Cambridge
O Level

Cambridge Assessment International Education
Cambridge Ordinary Level

BUSINESS STUDIES **7115/22**
Paper 2 **October/November 2019**
INSERT **1 hour 30 minutes**

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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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Queen Catering (QC)

QC is a private limited company. Jin and Neil set up QC 10 years ago in country Z. They are the only shareholders. QC provides catering for events such as business meetings and conferences. It provides both the food and the workforce to serve the food. Jin and Neil are proud of the quality of food and service they provide to businesses. This is a very competitive market and QC has a good reputation to maintain.

QC imports food ingredients because they are of higher quality than locally produced food. However, some locally produced food is available at a lower cost than imported ingredients.

QC is very successful. It started with 8 employees and now has 100. Most of the employees have part-time contracts and work only when they are needed for an event. There are only 10 full-time employees. Employees are well trained and experienced in catering for large business events. They do not have experience of catering for weddings and birthday parties. Competing catering businesses pay slightly higher wages to full-time employees than QC.

Jin and Neil want to continue to expand the business. They plan to start providing catering services either for weddings or for birthday parties. They are not sure which option will give QC the best opportunity to create added value. They have carried out market research into the market for birthday parties. They want to research the market for weddings.

Jin thinks that an autocratic leadership style should be used with part-time employees. He only communicates with them by placing notices on the company's notice board. Neil thinks that he should be able to delegate tasks to employees once they start operating the new service. Jin and Neil will not be able to carry out all management tasks once the business has expanded further.

Appendix 1

Daily News

Country Z - Our economy is booming!

Rising incomes are leading to increased spending on luxury goods and services. Some businesses report that the average total amount spent on weddings has risen to $20 000! Catering businesses are reporting a shortage of skilled workers. However, the average amount spent on birthday parties has not increased since last year.

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Appendix 2

To: Neil

From: Jin

Date: 1 October 2019

Re: Future problems?

We need to do something about our cash-flow problem or we will run out of working capital. We pay for food ingredients in cash but we offer trade credit to business customers.

We also need to consider the effects of the exchange rate changes and the recent increase in income tax.

Appendix 3

Price and cost information for the two options

	Option 1 - Weddings	Option 2 - Birthday parties
Price per person	$50	$20
Average number of people attending the event	500	250
Variable cost per person	$20	$10
Fixed costs for each event	$1 000	$500
Estimated number of events per month	10	100

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