



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES

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Paper 2

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INSERT

1 hour 45 minutes

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 **4** printed pages.



Gorgeous Gifts (GG)

George started GG ten years ago in country X. He could have bought an existing business for \$50 000 but he wanted to start a new business of his own.

George formed a partnership with his friend Fred who did not want any management responsibilities. They each invested \$15 000 into the business. GG now has six stalls selling gifts. The stalls are located in seaside towns which are visited by many tourists.



Now George wants to expand GG. He has the following two options.

Option 1

Open six shops in the seaside towns and sell his stalls. The shops are much bigger than the stalls and could sell a wider variety of gifts. George wants to buy the shop buildings and will need a loan to do this. He can sell each stall for \$5000 but each shop costs \$50 000.

Option 2

Keep the gift stalls but open gift shops inside city centre hotels. There is a chain of 20 hotels that has a shop available in each of their hotels across the country. George will have to make one payment of \$20 000 to the hotel chain when he opens his shops. He will also have to give them 10% of his profits from the shops each year.

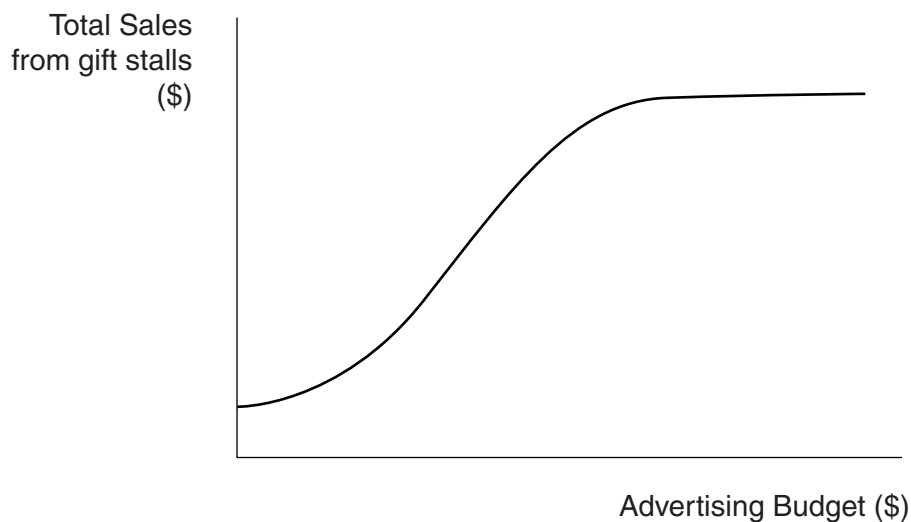
Appendix 1

Balance Sheet for GG for year ending August 2013 (\$)

| | 2012 | 2013 |
|----------------------------|--------|--------|
| Fixed Assets | | |
| Market Stalls | 30 000 | 30 000 |
| Current Assets | | |
| Stock | 10 000 | 18 000 |
| Debtors | 0 | 0 |
| Cash at Bank | 5 000 | 2 000 |
| Total | 15 000 | 20 000 |
| Current Liabilities | | |
| Creditors | 10 000 | 10 000 |
| Overdraft | 0 | 0 |
| Total | 10 000 | 10 000 |
| Working capital | 5 000 | 10 000 |
| Net Assets employed | 35 000 | 40 000 |
| Financed by: | | |
| Partners' capital | 30 000 | 30 000 |
| Profit and loss reserves | 5 000 | 5 000 |
| Bank loan | 0 | 5 000 |
| Capital employed | 35 000 | 40 000 |

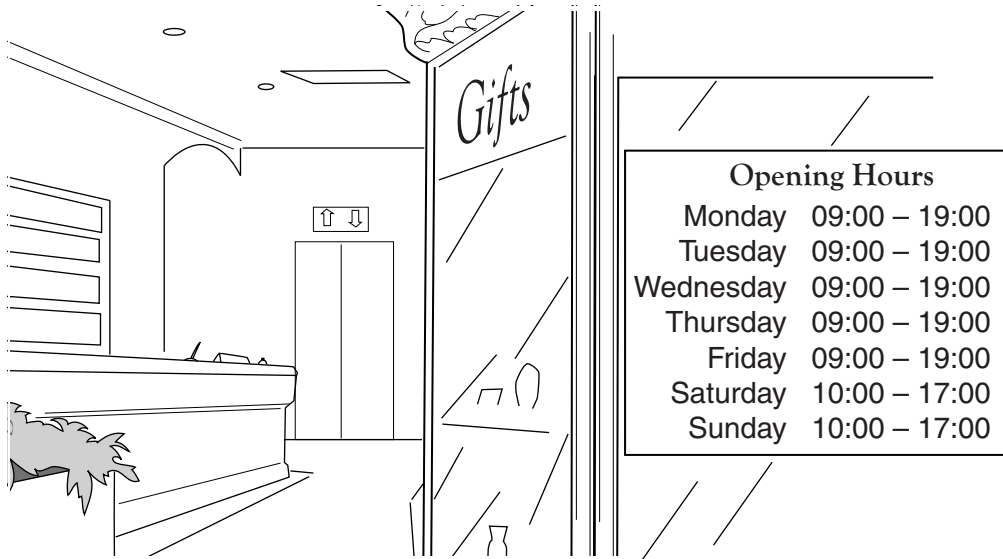
Appendix 2

Sales revenue and advertising expenditure for GG in recent years



Appendix 3

Competitor's shop in a hotel



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