



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
General Certificate of Education Ordinary Level

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BUSINESS STUDIES

7115/02

Paper 2

October/November 2009

1 hour 45 minutes

INSERT

READ THESE INSTRUCTIONS FIRST

This insert contains the case study material.

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



Dilip's Vegetable Farm

Dilip owns a large farm that he inherited from his father in Country A. He is a sole trader. Dilip grows various types of vegetables and these are all sold at weekly markets at nearby towns.

Dilip doesn't have any farm machinery. He employs 5 farm workers all year round to help grow the vegetables. Dilip employs an additional 20 workers to help pick the crops by hand each year. Dilip's leadership or management style is autocratic, the same as his father. Wages are low as there is a lot of unemployment in the local area and many farmers pay below the legal minimum wage.

Many other farmers in country A have signed contracts to supply vegetables to a large supermarket chain located in Europe. The buyer from this supermarket wants different types of vegetables to those currently being grown by Dilip. The quality of the vegetables has to be high or the buyer from the supermarket won't buy the vegetables.

Dilip is also considering changing to selling to the European supermarket chain. He will need to grow different vegetables. He will also need to buy machinery costing \$10 000 to package the vegetables to be sent to the port for shipment to the European market.

Appendix 1

Daily News

October 2009

Local people say that the increasing number of farms selling their fruit and vegetables to foreign companies is causing food prices to rise in local markets. Consumer pressure groups say it is due to reduced local supplies.

Government officials argue that the low exchange rate is the reason why so many farmers are selling their fruit and vegetables abroad. The officials have told the farmers that the exchange rate may increase (an appreciation) in the future.

There is an increased demand for 'fair trade' products throughout the world. The farmers who grow these crops are paid a higher price than they would get selling at the normal international price. These 'fair trade' prices are about 10% more than the usual selling price. In return, the farmer must ensure that no children are working on the farms and that the legal minimum wage is paid to employees. The farms need to be inspected regularly to be allowed to say they are selling 'fair trade' products.

Appendix 2

Figure 1: Break even chart for Dilip's Vegetable Farm each year
- vegetables sold at local markets

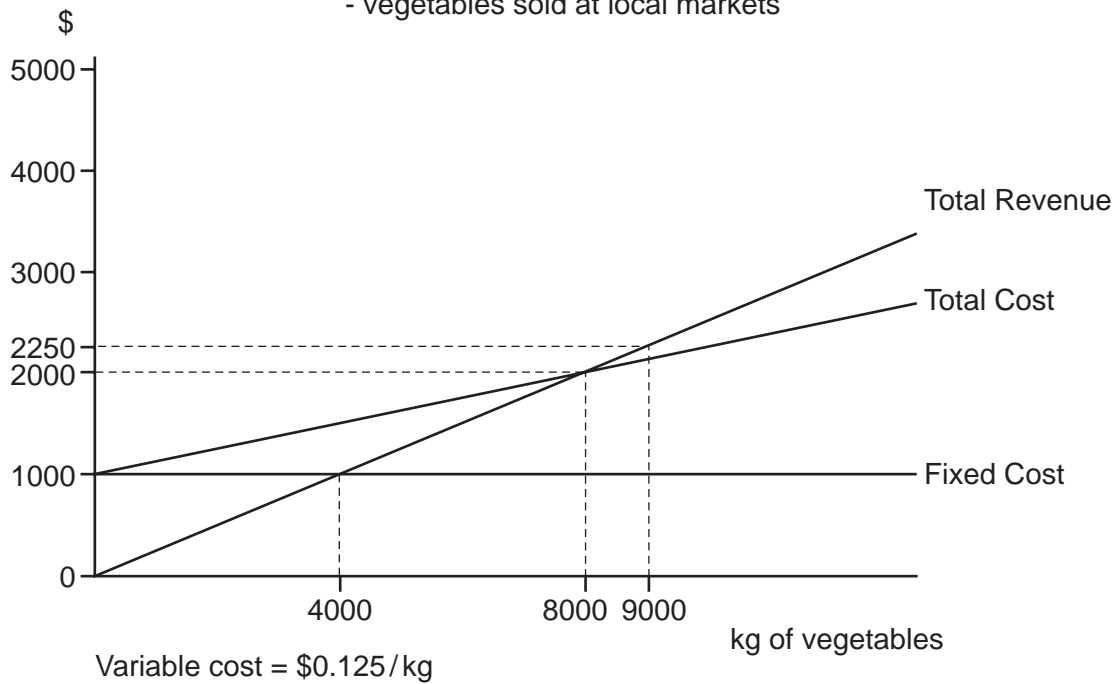
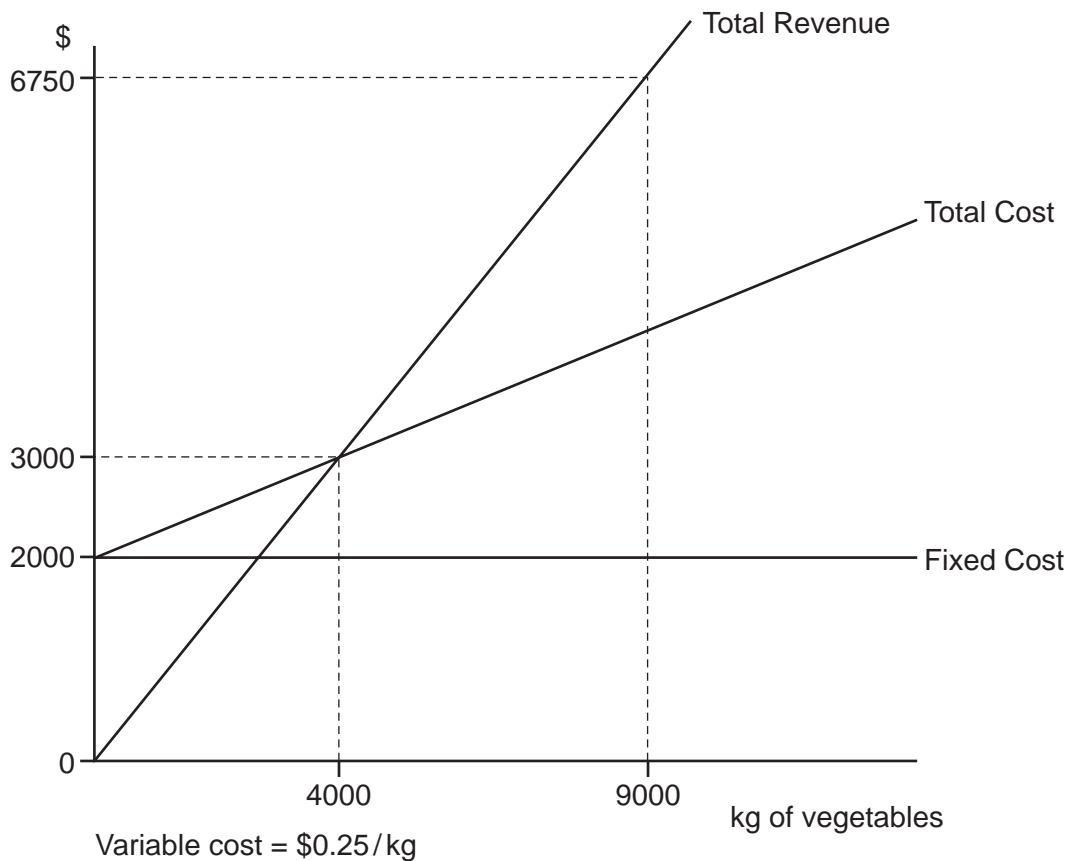


Figure 2: Forecast break even chart for Dilip's Vegetable Farm each year
- vegetables sold to the European supermarket



Note: 9000 kg of vegetables are produced every year.

Appendix 3

MEMORANDUM

To: Dilip
From: Sam (Farm Manager)
Date: 2 October 2009
Re: Houses for rent

We have discussed several different ways to increase the farm's profit. It has been agreed to convert some of the old farm buildings to houses for tourists to rent. There are areas of natural beauty near to the farm where people can walk and watch wild animals.

I have carried out some primary research into the demand for holiday houses using interviews with potential customers. This has shown that many people from the capital city would like to come to the countryside for 3–4 day holiday breaks. The market segment we should aim at is high income groups who want luxury holiday houses. We will need to employ well trained workers who can provide a quality service for the guests staying at the houses.

I think this will be an excellent way of increasing the farm's profitability. We need a large investment of \$50 000 to convert the old farm buildings to 5 houses. We also need to employ 10 more workers who are trained to cook and serve the guests staying at the houses.