Cambridge Assessment International Education

Cambridge O Level

BUSINESS STUDIES **7115/24**

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

INSERT **1 hour 30 minutes**

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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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Andrew's Air-conditioning Repairs (AAR)

Air-conditioning equipment is used to cool homes and offices. Andrew started his air-conditioning equipment repair business in country Z 5 years ago after being made redundant. He chose to be a sole trader because he wanted to make all his own decisions. Andrew invested $20 000 of his own savings. He also arranged a $10 000 bank loan and opened a repair shop in the centre of Main City. Andrew considered many factors when choosing the location for his shop. He thinks increasing revenue is important and the business has achieved this every year.

Andrew is busiest during the 8 months of the year when the weather is very hot. Hot weather leads to equipment breaking down more often. Andrew employs 6 full-time workers. The employees are skilled and it would be difficult to replace them if they left. He wants to keep the workers well-motivated.

Currently, AAR only repairs domestic air-conditioning equipment used in houses. Small, portable air-conditioning units are repaired in AAR's shop but larger units are repaired in customers' houses. Andrew is planning to expand his business to repair all types of air-conditioning equipment including those in factories and offices. This requires additional repair equipment for AAR, as the air-conditioning units are very different to those used in houses. Andrew will need to train his workers to repair the different air-conditioning units used in factories and offices.

Andrew is considering whether to use external finance, such as a bank loan to buy the new equipment required for expansion. However, a friend of his has offered to invest in AAR.

Andrew is analysing the latest AAR cash flow forecast. The business offers some customers 60 days credit. AAR pays cash to its suppliers when spare parts and air-conditioning gas are delivered.

Appendix 1

Summary of cash flow forecast for AAR ($000)

	January	February	March	April	May	June
Total cash inflows	120	120	70	10	10	30
Wages	60	60	60	60	60	60
Payments to suppliers	24	24	14	4	4	4
Total cash outflow	84	84	74	64	64	64
Net cash flow	36	36	(4)	(54)	(54)	(34)
Opening balance	20	56	92	88	34	(20)
Closing balance	56	92	88	34	(20)	(54)

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Appendix 2

Advert for AAR services



AAR has an excellent reputation for repairing domestic air-conditioning equipment. We now offer our services to all businesses with offices and factories.

Call us at any time if you want a fast and reliable air-conditioning repair service in your office or factory.

Appendix 3

Newspaper article in Main News

Changes to laws in country Z

Businesses may be affected by changes the government has recently made to three legal controls.

Legal control 1. Changes to Employment laws:

- These will affect how many hours employees can work.
- They used to be able to work up to 90 hours a week.
- The new maximum is now 50 hours a week even if a business is very busy.

Legal control 2. Changes to Health and Safety laws:

- Safety equipment and training must be provided to all employees especially in the use of electrical equipment and air-conditioning gas.

Legal control 3. Changes to disposal of waste air-conditioning gas:

- The government is now providing free, safe disposal of waste air-conditioning gas.
- Previously businesses had to pay for its collection and disposal.
- Air-conditioning gas can add to global warming if it is not disposed of safely.

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