UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

BUSINESS STUDIES **7115/21**

Paper 2 **October/November 2012**

INSERT

1 hour 45 minutes

READ THESE INSTRUCTIONS FIRST

This Insert contains the case study material.
Anything the candidate writes on this Insert will not be marked.

DC (NF/SW) 62978
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K's Garage

Kolo has worked as a mechanic repairing motor cars for over 10 years. He now wants to start his own business selling and repairing cars. He wants to set up as a sole trader business and call his business K's Garage. He hopes to have both business customers and private customers.

Kolo thinks he will need to employ two other trained mechanics, as well as two experienced sales staff for selling cars. Kolo will do the accounts and administration for the garage and also deal with customer enquiries.

There are three possible sites where he could locate his garage.

Site A:
Site A is on a busy road close to the city centre. The rent on the property is $20 000 per year for a small workshop and car showroom (where cars for sale are displayed). It is near other garages which sell new cars. The site is located in a business area and there are no houses nearby.

Site B:
Site B is on a road on the edge of a housing estate. There are many people living in the area who own cars. The rent for this site is $15 000 per year. The site has a large car showroom and workshop. There are no other garages in the area and only a few shops nearby which sell food. Not many people use the road.

Site C:
Site C is in an area outside the city with no housing or businesses nearby. The site is for sale for $10 000. It is a large area of land with a big garage on the site, but the buildings need repairing. There is a busy road nearby which leads into the city. The city is 10 kilometres away.

Kolo's friend, Leslie, owns a garage in another city. Leslie has given Kolo the following information from his company accounts. This is shown in Appendix 1.

Appendix 1

Financial information for Leslie's garage ($)

	2010	2011
Capital employed	50 000	50 000
Sales revenue from car sales	40 000	80 000
Sales revenue from car repairs	60 000	70 000
Cost of sales (cars and car parts)	20 000	40 000
Expenses	70 000	90 000

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Appendix 2

To: Kolo@gotmail.com
From: Leslie@gotmail.com

Hello Kolo

If you are thinking of importing cars for your business you need to consider a few things.

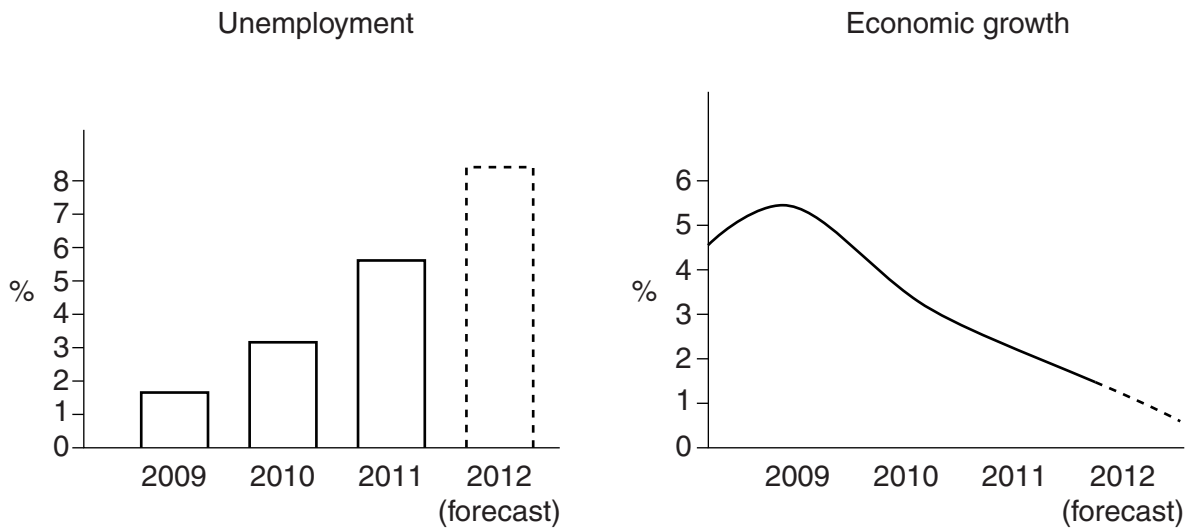
Changes in the exchange rate may affect the price you are paying for the imported cars. Also you need to check if there are any tariffs or quotas on imported cars. However, the prices are often 20% less than buying cars in this country and there are more types and models of cars available from other countries. Remember transport costs may be higher and delivery dates may be less reliable.

Good luck!

Leslie

Appendix 3

Economic data



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