Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

BUSINESS STUDIES **7115/22**

Paper 2 **October/November 2017**

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READ THESE INSTRUCTIONS FIRST

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Garden Supplies (GS)

GS is a partnership. It was set up last year by two brothers. The business grows plants and trees on land owned by the brothers in New City. The brothers each invested $5000 of their own money to buy this land. Customers buy plants and trees from GS for their gardens. GS also cares for the gardens of several luxury hotels in New City.

The business employs 2 gardeners. However, GS has just gained new business contracts with other hotels in New City. This expansion will require another 4 gardeners to be recruited. The brothers must ensure that the gardeners maintain the good reputation of GS or the business will lose customers. The behaviour of the gardeners is as important as their quality of work.

New gardening equipment is required to ensure their employees can be efficient, such as when cutting grass or plants. This new equipment will cost $10 000.

GS has a high level of inventory. The brothers want to buy more land to expand the business. They are considering the following three sites.

Site X:
$5000 for 10 000 m^2 of good fertile land. It has been used for growing vegetables. It has no buildings on the land and no road leading to it. It is 30 miles from New City.

Site Y:
$12 000 for 6000 m^2 of land on the edge of New City. There are two large glasshouses for growing plants. However, they need repairing which will cost another $4000. There is a road nearby but it is not near a main road. It is 5 miles from the hotels.

Site Z:
$30 000 for 2000 m^2 in New City. It has a glasshouse and also has a shop with a car park. It is next to a main road. There are houses all around it, so there is no room to expand the business.

Appendix 1

Advert for GS



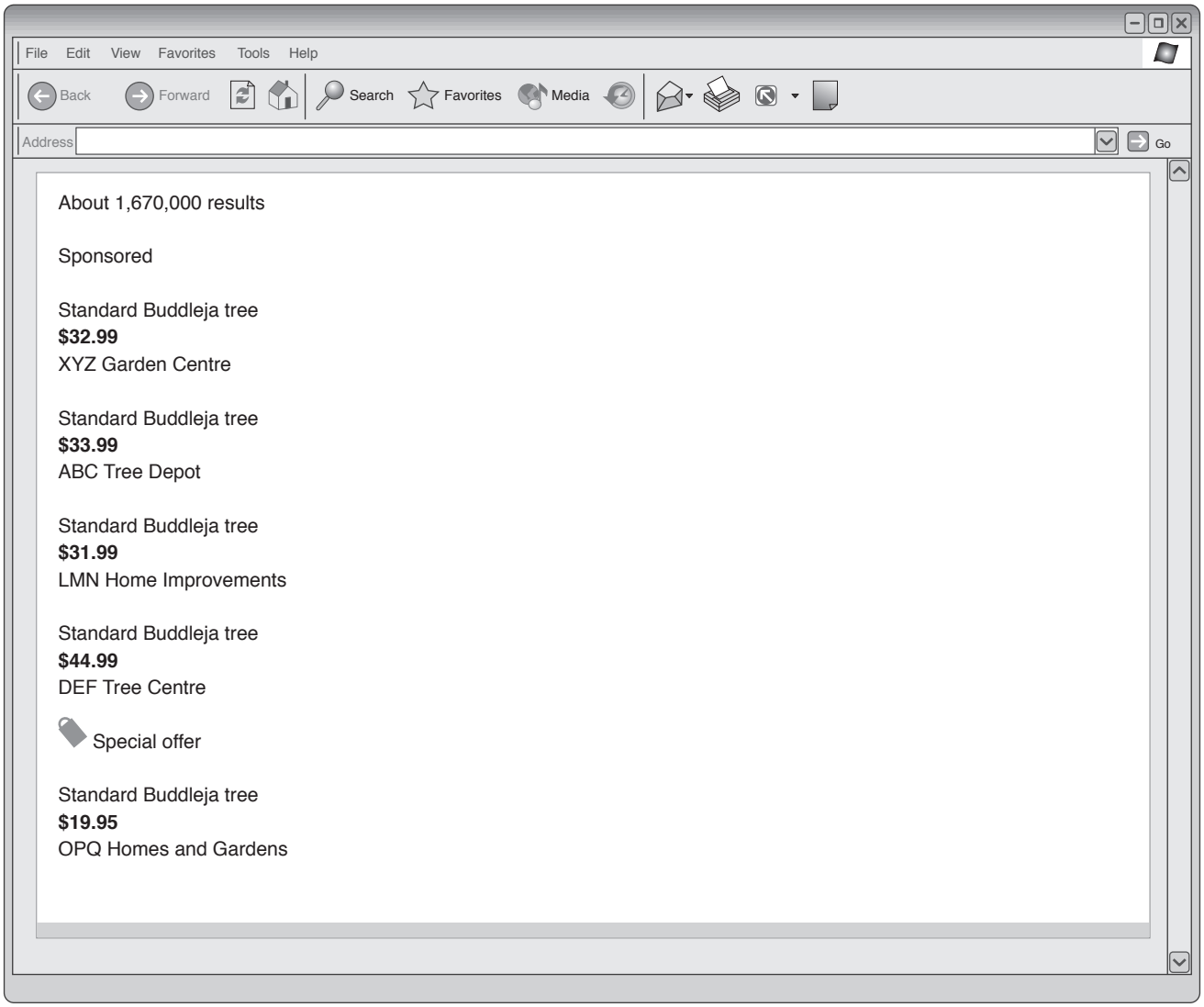


The finest quality plants money can buy anywhere in the world. We sell plants and trees at the lowest prices available. GS will deliver free of charge. We will also make containers of plants to your own orders with plants and colours of your choice.

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Appendix 2

Internet search by the brothers on competitors' prices for one type of tree



Appendix 3

GS: financial information for the first year of trading ($)

Revenue from selling plants and trees	40 000
Revenue from hotels	20 000
Cost of materials (e.g. seeds and pots)	10 000
Labour costs	35 000
Transport	8 000
Other expenses	2 000

Financial information for similar garden businesses

Average gross profit margin = 90%
Average profit margin = 20%
Average profit per year = $30 000

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