

Cambridge O Level

BUSINESS

7081/02

Paper 2 Case Study

For examination from 2027

SPECIMEN INSERT

1 hour 30 minutes

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.



This document has **4** pages.

Tasty Treats (TT)

Frances set up TT as a private limited company 10 years ago in country X. TT owns 50 cafes which sell luxury desserts, including cakes and ice cream.

TT is planning to open a new cafe at a cost of \$500 000. Frances does not know whether TT will have enough retained profit or if it will need an additional bank loan to finance the expansion. She also needs to decide which products to sell in the new cafe. Frances will use market research to make sure TT sells products which are in high demand.

The new cafe will have a manager and 10 employees. All TT employees are provided with employment contracts. The new employees will need to:

- have excellent customer service skills
- know how to make the different desserts
- help the manager decide which ingredients to buy.

The human resources director knows that motivation is important. He is considering introducing either an 'Employee of the month' award in each cafe or using job enrichment. The 'Employee of the month' award would include \$20 to spend on TT's desserts.

The finance director knows it is important to calculate the average total cost and the variable cost for each dessert made and sold. She understands that cost data will be useful to TT. Every week in each cafe there are:

- fixed costs of \$1000
- total variable costs of \$20 000
- 5000 desserts made and sold.

TT wants to be a sustainable business. It uses environmentally friendly packaging which can be reused or recycled. The packaging allows customers to take products, such as cakes, home with them.

Appendix 1

Advertisement for TT's cafes



Visit one of TT's cafes today and treat yourself to one of our individually made luxury desserts.

Choose your favourite flavours to create the best dessert you have ever tasted.

Cakes are available to take home. Our packaging is reused or recycled so we are caring for the environment too.

Appendix 2

Extract from TT's financial data at 31 March 2024 and 31 March 2025

	2024	2025
inventory	\$10m	\$8m
trade receivables	\$3m	\$1.5m
cash	\$2m	\$2.5m
trade payables	\$5m	\$3m
bank overdraft	\$0m	\$5m

bank loan	\$2m	\$3m
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current ratio	3 or 3 : 1	?
acid test ratio	1 or 1 : 1	?

Appendix 3

Newspaper article in Main News, March 2025

The government in country X will decrease the tax on people's incomes from 25% to 20% at the end of the month. It will also increase the tax on business profits from 24% to 26%.

Interest rates are expected to fall as the government knows that the economy is going into a recession. The recession will affect people and businesses in country X.

Changes in taxes and interest rates can have positive and negative effects.

Copyright acknowledgements:

Appendix 1
Appendix 1

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