Cambridge Assessment International Education

Cambridge O Level

BUSINESS STUDIES **7115/21**

Paper 2 Case Study **May/June 2022**

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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MainCity Bakery (MB)

MB is a small bakery that produces bread. Yasin started the bakery 6 months ago with help from the government. Yasin needed a business plan to support his application for government help. An extract from the business plan Yasin produced is shown in Appendix 1. The market research was carried out by Yasin. He asked a small sample of family and friends to fill in a questionnaire. Yasin's business plan also contained forecast data.

MB's bread is freshly-made every day in the bakery, which is located at the back of MB's small shop. The bread is then sold the same day. Yasin has 2 employees to help him produce the bread and 1 employee to serve customers in the shop. All employees work 5 days a week and are paid the legal minimum wage. Yasin uses a democratic leadership style.

Yasin needs to keep costs low to be competitive. He uses packaging that cannot be recycled. Yasin also buys the cheapest ingredients, most of which are imported. He is planning to use lean production in the bakery but he has to decide which method to use.

MB's main competitors advertise that they only use ingredients from local suppliers. Yasin is thinking of changing the suppliers he uses for ingredients and packaging. He wants MB to have a good ethical image which he could use in advertising.

Yasin plans to start making cakes. He is considering two options as outlined in Appendix 2. MB's fixed costs will increase as there will be additional expenses whichever option he chooses.

Appendix 1

Extract from Yasin's business plan for MB

Section	Details
Market research	Questionnaire results are as follows: • Bread is eaten by all age groups • Of the sample asked: • 85% want products made using ingredients from local suppliers • 70% want to purchase cakes as well as bread from a bakery
Resources	• $10 000 to buy bakery equipment • Rent for the bakery and shop each month • $3000 for start-up supplies and ingredients

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Appendix 2

Forecast data for MB's cake options

	Option 1 Small cupcakes	Option 2 Large birthday cakes
Monthly sales of cakes	4000	100
Variable cost per cake	$0.50	$10
Additional fixed cost per month	$3000	$3000
Price per cake	$2 per cupcake	$60 per birthday cake
Gross profit margin	75%	83.33%
Sales growth	Low	High

Appendix 3

Packaging supplier advertisement



We only supply packaging made from sustainable sources.

This will keep your products fresh and protect the environment.

We can deliver your packaging when you need it.

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