Cambridge Assessment International Education

Cambridge O Level

BUSINESS STUDIES **7115/24**

Paper 2 Case Study **October/November 2022**

INSERT **1 hour 30 minutes**

INFORMATION

- This insert contains the case study.
- You may annotate this insert and use the blank spaces for planning. **Do not write your answers** on the insert.

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This document has **4** pages. Any blank pages are indicated.

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Kris and Anaa's Taxis (KAT)

Kris and his sister, Anaa, started KAT as a partnership 7 years ago in country Z. They started the business with just 2 taxis. Kris drove one taxi and Anaa drove the other. KAT transports tourists between the airport and their hotels. The average size of families visiting the country is 6. Although Kris and Anaa had no experience of managing a business, KAT was successful for the first 5 years as many tourists visited the country.

Two years ago, Kris and Anaa decided to take out a bank loan to expand and buy 3 new taxis. Kris and Anaa also recruited 3 new drivers. Each driver is responsible for cleaning their taxi, making sure it is safe to drive and arranging repairs when necessary. Kris organises the taxi services for each driver at the start of the day, but sometimes urgent bookings come in part way through the day.

Things started to go wrong for KAT last year when there was a fall in the number of tourists visiting the country. Demand for taxi services fell and Kris and Anaa found it difficult to pay their fixed costs. Many businesses in country Z also had a fall in demand and the economy went into a recession. Kris and Anaa have decided to make one of the drivers redundant; a summary of their 3 drivers is in Appendix 1. They can also sell one of the taxis to improve cash flow. Kris and Anaa need to decide which taxi to sell and a summary of the 3 vehicles is in Appendix 3.

Kris and Anaa are also considering introducing new taxi services. They plan to carry out market research to help them choose which services to introduce.

Appendix 1

Summary of the three KAT drivers

Aamir – can repair the taxis if they break down. He is friendly and always punctual. He is willing to work any hours of the day or night for $10 per hour. He is not prepared to work more than 30 hours a week.

Samuel - has a qualification in tourism. He works 9.00 – 17.00 up to 6 days a week if needed, but will not work any other hours. He is paid $5 per hour.

Bilaal – speaks several languages. He is willing to work early in the morning if needed but is often late for work. He is paid $8 per hour. He is prepared to work up to 40 hours a week.

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Appendix 2

Email to Anaa from Kris

To: Anaa

From: Kris

Date: 10 March 2022

Re: New services to offer

We need to change from only offering taxi services to and from the airport for tourists. Several of the other local taxi businesses already offer additional services. I think we should start to offer day trips for tourists as well. We need to find out the potential demand from tourists and what type of day trips would be most popular.

We could also offer taxi services to local people, many of whom are in the older age groups and no longer wish to drive.

Either option will be better than just offering one service and would help us to survive the recession.

Appendix 3

Details of three taxis owned by Kris and Anaa

	Vehicle A	Vehicle B	Vehicle C
Number of passengers carried	10	6	4
Type of fuel	Petrol/Gas	Electric	Petrol/Gas
Repayments left on loan	3 years at $200 per month	5 years at $300 per month	1 year at $150 per month
Variable cost per kilometre	$0.60	$0.20	$0.40
Current value of vehicle if sold	$10 000	$20 000	$5000

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