UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

BUSINESS STUDIES **7115/22**

Paper 2 **May/June 2012**

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

School Clothes Supplies (SCS)

SCS is owned by Vijay Singh and his three brothers. It is a private limited company and has been trading for 15 years. The business manufactures school uniforms for boys and girls of all ages. These are school uniforms of a standard design sold to large clothes shops. The capital employed in the business is $10m.

The business is located on the edge of the capital city in country X near to a sea port. The cloth used to make the clothes is purchased from local suppliers but some items, such as buttons, are imported.

SCS employs 100 production workers and 10 office workers. Production workers are paid by time rate. The management style is autocratic. The working conditions are good but each worker does the same job every day. Vijay uses batch production to produce different sizes of each item of clothing.

Vijay and his brothers are thinking of increasing output. They have two options.

Option 1:
Increase the production of the existing range of school clothes of a standard design. No new machinery will be required but more production workers will need to be recruited.

Option 2:
Start producing specially designed uniforms for schools that do not want the standard designs. Additional machinery will need to be leased. New skilled production workers will need to be recruited.

Appendix 1

Main News April 2012

School uniform to be worn in all schools

A Government spokesperson announced today that all school children must wear a school uniform in future. Schools can choose whether to have a standard uniform which can be purchased from any large clothing shop or their own special design of uniform. These special design uniforms would only be available for customers to buy at a few school uniform shops.

Most schools have the standard school uniform, but it is likely that more schools will change to their own special design of uniform to make their students look different to students from other schools.

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Appendix 2

Option 1: Data for the increase in production of standard uniforms

SCS costs and selling prices to shops for **standard** school uniforms

	Trousers	Skirts	Jackets
Variable cost per item	$3	$2	$15
Price per item	$6	$5	$35
Number of sales per year	400 000	200 000	300 000

Total fixed costs per year are $3 000 000 for the production of all three products.

Option 2: Data for the new production of specially designed uniforms

SCS forecast costs and selling prices to shops for **specially designed** school uniforms

	Trousers	Skirts	Jackets
Variable cost per item	$4	$3	$20
Price per item	$8	$7	$50
Number of sales per year	200 000	100 000	50 000

It is forecast that fixed costs would be $1 300 000 per year for the production of these specially designed uniforms (this includes the lease of the additional machinery).

Appendix 3

GOVERNMENT ADVERTISEMENT

New laws have been passed to protect workers and consumers.

The new laws are for health and safety, employment and consumer protection.

These laws will affect your business. You can get leaflets to inform you of what the laws mean to your business. Act now or your company may break the law.

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