Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

BUSINESS STUDIES **7115/21**

Paper 2 **May/June 2016**

INSERT

1 hour 30 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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Diaz Dentist Clinic (DDC)

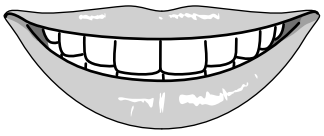
Rosa and Eduardo are well qualified dentists. They set up DDC 10 years ago in country X. Rosa and Eduardo invested $50 000 each from their own savings when they formed the business partnership. Since then the business has expanded and it is now one of the largest dentist clinics in the country. It employs 8 dentists, 10 assistants, 3 receptionists and a general manager for the clinic. However, in future they will only require 2 receptionists as they are purchasing a new computer system for the administration of the clinic. This computer system could be paid for by DDC taking out a bank loan.

DDC is in the private sector and only has patients (customers) who pay for their treatment. It has a good reputation for high quality treatment and patients pay high prices. Patients are given up to three months to pay for their treatment. There are also some dentist clinics in country X which are operated by the Government and provide free treatment for poor families.

DDC's premises are now too small. Each treatment room is very small and the dentists complain that there is not enough space to work properly. Rosa and Eduardo are planning to move the clinic to larger premises.

Advertisement

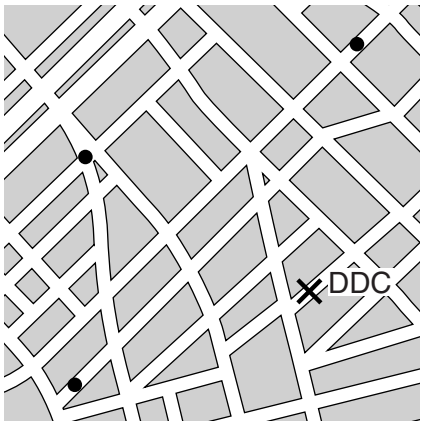
DDC



Treatments (services) available:

- Teeth whitening
- Repair to tooth decay
- Teeth extraction
- Teeth cleaning

Where to find us:



Note: There is no parking near DDC.

Note: The dots show the locations of competitor businesses.

Appendix 1

Main City News 1 May 2016

The Government is increasing the number of dentist clinics which will offer free treatment for poor families. Only people on low wages will be able to use these clinics. The Government hopes this will reduce the number of days people are not at work because of problems with their teeth.

The increase in the number of dentist clinics paid for by the Government is increasing the job vacancies for dentists and assistants. The Government is also improving hospital care for poor families. The Government says all of these changes are helping to reduce unemployment.

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Appendix 2

Summary of the three receptionists employed at DDC

	Time employed at DDC	Qualifications and experience	Other interests
Receptionist 1 (age 50)	10 years	Receptionist qualifications	Charity work
Receptionist 2 (age 30)	1 year	No qualifications but lots of experience as a receptionist for other dentists	Plays football
Receptionist 3 (age 25)	4 years	No qualifications and only experience as a receptionist for DDC	Repairs computers at home

Appendix 3

Cash flow forecast for DDC for the second half of 2016 ($000)

	July	August	September	October	November	December
Cash inflows:						
Payments from patients	400	1 000	2 000	800	200	200
Cash outflows:						
Payments to suppliers	40	100	200	80	20	200
Wages	100	100	100	100	100	100
Rent	500	500	500	500	500	500
Other fixed costs	200	200	200	200	200	200
Total cash outflows	840	900	1 000	880	820	1 000
Net cash flow	(440)	100	**X**	(80)	(620)	(800)
Opening bank balance	1 000	560	660	1 660	1 580	**Y**
Closing bank balance	**W**	660	1 660	1 580	960	**Z**

Note: Figures in brackets are negative.

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