Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

BUSINESS STUDIES **7115/22**
Paper 2 **May/June 2018**
INSERT **1 hour 30 minutes**

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READ THESE INSTRUCTIONS FIRST

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Downtown Hotel (DH)

Downtown Hotel (DH) is small hotel with 39 employees. It is a private limited company set up by Hilda 9 years ago in country X. Hilda owns 80% of the shares and the capital employed in the business is $100 000. It has been very successful with profit increasing each year. The demand for hotel accommodation in country X is also growing.

DH is located next to the beach in Downtown. Half of the hotel rooms are booked for 6 months of the year and all the rooms are booked for 4 months of the year. DH is empty for the remaining 2 months as the weather is very bad. Most of the guests that stay at the hotel are tourists from country X on coach (bus) tours. Hilda thinks she needs to attract hotel guests all year round.

A lot of litter is left on the beach next to the hotel and Hilda does not think she should pay to keep it clean. Local people also use the beach and it can be very busy, leading to hotel guests complaining about overcrowding and the amount of litter such as empty drinks bottles.

Hilda wants to expand the company by taking over another hotel. There are two hotels nearby that are for sale: ABC Hotel and XYZ Hotel.

ABC Hotel

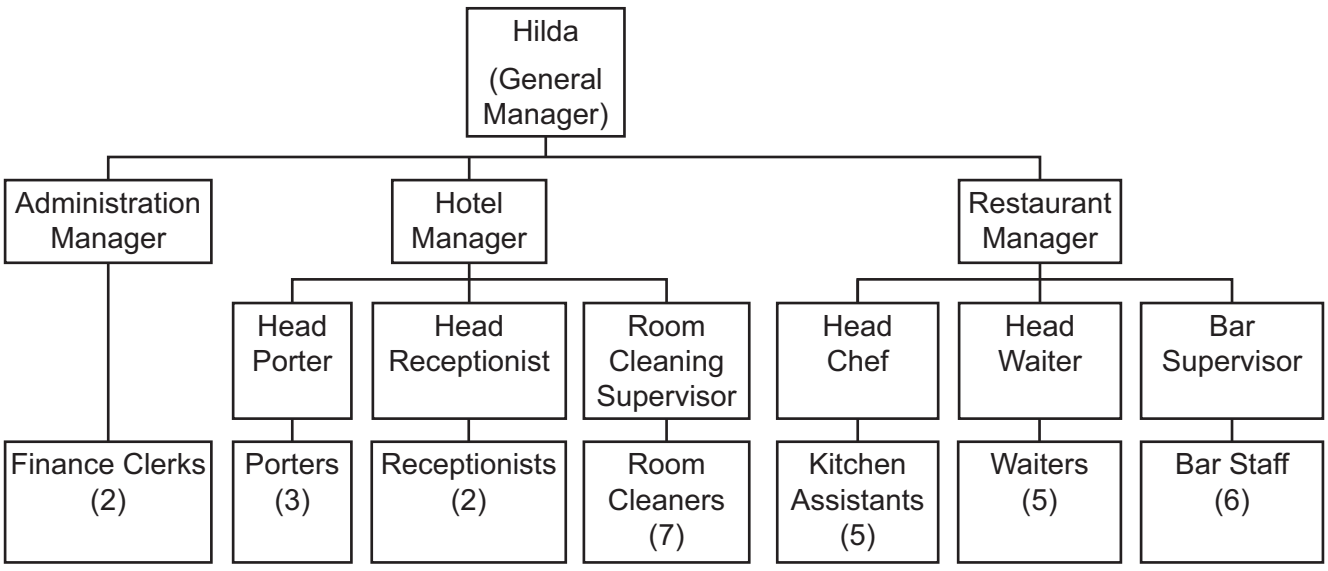
This has been owned by a local family for over 30 years. It has not been redecorated for many years and needs updating if it is to attract tourists from other countries. The estimated cost of updating the hotel is $50 000. The hotel is for sale at a price of $100 000 as it is in a good location on the beach.

XYZ Hotel

This is a modern hotel and has recently been redecorated to a high standard. The hotel is located in the centre of Main City which is 50 km from Downtown. It is near to restaurants, a train station and the airport. It is for sale at a price of $200 000. Technology is widely used in the hotel such as a computer based booking system and electronic key cards to access rooms and elevators.

Appendix 1

Organisation chart for Downtown Hotel



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Appendix 2

Summary of financial information on the two hotels

	ABC Hotel	XYZ Hotel
Non-current assets	$80 000	$150 000
Current ratio	3	1
Acid test ratio	2	0.5

Appendix 3

From: Hilda
To: Hotel Manager

I want to attract customers from abroad but none of our employees speak foreign languages. We should set up our own hotel website so that customers from country X and other countries can easily make bookings at the hotel. This would help to increase demand for our hotel rooms at a time when fewer people are demanding coach (bus) holidays.

Guests from other countries expect additional facilities such as a gym and swimming pool but these are expensive. We could encourage local people to use the hotel by adding a café with access to the hotel facilities and encourage weekend breaks at discount prices during quieter times of the year.

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