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BUSINESS STUDIES **0450/22**

Paper 2 Case Study **February/March 2023**

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.

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This document has **4** pages. Any blank pages are indicated.

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Romesh Woodpaints (RW)

RW was set up 15 years ago in country X. It is a public limited company. RW produces paint which is used for all types of wood products, including wooden furniture.

All RW's customers are located in Main City where consumer incomes have been increasing in recent years. RW's paint is sold through specialist shops for customers to improve their own houses. It also sells direct to businesses that make wooden furniture.

RW has one factory in Main City. It uses flow production to produce the paint. There are 100 skilled employees working in the production area of the factory who help to maintain the machinery used in the production line. These employees are protected by legal controls that RW must follow. RW imports 75% of the raw materials it uses. Waste from the production of paint is put into local rivers and pollutes the water.

RW is producing 1 million tins of paint a year, which is the maximum output possible at its existing factory. It is planning to expand by building an additional factory so it can increase production to 2 million tins of paint a year. The new factory will cost $50 million and will be financed by a bank loan. The Managing Director knows there may be problems when growing the business as there will be two factories instead of one. He also knows there are external costs and benefits from producing paint.

The new factory will need 100 production employees. RW may move some of its employees from the existing factory to help train the newly recruited employees, to ensure they have the skills they need. RW has to decide which of the three suitable locations, shown in Appendix 2, to choose for the new factory.

Appendix 1

Newspaper article from Main City News, January 2023

Businesses that make wooden furniture operate in a competitive market and need to keep prices similar to those of other businesses.

There have been changes in consumer tastes and fashions. More people are buying wooden outdoor furniture as they are now spending more time in their gardens. Customers are choosing to buy their outdoor furniture in bright colours, such as yellow, rather than darker colours, such as brown.

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Appendix 2

The three possible locations for RW's new factory



City

Location A
High cost land
Skilled labour
Existing factory located here



Village

Location C
Government grants available
Low cost land
Frequent power cuts



Port

Location B
High unemployment
No skilled workers
Paint tins produced here

Appendix 3

RW's financial information for one year before and one year after the new factory has been built

	Existing factory (actual) **$m**	**Both factories (forecast)** **$m**
Revenue	10	20
Cost of sales	3	6
Expenses including interest paid	6	12
Profit	1	2

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