



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

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BUSINESS STUDIES

7115/22

Paper 2

October/November 2010

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.

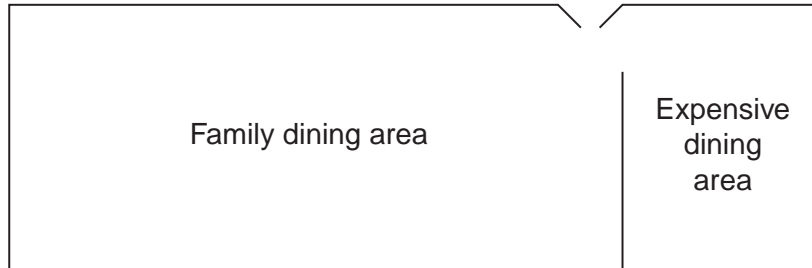
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The Riverside Restaurant

The Riverside Restaurant is owned by two sisters Kim and Selina. They set up the restaurant two years ago as a private limited company. It is located on the edge of the city. Each sister owns 50% of the shares.

The business is split into two separate dining areas. One area is for families and the other area serves more expensive meals for adults. The family dining area is large and is hired out for weddings and birthday parties. The other area is mainly for business people and wealthy customers.



Both areas of the restaurant are always busy and fully booked at weekends. Kim and Selina want to expand the business. The restaurant cannot be expanded on its existing site as it has buildings on one side and it is next to a river on the other side.

There are three options for the business to expand.

- Option 1:** Buy a boat and convert it into a floating restaurant next to the main restaurant to hire out for weddings and birthday parties.
- Option 2:** Buy an additional restaurant in an expensive part of the city.
- Option 3:** Close the existing restaurant and relocate to a new building which is much larger and is in the centre of the city.

Appendix 1

A summary of the costs and revenue for The Riverside Restaurant for the year ending 31st December 2009 in \$

| Family dining area | | Expensive dining area | |
|--------------------|---------|-----------------------|---------|
| Sales Revenue | 190 000 | Sales Revenue | 250 000 |
| Wages | 80 000 | Wages | 110 000 |
| Electricity | 10 000 | Electricity | 10 000 |
| Advertising | 10 000 | Advertising | 20 000 |
| Food costs | 60 000 | Food costs | 90 000 |
| Gross profit | 130 000 | Gross profit | ? |
| Net profit | 30 000 | Net profit | ? |

Appendix 2

Two job applications for the post of manager of the Riverside Restaurant

| | | |
|--|--|--|
| Name | Mr J P Miller | Mr N A Nish |
| Qualifications | 8 IGCSEs, 2 A levels, BA Degree in Business Management | 5 IGCSEs, 1 A level |
| Management Experience | 2 years as general manager of a small hotel | 15 years as restaurant manager |
| Interests | Golf, football, rugby, tennis, reading | Reading; watching films; helped keep the accounts for a local children's charity |
| Personal status | Married, 3 children | Single, no children |
| Number of restaurants at which they have worked | 3 restaurants for 6 weeks each as they were holiday jobs | 12 different restaurants in 15 years |
| Preferred management style | Autocratic – believes the manager knows best | Democratic – believes employees should be asked their opinions |

Appendix 3

From: Kim (k-smith@gotmail.com)
Sent: 23 October 2010 23:41:47
To: Selina (selina@gotmail.com)
Cc:

Hi Selina

We need to employ a new restaurant manager. We had to sack the last manager as he failed to motivate employees – we do not want someone like him again.

I want someone who is careful with money and will give a good service to the customers. The person needs to come up with ideas of how to increase the number of customers to the restaurant on weekdays.

What do you think?

Kim

