Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

BUSINESS STUDIES **7115/22**

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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Foto Favourites (FF)

FF is a private limited company owned by Thao and Liang. It is profitable and has grown over the last 5 years. Providing 'excellent customer service' is still its main business objective.

Thao and Liang are photographers who believe in meeting customers face-to-face to discuss what photographs the customers want. They specialise in taking photographs for weddings, birthdays and other celebrations as well as family photographs. They have some business customers but most of their customers are private individuals. As the business has grown, Thao and Liang have employed additional photographers to do some of the work. There are now 8 photographers and 2 part-time office workers who do the administration and accounts.

The revenue for 2015 was $500 000 with cost of sales of $250 000. Profit (after all expenses were deducted) was $125 000. Thao and Liang want FF to continue to expand and are considering taking over another photography business rather than growing internally. Appendix 3 gives some financial information on two businesses they are considering taking over.

Appendix 1

New City News 1 May 2016

Information Technology (IT) is changing the photography industry

You can now receive your wedding photographs using the Internet and can print out as many as you want. You only pay for the services of the photographer at the wedding rather than also paying for each photograph.

Family and friends can be given a password to view all your photographs and you can download a program (app) to automatically open these on some mobile (cell) phones. This makes it much quicker to see your photographs from the wedding or other special occasion, rather than having to wait several days or weeks before they are available to order.

Appendix 2

To:	Thao@gotmail.com
From:	Liang@gotmail.com
Date:	3 May 2016
Re:	Employment laws

There are some new employment laws being introduced next month which will affect our business. These include new regulations which will require our business to give health and safety training to all employees.

The minimum wage is being increased by 20%. This is a worry. Although we pay the photographers 50% more than the minimum wage, they might expect a wage increase.

In addition, protection from unfair dismissal now applies to employees who have been employed for only 6 months instead of 2 years.

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Appendix 3

Extracts from income statements (2015) for two businesses FF is considering taking over ($000)

	Business A	Business B
Revenue	100	500
Cost of sales	50	125
Expenses	25	250

Business A has been operating for only two years but business B was set up 20 years ago. Both businesses take photographs at weddings. However, business A has also entered the growing market for photographs of families, children and pet animals.

FF will need to raise all the finance required to take over either of these businesses. The takeover of business A would cost $250 000 and the takeover of business B would cost $500 000.

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