Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

BUSINESS STUDIES **7115/21**

Paper 2 **May/June 2014**

INSERT

1 hour 45 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 document consists of **3** printed pages and **1** blank page.

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CAMBRIDGE
International Examinations

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Fabian Flowers (FF)

Fabian is starting a business selling flowers in country Z. He will call his shop Fabian Flowers (FF). He was made redundant from a factory which produced paint. Fabian thinks he has the skills needed to manage his own business.

Fabian does not know much about flowers but he has found out that demand for them is increasing. He wants to have a business partner. There are three people who want to become his partner and he has to choose between them. See Appendix 1 for details about them.

To make progress with his business idea he needs to:

- set objectives for the business with his partner
- decide whether to focus on Option A customers or Option B customers (see below)
- decide on the prices of the flowers in his shop.

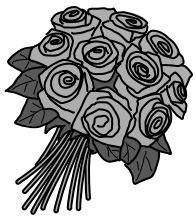
Option A: Business customers



These would be mainly hotels and restaurants demanding fresh flower arrangements two times a week. The orders would be all year round. These customers would expect trade credit and a reduced price for regular orders. Projected financial data for the first year is:

- sales revenue $200 000, cost of flowers $40 000 and expenses $120 000.

Option B: Retail customers



These would buy flowers regularly. There would also be higher sales for special occasions such as weddings, Valentine's Day and birthdays. High prices could be charged and customers would pay with cash. Projected financial data for the first year is:

- sales revenue $120 000, cost of flowers $30 000 and expenses $60 000.

Appendix 1

Details of three people who wish to become Fabian's business partner

Gowri	Miranda	Pamela
Has already managed her own business Has no flower arranging experience	Has no experience of managing a business but worked in a shop for two years Has qualifications in flower arranging	Has no experience of managing a business but wants to learn how to do this Likes flower arranging at home but no work experience
Age 35 with three small children	Age 25, no children	Age 50 with two children at university
Has $10 000 to invest	Has $5 000 to invest	Has $20 000 to invest

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Appendix 2

Planned start-up costs for Fabian Flowers

	$
Purchase of shop premises	50 000
Equipment/shop fittings	5 000
Stock of flowers	500
Advertising	400
Recruitment costs	100

Appendix 3

To: Fabian@gotmail.com
From: Sid@gotmail.com
Date: 2 May 2014
Re: Where to buy flowers?

Here is the information you asked for about where to buy flowers:

	Import flowers from country X	Purchase from a flower wholesaler	Buy from local flower growers
Quality of flowers	High	Low	Mixed (some high/some low)
Variety of different flowers	Limited range	Wide range	Limited range at some times of the year
Prices	High	Low	Depends on the quantity purchased
Other factors	No child labour allowed in country X	Wholesaler buys from country Y which uses methods that are not sustainable	Low transport costs

Customers are becoming more aware of ethical and environmental issues when making purchases so think carefully about where you buy your flower supplies from.

Sid

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