



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
General Certificate of Education  
Advanced Subsidiary Level and Advanced Level

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**BUSINESS STUDIES**

**9707/02**

Paper 2 Data Response

**May/June 2007**

**1 hour 30 minutes**

Additional Materials: Answer Booklet/Paper

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**READ THESE INSTRUCTIONS FIRST**

If you have been given an Answer Booklet, follow the instructions on the front cover of the Booklet.

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Answer **all** questions.

The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [ ] at the end of each question or part question.

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This document consists of **4** printed pages.



## Tech New

Tech New (TN) is a small private limited company that assembles and sells computers to homes, schools and small businesses. TN competes on price with larger multinational businesses. TN has retail outlets in several major towns that sell components as well as computers.

Recently TN's sales of computers have fallen rapidly. This was mainly due to aggressive marketing by competitors. However Tariq, the Managing Director, noticed that there was a big increase in the sales of components to customers for improving their own computers.

The following is an extract from TN's accounts:

**Table 1: Extract from accounts (\$000)**

	2005	2006	% Change	
Sales of computers	80	40	-50	
Sales of components	50	90		
Rent on shops	20	50	+150	
Stocks	5	10	+100	15

Tariq is thinking of changing the product mix by focusing more on the sale of components. He is also investigating the possibility of selling these products over the Internet rather than in TN's shops. Tariq realizes that these changes will require a different approach to marketing.

Some computer components become out-of-date very quickly due to rapid changes in technology. This can cause stock control problems for TN. If TN buys components in bulk, they receive large discounts from suppliers. The storage costs for all of their components is low. Tariq has the latest stock information for TN:

**Table 2: Stocks**

Component	Weeks before new model becomes available	Stocks (weeks worth of sales)	Demand	Supplier	
Memory upgrades	16	24	Rising	Reliable	
Hard drives	52	1	Steady	Unreliable	30
Keyboards/mice	104	12	Unpredictable	Reliable	

- (a) Explain the terms:
- (i) private limited company (line 1) [3]
  - (ii) multinational (line 3). [3]
- (b) (i) Calculate the percentage change in sales of components between 2005 and 2006. [2]
- (ii) How does your answer to **(b)(i)** and other information in Table 1 support Tariq's idea of focusing more on the sale of components? [6]
- (c) Discuss the marketing and other factors that Tariq should consider before deciding whether to sell components on the Internet. [10]
- (d) Using the information in Table 2, explain one method of stock control that TN could use to improve its management of stock. [6]

**Bee's Meals**

Mrs Bee runs Bee's Meals (BM) as a sole trader. She started her business 5 years ago providing cooked food to a local restaurant. The business now employs 5 of Mrs Bee's friends and her son, and she supplies 10 restaurants. Mrs Bee wants to continue expanding the business and she sees an opportunity to supply workers at an industrial site 10km away with lunches (hot and cold). She would have to sell her current premises and move to new larger rented premises nearby. She would have to change the production system from batch to flow, which would involve buying new equipment. 5

She is concerned about how her employees might react to moving and to changes in the way that they work. She has the following information on the proposed change: 10

**Table 1: Data for proposed new equipment**

Cost	\$100,000	
Estimated payback period	2 years	
Expected useful life	5 years	
Residual value	\$20,000	15

Mrs Bee is wondering about possible sources of finance for the expansion and she has the following financial information:

**Table 2: Financial data and forecasts (\$000)**

	2006	2007 forecast	
Retained Profit	25	50	20
Fixed Assets	50	50	
Working Capital	10	20	
Long term Loans	5	5	
Owner's capital	25	25	

(a) Explain the following terms:

(i) sole trader (line 1) [3]

(ii) payback. (line 13) [3]

(b) (i) Calculate the annual depreciation on the new equipment using the straight-line method. [3]

(ii) Briefly explain how depreciation affects BM's accounts. [3]

(c) With reference to Table 2 discuss possible internal sources of finance for BM's proposed expansion. [8]

(d) Discuss the impact on BM and its workers of a change from batch to flow production. [10]

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