UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

BUSINESS STUDIES **7115/22**

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.

This document consists of **3** printed pages and **1** blank page.

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KK Cars

KK Cars is a sole trader taxi business owned by Trunal. He set up the business two years ago after he moved to New City in country X and could not find a job.

His taxi service usually has three types of customer:

- private customers who are local people without a car
- tourists who are visitors to the city
- businesses wanting documents (letters) delivered quickly.

Trunal's business made a slow start with very low profits. However, last year the business became well known for being reliable. The number of customers has increased and Trunal's taxi is now always fully booked. There are many other small taxi firms in New City and it is a very competitive market. Trunal has written for advice from a Government business advisor about how to expand his business.

Appendix 1

Information about the types of customers for KK Cars

Type of customer	Price of average journey	Average number of journeys per day	Variable cost per journey	Information about demand
Private customers	$10	40	$ 5	Mainly at weekends
Tourists	$20	30	$10	Seasonal
Businesses	$30	15	$15	During business hours
The fixed costs for the taxi are $20 per day.				

Appendix 2

Email from one of Trunal's business customers

To: Trunal@gotmail.com
From: Derrick@gotmail.com

Dear Trunal

I have a very large parcel that must be delivered to someone across the other side of the city. It is urgent and must be delivered by a certain time. Can you deliver this parcel for me today and what will the price be?

Do you use cars to deliver parcels or do you have scooters or other two-wheeled vehicles?

I need a reply as soon as possible.

Derrick

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Appendix 3

Extract of a letter from a Government business advisor to Trunal

Dear Trunal

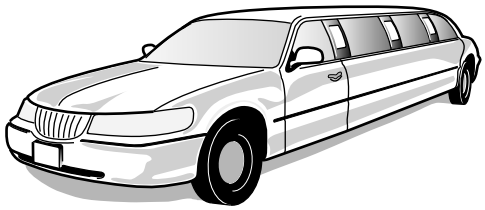
In reply to your letter dated 15 October, I have two suggestions about how you could expand your business by making it different to your current taxi services. The two options are as follows.

Option 1: large luxury car

See the advertisement below from a business in a nearby city. This could be the ideal way for you to expand your business. The luxury car could be used for birthday parties, weddings and other events.

You could charge the same price as in the advert below and the variable costs are estimated to be $40 per journey. To lease the luxury car will cost $200 per day. You may also need to spend money on advertising.

Estimated bookings are 6 per day. However, this is likely to be much higher or lower at different times of the year. You need to work out the break-even number of journeys per day.



Make your special celebration even more special.
Hire our luxury car for only $80 per journey.
The car can transport up to 14 people.

Option 2: airport taxi service for business people

Expand your existing taxi business but use additional taxis only to transport business people and tourists from the airport to their city centre hotels. You could buy 3 extra taxis at a cost of $10 000 per taxi. This will give you a loan repayment of $60 per day for five years. The number of taxi journeys to break even is 10 per day. Estimated number of journeys is 15 per day all through the year.



Ring me to discuss this further. You will need to research the potential demand for both options as well as working out the costs for each option before you make a final decision.

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