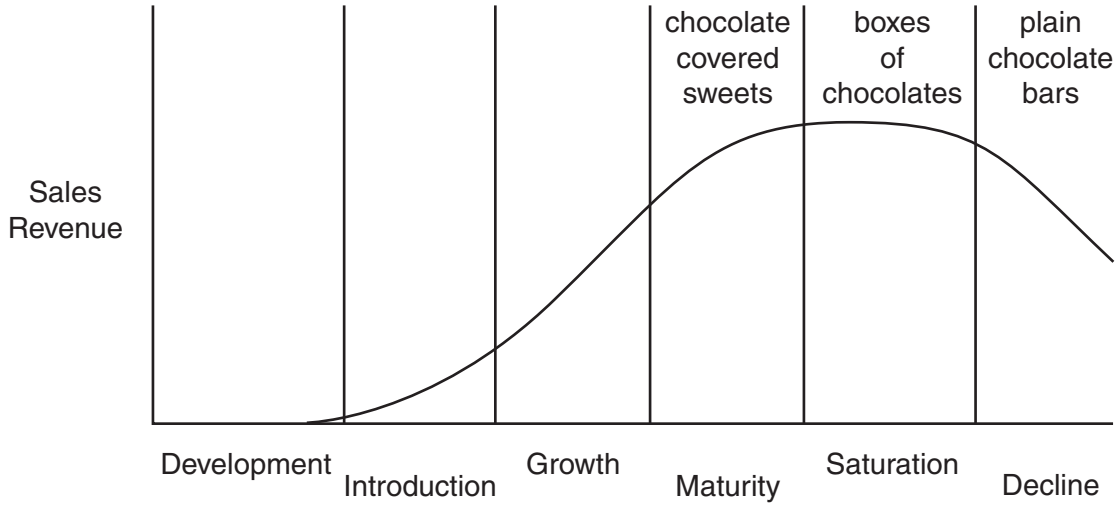
A big problem for the company is that it does not have the money to build an extra factory, which is needed to expand production. The owners are thinking of selling more shares to raise the necessary finance. $5m is required to build the factory and equip it with production machinery. The Managing Director says: 'We need to become a public limited company to raise the additional finance'. However, the Finance Director says: 'This is a very expensive and risky way to raise the finance. We should continue to use retained profits to pay for an additional factory, even if we have to wait for 2 to 3 years before we have enough retained profit'.

Chocolate Delight employs skilled workers in the Research and Development (R & D) department. This department develops new products for the company.

Chocolate Delight buys 'Fair Trade' cocoa. This is where the cocoa farmer receives a higher price, about 10% more than the usual selling price. In return the farmer must ensure that no children are working on the farms and that farm employees are paid at least a set minimum wage. The farms need to be inspected regularly to be allowed to say they are selling 'Fair Trade' products.

Appendix 1

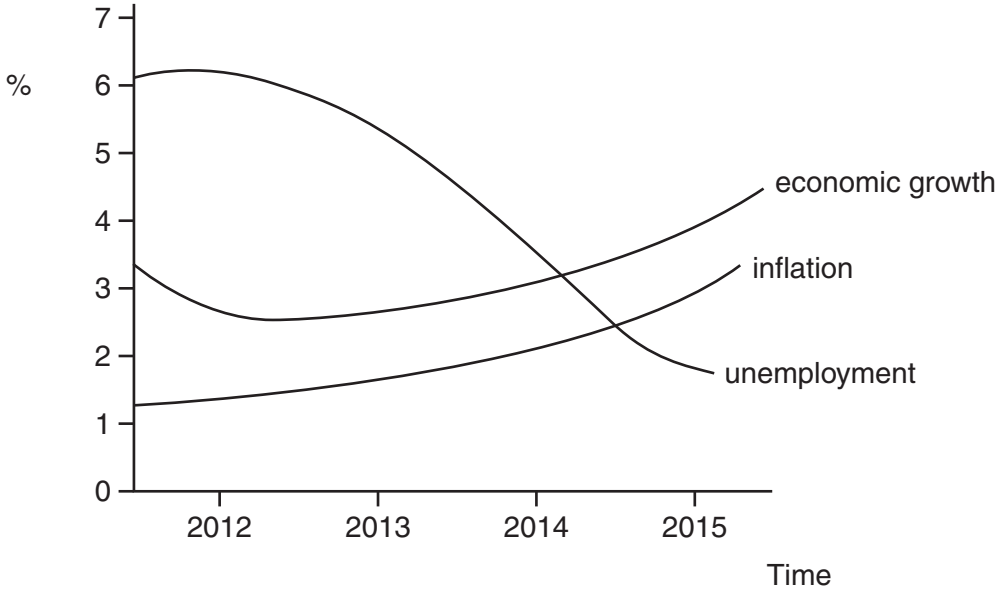
The products of Chocolate Delight and stages of the Product Life Cycle



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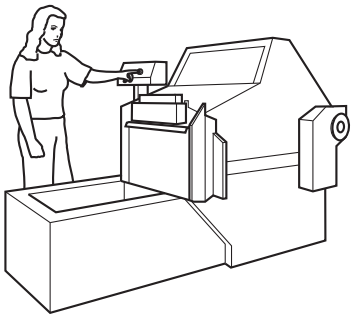
Appendix 2

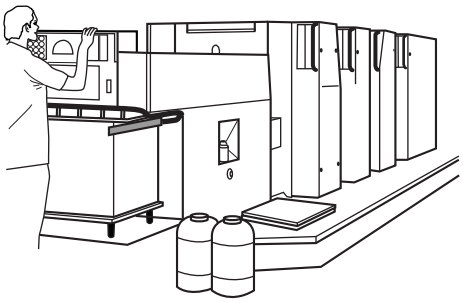
Country X Economic Forecasts for 2012–2015



Appendix 3

Information on two machines for producing chocolate bars





	Machine A	Machine B
Cost of machine	$500 000	$800 000
Number of workers required to run the machinery at a daily wage of $100 per worker	10	3
Output per day	10 000 chocolate bars	6 000 chocolate bars

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