UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
International General Certificate of Secondary Education

BUSINESS STUDIES **0450/21**

Paper 2 **May/June 2012**

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.

This document consists of **3** printed pages and **1** blank page.

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Kickwell Sports Shoes (KSS)

KSS was set up ten years ago as a private limited company. The business manufactures sports shoes. It has grown slowly because the market is very competitive. It has been difficult to increase the company's small market share. The company has share capital of $1m. The shares are owned by Emmanuel and his father.

KSS has three main types of products: men's trainer sports shoes, women's trainer sports shoes and children's trainer sports shoes.

Emmanuel wants to increase the company's market share. To do this, Emmanuel has designed a new football boot which has many features that are better than competitors' football boots. The new boot helps footballers to kick the ball much more accurately. The company has a patent on the new football boot. A patent stops other companies copying the design.

Emmanuel has considered Option 1 and Option 2 below. He has chosen Option 1.

Option 1:
Borrow $10m to enable KSS to produce, promote and distribute the new football boot worldwide. The company would need to expand production and employ new workers and managers. The company would only be able to sell the new football boot in a few countries to start with. This is because KSS does not have links with agents or retail businesses in many countries.

Option 2:
Sell the patent to a multinational sports company. KSS would be paid 10% of all sales revenue from the football boots each year. The multinational company would find it easy to manufacture, advertise and sell the football boot all over the world. Advertising the new football boot would be expensive. The multinational company has established links with retail businesses in many different countries.

Appendix 1

Memorandum

To: Emmanuel
From: Production Manager
Date: 15th April 2012

You asked me to compare labour-intensive production methods with capital-intensive methods for manufacturing the new boot. Here are the forecasts.

The factory usually operates 8 hours a day for 5 days a week.

	Labour-intensive methods	Capital-intensive methods
Output per week	2 500	5 000
Number of workers	100	3
Wages per hour ($)	5	20
Costs for leasing new machinery per week ($)	0	25 000

There are other factors to consider such as illness, repair costs and the number of hours the new machinery can operate.

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Appendix 2

Main News April 2012

Miracle Football Boots!

A new football boot has been designed by local company KSS. Professional footballers are telephoning the company trying to order these new boots. The new football boot improves accuracy when kicking the ball, making the new boot a 'must have' for all serious football players. The company has not yet launched the football boot on the market and the price has not been announced.

Appendix 3

Estimated cost figures for the new football boot prepared by KSS production department

Direct costs	$15 per boot
Indirect costs per week	$20 000

These costs are estimated on maximum production of 5000 football boots per week.

Competitors' football boots cost between $40 and $50 per pair.

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