Cambridge Assessment International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/23**

Paper 2 Case Study **May/June 2020**

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.

5788632074–I

This document has **4** pages. Blank pages are indicated.

© UCLES 2020

Excel Cars (EC)

EC has a good reputation for making quality cars. It is a public limited company based in country Z. EC sells cars in both the domestic and export markets. It makes a range of petrol and diesel cars. EC is now planning to start producing electric cars.

EC employs 2 000 skilled employees in its factory. The company has a tall organisational structure. Senior managers often complain they have too many tasks to do. Recently senior managers have been delegating more tasks to junior managers.

Most models of EC cars have high sales. However, market research information suggests that customers are changing to buying more environmentally friendly cars which do less harm to air quality. Sales of diesel cars are forecast to fall. EC may need to change production methods to start producing new models of cars.

If EC start to produce an electric car model an investment of $200m will be needed for research and development. All existing production employees will need to be retrained to operate new technology.

The Operations Director is considering opening a factory in one of EC's main export markets. He must choose between country A and country B. Information about these countries is given in Appendix 3.

Appendix 1

To: Managing Director

From Marketing Director

Date: 10 April 2020

Re: Changing customer needs

We should launch a new model of car next year following the results of our market research. The markets for petrol and diesel cars are becoming more competitive. Several new car companies have entered these markets with new models. We need to keep our costs down and we may also need to consider importing cheaper components for cars. However, the Government of country Z has increased import tariffs on components for cars and on imported cars.

We already know that the price of most electric cars is much higher than the prices of most petrol and diesel cars. The market research identified a gap in the market for lower priced electric cars.

The Government is giving grants to new and existing businesses to develop electric cars so that air pollution can be reduced in country Z. The Government is also providing support for business start-ups because incomes are low and unemployment is high.

EC has an opportunity to take advantage of customers wanting to buy products that do not harm the environment. Some customers may be willing to pay higher prices for electric cars than for petrol or diesel cars because customers feel electric cars are better for the planet.

© UCLES 2020

Appendix 2

Information about two electric car models EC could produce

	Electric car model 1	Electric car model 2
Selling price	$20 000	$40 000
Fixed cost per month	$4 000 000	$4 000 000
Variable cost per car	$15 000	$20 000
Forecast sales per month	1 000	500

Appendix 3

Information about country A and country B

	Country A	Country B
Wage rates	High	Low
Skills of workers	High skilled – well trained	Low skilled – had little or no training
Car market	Large market for global car producers with high sales of cars but not increasing	Low income country with low sales of cars but rising incomes will lead to higher demand
Car manufacturers located in the country	Many car manufacturers with many component suppliers	No car manufacturers or suppliers
Road network	Very good road network but traffic congestion is a problem	Improving road network with little traffic congestion

© UCLES 2020

BLANK PAGE

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced online in the Cambridge Assessment International Education Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download at www.cambridgeinternational.org after the live examination series.

Cambridge Assessment International Education is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which itself is a department of the University of Cambridge.

© UCLES 2020