Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

BUSINESS STUDIES **7115/21**

Paper 2 **May/June 2017**

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1 hour 30 minutes

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READ THESE INSTRUCTIONS FIRST

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

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T T-shirts (TT)

TT is a private limited company set up 15 years ago in country P. It buys ready-made plain white T-shirts and then prints designs on them. The T-shirts are imported from country Q, a developing country. TT has 50 different designs that are produced in batches of various sizes, from child size to extra large adult size.

The T-shirts are sold to small retailers in country P. These retailers expect high quality products. The Marketing manager is considering changing the 'place' part of its marketing mix as she wants to increase sales of T-shirts.

The share capital invested to start up the company was $2m. Shareholders' funds had increased to $8m by 2015, but stayed at this level in 2016.

TT directors want to expand the company by exporting their T-shirts and are considering the following two options.

Option A:
Take over DesOwn, a competing company, which manufactures personalised T-shirts to the customers' own designs. This company only sells online and its brand is recognised worldwide. It has a large share of this global e-commerce market. TT will have to raise $10m to buy out the existing shareholders. Some workers could be made redundant if departments in the new company are merged with those in TT.

Option B:
Invest in expanding its own production facilities by buying new computer-controlled equipment for $500 000. This will allow an increase in the production of the existing range of T-shirts. TT could then sell directly to large retailers in other countries. However, they may have to use an agent or go into a joint venture to be successful.

Appendix 1: Advertisement



- High quality material used
- Many designs available – lots of choice
- All sizes available – from child to extra large adult
- Buy T-shirts from small clothing retailers across the country

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Appendix 2

SMS (text) message from TT production employee to a friend

Really unhappy at TT factory! – expected to do a lot of work on tasks I am not paid for – expected to advise customers on designs when I have no training on this – shouted at if I do anything wrong or do not make a lot of T-shirts each week – the Operations manager just tells me what to do and she never asks what I think. If I say anything then I am told to keep quiet. Really fed up and want to leave. ☹

I never know what is happening at the factory as information is only put on one noticeboard but that is in the other building!

Appendix 3

TT financial information ($m)

	2015	2016
Revenue	10	15
Cost of sales	2	4
Expenses	7	9
Capital employed	10	14

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