Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

BUSINESS STUDIES **7115/21**
Paper 2 **May/June 2018**
INSERT **1 hour 30 minutes**

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READ THESE INSTRUCTIONS FIRST

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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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Value Gym (VG)

Peter is a qualified fitness instructor. He used to work at a luxury gym in country X. Customers of this luxury gym pay a high monthly membership fee no matter how many times they visit. There are no additional fees.

Peter enjoys helping people get fit and lose weight and he enjoys teaching exercise classes. Peter wanted to help more people to get fit or build up their muscles so he decided to set up his own gym. Peter thought there was a demand for low priced gyms that allowed people to pay each time they used it rather than pay a high monthly fee. So he left his job and set up his own gym in a low income part of the city. Peter named his business Value Gym (VG) and opened it three months ago. Peter needed a large bank loan to help him set up his gym as he only had $5 000 of his own money. He is a sole trader. He prepared a business plan to show the bank manager.

VG has been very successful and Peter is expecting to make a profit by the end of his first year as an entrepreneur. However, he still wants to attract more customers to the gym. He knows that marketing will be very important if his business is to expand.

Peter has estimated that VG will soon need 4 personal trainers to work in the gym. Peter has not decided whether to employ these personal trainers or to allow personal trainers who work for themselves to use VG's facilities for a fee. The gym is open from 0600 until 2200, 7 days a week. Customers pay for each day they use the gym. In addition customers can pay for a personal trainer if they want individual tuition.

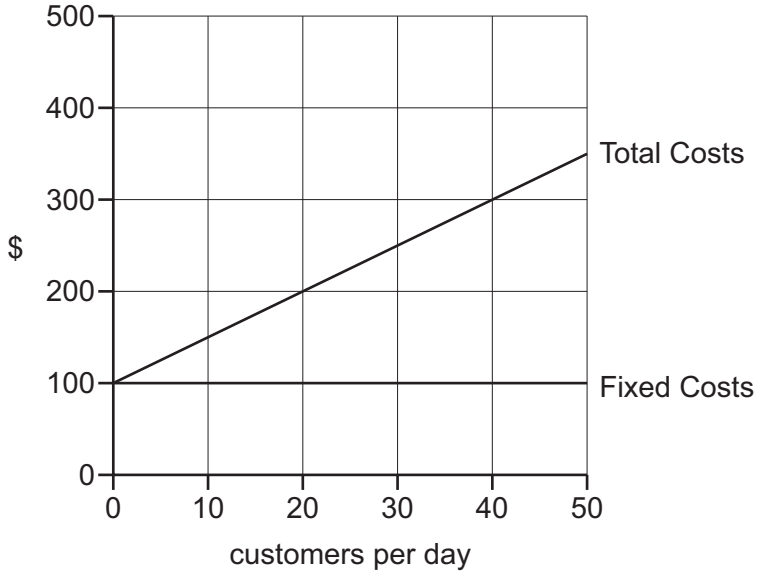
Appendix 1



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Appendix 2

Break-even chart for VG



Variable costs per customer = $5

Price per day to use the gym = $10

Maximum capacity of the gym = 50 customers per day

Appendix 3

City News April 2018

Demand for gyms is expected to increase

The government of country X is worried about the increasing health problems of the population. It wants more people to lose weight and get fit. This could make employees more productive and increase output for the businesses where they work.

A government grant is being given to anyone who owns a gym and has more than 20 customers a day. It is planned that the grants will be used to encourage more people to use a gym and get fit.

There is expected to be an increase in demand for personal trainers, especially to work in the evening. They will need to have qualifications in personal training to meet the health and safety regulations for working in a gym. Most personal trainers are paid the minimum wage. However it is expected that their wages will have to increase, as there will be a shortage of personal trainers until more people can gain qualifications in personal training.

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