

# *The City School*

**Unified Mid-Year Examinations  
2018 - 2019  
Class 11**



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**BUSINESS STUDIES**  
Paper 2

**7115/22**  
**1 hour 30 minutes**

**INSERT**

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**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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## **Darren Drinks (DD)**

Darren Drinks manufacture carbonated drinks. It uses batch production. Operation manager has advised to adopt Lean production. However, this requires capital. DD has decided to take a loan from bank for which the Finance Manager has produced a cash flow forecast and profit and loss account (See Appendix 1 and 2). It will also help to please other stakeholders of the business.

Marketing Manager of DD has done a detailed market research on the changing needs and wants of the consumers. He believes adding more flavors to the range of Carbonated Drinks will help boost sales. The market is highly competitive and drinks are distributed to the retailers through multiple Wholesalers. DD use channel 3 for its distribution of drinks (See Appendix 3).

Marketing Manager is planning to launch a campaign which according to him might bring positive reputation to the company. The campaign is based on converting current plastic bottles into reusable bottles by just making change to the caps. However, it will be costly. In order to fulfill their short term objectives, Finance Manager has suggested two options to reduce cost which are given below.

**Option A:** We have new suppliers entering the market. If we change our supplier we will be able to buy cheaper goods.

**Option B:** If we shift to Lean production we will be able to make a lot of workers redundant. We will save a lot on labour cost.

### Appendix 1

**Table 1: Cash flow forecast (\$000's)**

	<b>October</b>	<b>November</b>	<b>December</b>
Opening Balance	200	250	30
Cash Inflows:			
Cash Sales	900	750	950
Cash from debtors	600	300	450
<b>Total Cash inflows</b>	<b>1500</b>	<b>1050</b>	<b>1400</b>
Cash Outflows:			
Fixed Cost	800	800	800
Wages	200	150	220
Raw Material	350	270	300
Other Expenses	100	50	-
<b>Total Cash outflow</b>	<b>1450</b>	<b>1270</b>	<b>1320</b>
Net cash flow	50	(220)	80
Closing Balance	<b>250</b>	<b>30</b>	<b>110</b>

### Appendix 2

Profit/loss account for DD 2017 and 2018 (\$000s)

	<b>2017</b>	<b>2018</b>
Sales revenue	15000	23000
Cost of goods sold	4000	7800
Gross profit	<b>11000</b>	<b>15200</b>
Wages	2800	4000
Fixed costs	7000	8000
Total expenses	<b>9800</b>	<b>12000</b>
Net profit	1200	3200

### Appendix 3

**Channel of Distribution 3**

