Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

BUSINESS STUDIES **7115/22**

Paper 2 **May/June 2014**

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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.

DC (CW/JG) 91311/1
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Manuel's Fruit and Vegetable Shop

Manuel owns a shop selling fruit and vegetables. It is located on a main road in the capital city of country X. He is a sole trader and has been in business for 10 years. He has 5 employees who all work part-time in the shop.

Manuel buys his fruit and vegetables from a wholesale supplier and he pays cash. The wholesaler charges Manuel a delivery fee of $20 for each delivery. Manuel usually has 4 deliveries a week. He has thought of buying his own truck (lorry) but that would cost $4 000 for an old truck or 3 times as much for a new truck.



Manuel wants to encourage more customers to buy fruit and vegetables from his shop each week. He is planning to offer a low cost delivery service to customers who order the same quantity of fruit and vegetables each week. This would discourage customers from buying fruit and vegetables from other shops. He is not sure how to promote this new service.

Manuel gives his existing loyal customers one month's credit. Half of Manuel's sales are to these customers. Most of Manuel's stock is sold with 100% mark up.

Appendix 1

Cash flow forecast for Manuel's Fruit and Vegetable Shop ($) for the first half of 2015

	January	February	March	April	May	June
Cash sales	500	1000	700	300	600	400
Cash from debtors	500	500	1000	700	300	600
Sales revenue	1000	1500	1700	1000	900	1000
Purchase of stock	500	1000	700	300	600	400
Wages	200	400	600	600	600	600
Overheads	400	400	400	400	400	400
Total costs	1100	1800	1700	1300	1600	1400
Net cash flow	(100)	(300)	0	(300)	(700)	(400)
Opening balance	1000	900	600	600	300	(400)
Closing balance	900	600	600	300	(400)	(800)

Note: Numbers in brackets are negative.

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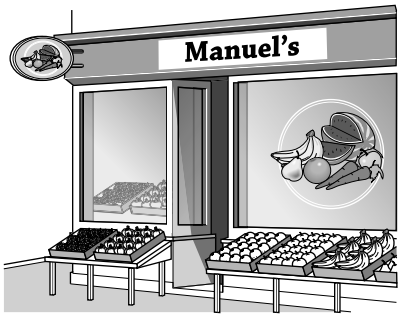
Appendix 2

To: ManuelBBB@gotmail.com
From: DeliveriesRU@gotmail.com
Date: 3 May 2014

You enquired about hiring a delivery truck to transport your fruit and vegetables. The price to hire a truck is $50 per day plus fuel. This includes insurance. All our trucks are safe and clean and can carry a large amount of stock. Please note you will need to book and pay at least one week in advance as we are very busy and may not have a truck for you if it is not booked early.

Appendix 3

Adverts for Manuel's Fruit and Vegetable Shop and a large supermarket



Open: 06.00 – 23.30

Local shop

Fresh products

Personal service



Open: 10.00 – 20.00

Large out of town store

Wide variety of products

Self-service

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