Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

BUSINESS STUDIES **7115/22**
Paper 2 **May/June 2019**
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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Wood Additions (WA)

WA is a small private limited company that makes high-quality wooden furniture. It was started 10 years ago by the Singh family. Two brothers and one sister are the only shareholders and they are also the directors of the company. They carry out all the management functions in the business and there are two office workers to support them. As WA is a small business it buys in services from other businesses such as transport companies.

WA makes many different designs of wooden furniture. WA only buys wood from forests that use sustainable methods so that new trees are planted when others are cut down. The cost of this wood is high but the directors think that this cost is justified as WA aims to be environmentally friendly.

WA employs 20 highly skilled production workers in the factory. Each worker specialises in one task. All employees in the factory and the office are paid an hourly wage that is 10% above the legal minimum wage.

WA uses batch production for most furniture designs with machinery that was purchased when the business was started. WA uses cost-plus pricing and has an average selling price of $200 per item of furniture. This price is higher than many of its competitors. Each year WA introduces new designs of furniture. In 2018, WA's profit fell and the directors are worried about this. The directors want to increase productivity as a way to improve profit. The Operations Director is considering purchasing computer-controlled machines.

Individual furniture designs, when requested by a customer, are made using job production. These items of furniture have an average selling price of $250. Each item takes twice as long to make as the furniture made by batch production.

Appendix 1

Advertisement for WA furniture

All our furniture is up to date and modern.

Buy WA furniture and be the envy of your friends.

Special promotion – buy two pieces of furniture and get a third one for half price.

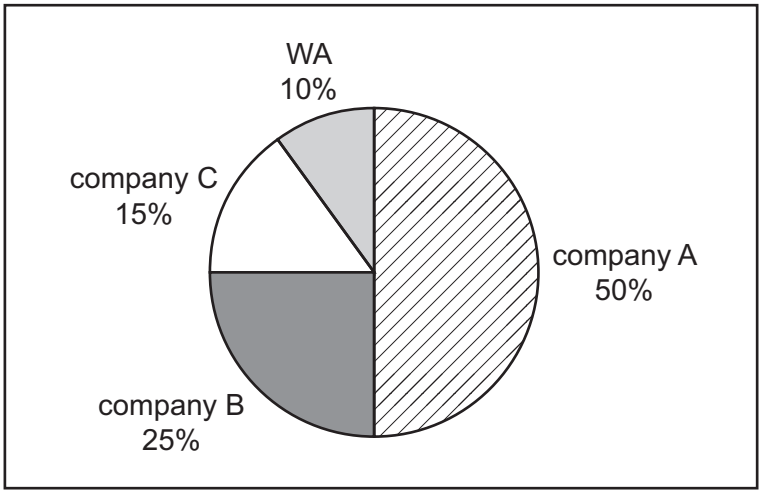
Sign up to our list of satisfied customers and receive information and discounts on our new range of furniture.



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Appendix 2

Market share of furniture manufacturers in 2018



Appendix 3

2018 cost information for WA

	$
Average cost of wood per item of furniture	100
Rent of factory per month	1200
Other expenses per month	800
Wage costs per month	4000
Average number of items of furniture produced per month	100

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