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BUSINESS STUDIES **0986/21**

Paper 2 Case Study **May/June 2020**

INSERT **1 hour 30 minutes**

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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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Freshfruit Juicebar (FJ)

Simon set up FJ in country Z. It makes fresh fruit drinks. Simon had a well paid job with a large food and drinks company but he wanted to create his own business. He left his job 6 months ago to set up FJ. Simon wants to provide people with a healthy alternative to the mass produced drinks that are available in most shops.

Simon is willing to work hard to make FJ a success. He has lots of ideas for new drinks. He has been making the drinks at his house and selling them at a market stall. He does not have enough space to produce a higher output on his own. The first drinks FJ produced were made from just 2 types of fruit to keep costs down. The business has been profitable. Simon now wants to expand the business rapidly and he needs to raise $100 000 to open a factory. He will need to recruit production workers. He is considering using crowd-funding instead of a bank loan to raise the necessary finance.

Simon wants to produce a new type of drink. He has carried out market research using three methods to help him decide which fruit drink to produce and what price to charge. He has estimated demand, costs and prices for two possible new drinks, as outlined in Appendix 3. He must decide which one FJ should produce.

Simon plans to open more fruit drink market stalls in busy areas of the city. He needs to recruit a manager to operate all of FJ's drink stalls. This person will need to be reliable and able to make their own decisions. Simon may have to pay to train the new manager. If these market stalls are successful, Simon can start opening market stalls in other cities.

Appendix 1

Main News - 12 May 2020

The Government in country Z wants to promote healthy eating and drinking to make people more productive at work and also live longer. The Government plans to spend more money on providing information about healthy food and drinks. It hopes that this will encourage people to think about what they are eating and drinking.

The Government is also worried about slow economic growth. It has recently increased government spending on improving public transport and paying higher wages to public sector employees.

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Appendix 2

Three applicants for the position of manager of the fruit drink market stalls

	Joe	Zabeen	Jim
Expected wage rate	$6 per hour	$15 per hour	$10 per hour
Experience	4 years part-time work in a café when studying for a degree	15 years as an assistant manager of a large shop in a mall	6 years working as a manager in a restaurant in the city centre
Qualifications	3 A levels, Degree Hygiene certificate (required if working with food and drinks)	No qualifications	5 IGCSEs Hygiene certificate (required if working with food and drinks)
Reason for changing job	Long hours of work with few holidays	Wants to gain a promotion	Wants more of a challenge at work

Appendix 3

Information on two possible new fruit drinks.

	Drink A	Drink B
Forecast weekly demand	2 000	5 000
Average variable cost of fruit	$4.00	$1.00
Fixed costs per week	$500	$500
Selling price	$5.00	$2.00
Number of types of fruit used	6	2
Likely market segment	High income consumers	Low income consumers

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