Cambridge
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Cambridge Ordinary Level

BUSINESS STUDIES **7115/21**

Paper 2 **May/June 2015**

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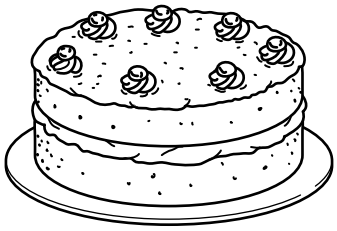
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READ THESE INSTRUCTIONS FIRST

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Delicious Delights (DD)



David is a successful entrepreneur. He set up Delicious Delights (DD) as a private limited company 10 years ago in country X. David invested all of his own savings when he set up DD and he is still the major shareholder. David is the Managing Director and works 7 days a week. The company has increased profits every year as David develops a new range of cakes each year. David has appointed managers to control each department (see Appendix 1) and the company employs 125 people.

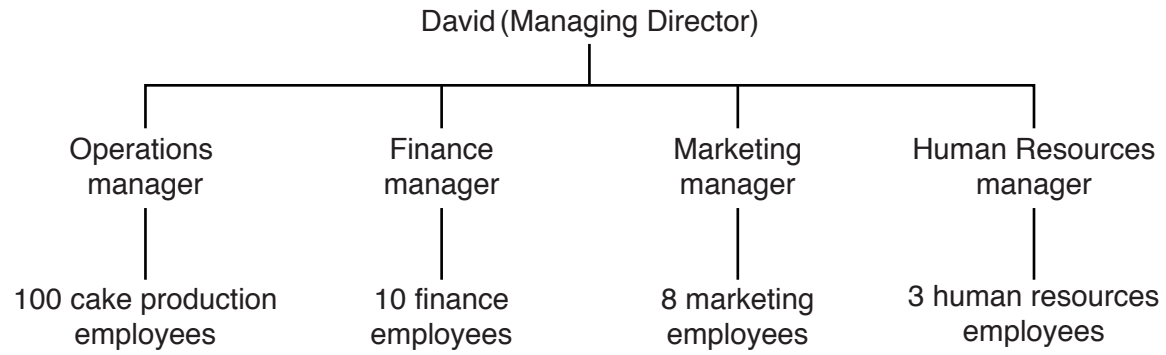
DD employs many employees for the production of cakes. Large ovens are used to bake the cakes. David wants to increase production efficiency. He is considering the following two options.

Option A
Provide more training for the existing production employees. This would involve on-the-job training provided by the most experienced employees. David estimates efficiency would increase by 10%.

Option B
Change the production process to an automated production line. This would require an investment of $8m and only 10 employees would be required to operate the machinery. The other production employees would be made redundant. Off-the-job training would be required for the remaining 10 employees.

Appendix 1

Organisational structure of DD



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Appendix 2

Financial information from DD Balance Sheet ($000)

	2013	2014
Non-current (fixed) assets	100000	100000
Current assets	1000	1000
Inventories (stock)	500	300
Current liabilities	500	600
Current ratio	2	?
Acid test ratio	1	?

Appendix 3

To: Marketing Manager
From: David
Date: 10 May 2014
Re: Increasing cake sales

Hi

I have been looking at our sales figures for cakes and I am constantly thinking of new ways of selling to customers. Customers usually buy our cakes from large supermarkets and small food shops, but I think we could start to sell our cakes directly to customers using e-commerce. There are many cost savings to be made from using e-commerce but would this be a suitable method for our cakes?

We have a large number of loyal customers in country X. However, our competitors are starting to sell cakes in large quantities to supermarkets in other countries. Would this be a better way of increasing sales than using e-commerce?

Let me know what you think.

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