Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

BUSINESS STUDIES **7115/21**

Paper 2 **October/November 2017**

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READ THESE INSTRUCTIONS FIRST

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Animal Hotel (AH)

AH was a business idea of Elsie's. She loves animals and wanted to provide services to support busy animal owners. Services offered include washing, brushing, exercising and caring for animals overnight. Elsie is a qualified animal nurse. She set up her own business 2 years ago with $10 000 given by her grandfather and a bank loan for $10 000. The business is located in the centre of New City.

Elsie employs 12 adults and 6 children to help look after the cats, dogs and other animals. The adult workers are low skilled and are paid the legal minimum wage. The children are all under the age of 12 and are paid very low wages, which are below the legal minimum wage. Materials such as shampoo and brushes are purchased from a local wholesaler.

Elsie has been very successful in the first two years of trading. If she wants to expand the business she will need to move to a bigger site and employ many more people. Elsie will need to recruit a manager for the new site.

She is considering the following three sites.

	Site X	Site Y	Site Z
Size of site	10 000 m^2	5000 m^2	1000 m^2
Buildings	Small farm buildings in need of repair at a cost of $10 000. There is space to expand.	All in good condition. They will need changing for use with animals, at a cost of $5000.	Ready for use with animals and in good condition. No spending required.
Distance from New City	10 miles and not near main road	Edge of New City near main road	Centre of New City on main road
Cost of site	$10 000	$20 000	$60 000
Maximum number of animals that AH can care for overnight	20	40	120
Maximum number of animals that can be washed and brushed per day	20	30	50

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Appendix 1

Advert for Animal Hotel (AH)



All animals washed and brushed and cared for overnight when you are away from home.

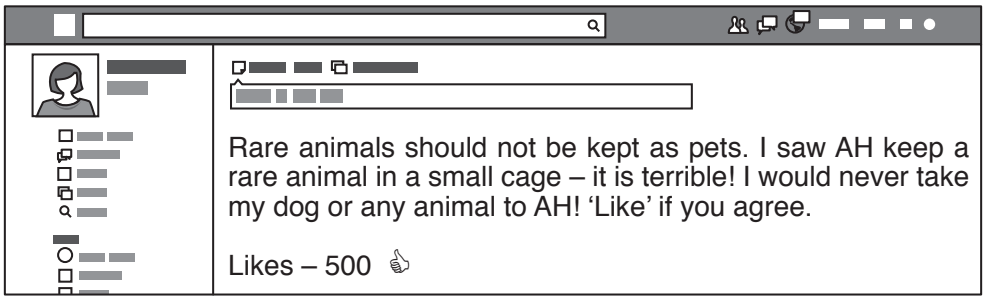


Animal training and advice given.

Need your animal looking after when you are at work? AH provides a happy place for your animal to spend the day! Your animal is worth it!!

Appendix 2

Social media message from customer of AH



Appendix 3

Selected financial information for AH

Average price per night per animal	$5
Average number of animals cared for overnight	25
Average price for washing and brushing an animal	$10
Average number of animals per day	25
Total costs of operating AH per day	$325

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