**Cambridge International Examinations**
Cambridge International General Certificate of Secondary Education

**BUSINESS STUDIES** **0450/22**

Paper 2 **May/June 2015**

INSERT

**1 hour 30 minutes**

**READ THESE INSTRUCTIONS FIRST**

This Insert contains the case study material.
Anything the candidate writes on this Insert will not be marked.

The syllabus is approved for use in England, Wales and Northern Ireland as a Cambridge International Level 1/Level 2 Certificate.

This document consists of **3** printed pages and **1** blank page.

DC (LK/JG) 97970/2

## Frozen Fancies (FF)

Frozen Fancies (FF) is a partnership owned by Samah and Selina. The business was started five years ago after Samah and Selina were able to borrow finance easily from the bank. FF produces ice-cream in country X. The ice-cream is made from high quality ingredients and is sold at a high price. These ingredients are bought from a supplier which is located near FF's factory. Samah and Selina have always used this supplier since they started and have been pleased with the high quality ingredients even though they are expensive.

Sales increased for the first four years. This increase in sales was greater than FF had planned for. Last year the sales started to fall as a multinational food company set up an ice-cream factory and started selling ice-cream in country X. This ice-cream is not high quality and sells at prices below those of FF. FF targets a market segment of high income consumers and intends to keep selling its ice-cream for a high price.

FF's ice-cream is in high demand for 6 months but demand is lower for the rest of the year. The factory has 100 full-time production workers when it is busy but half of these workers are made redundant during less busy months.

FF plans to launch a new ice-cream flavour onto the market. It must decide between strawberry flavour and coconut flavour. The development of the new product will be financed by FF taking out a bank loan.

## Appendix 1

**New City News** **1 May 2015**

A multinational food producing company has set up in country X. This is good for the unemployed. It is also increasing economic growth leading to further economic development for the country. The Government has built new roads to improve distribution.

However, some businesses did not like this multinational opening a new factory as it has increased wages of other businesses in country X.

## Appendix 2

**ABC Ice-cream Ingredients**

We supply ingredients at low prices

All our products are quality assured

We comply with all Government regulations on food standards

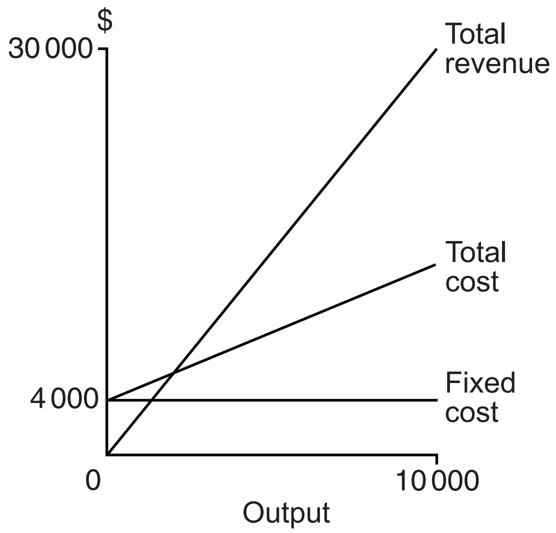
Free delivery to your business once a week

## Appendix 3

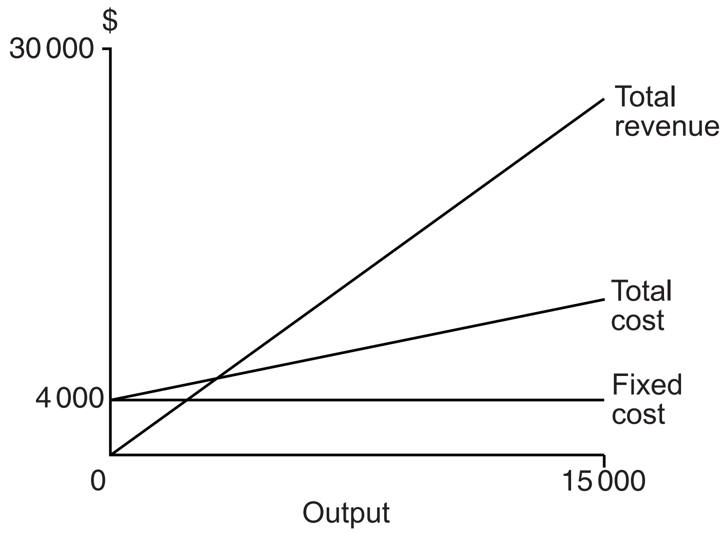
### Financial information for the two new ice-creams

| | Variable cost per ice-cream | Price per ice-cream | Estimated average sales per week |
|---|---|---|---|
| Option A<br><br>Ice-cream strawberry flavour | $1 | $3 | 10 000 |
| Option B<br><br>Ice-cream coconut flavour | $0.50 | $1.75 | 15 000 |

**Option A:**
Break-even chart for strawberry flavour ice-cream




**Option B:**
Break-even chart for coconut flavour ice-cream



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