Cambridge Assessment International Education

Cambridge O Level

BUSINESS STUDIES **7115/22**

Paper 2 Case Study **May/June 2021**

INSERT **1 hour 30 minutes**

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

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This document has **4** pages. Any blank pages are indicated.

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Tandeep Toys (TT)

Tandeep is planning to set up a toy shop in country Z. He worked for a toy manufacturer for 10 years. Tandeep thinks he has enough knowledge of toys and customer needs to start his own business.

Tandeep plans to sell a large range of toys which will include products for all ages of children from babies through to teenagers. The toys will all be well known brands and aimed at higher income groups. The most popular product is likely to be toy cars. Tandeep also plans to sell a range of accessories for babies such as pushchairs (strollers) which he may have to import. Making sure there is inventory to always meet demand is very important to the success of TT.

Tandeep has a loan of $40 000 from his family to invest in the business. He wants to set up as a private limited company. He knows that he will need working capital to run his business. He may offer credit to some customers for more expensive items such as nursery furniture. Tandeep knows that there are several legal controls to protect consumers.

Tandeep has been looking at locations for his toy shop. He has identified two locations to choose between as outlined in Appendix 1.

Tandeep will need to recruit several employees to work in his shop. He plans to recruit a shop manager and 5 sales assistants. Tandeep will carry out all the administration. As part of the recruitment process he will need to produce job descriptions, job specifications and then shortlist applicants.

Appendix 1

Two possible locations for Tandeep's shop

Location A

The shop is located in a popular shopping mall in the city centre. Parking is expensive and the rent is high. The mall is open from 8.00 to 22.00 every day. There are several other toy shops located in the mall as well as banks, a cinema and children's playground.

Location B

The shop is located on a busy street in a local town. There are many other shops and a street market in the area. Local people frequently visit the shopping area to buy food. Parking is always available and is free. The rent is low. There are no other toy shops in the town.

Appendix 2

Information on channels of distribution for toy cars

	Wholesaler in country Z	Manufacturer in country Z
Unit cost of toy car	$15	$5
Delivery time for orders	1 day	4 weeks
Minimum quantity that must be ordered	10 units	1000 units
Trade credit	1 month	3 months

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Appendix 3

Cash-flow forecast for the first 6 months of trading for TT ($)

	July	Aug	Sept	Oct	Nov	Dec
Cash sales	600	1 000	1000	1 000	2 000	2 000
Rent and wages	500	500	500	500	500	500
Purchases of inventory	300	100	100	100	100	100
Shop equipment	40 000					
Net flow	(40 200)	400	400	400	1 400	1 400
Opening balance	40 000	(200)	200	600	1000	2 400
Closing balance	(200)	200	600	1 000	2 400	3 800

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