Cambridge Assessment International Education

Cambridge IGCSE™

BUSINESS STUDIES **0450/21**

Paper 2 Case Study **May/June 2024**

INSERT **1 hour 30 minutes**

3921137726-I

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.

06_0450_21_2024_1.16
© UCLES 2024

Exclusive Pottery (EP)

EP is a private limited company set up 40 years ago in country Y. It manufactures pottery products including plates, cups and bowls. EP has a reputation for producing high-quality products. The Managing Director is considering the best way to increase the added value of EP's products by either increasing prices or reducing raw material costs. Raw materials are currently purchased locally as imported raw materials are of a lower-quality.

EP operates in a very competitive market. Many of EP's competitors sell lower quality products at lower prices. There are many substitutes for pottery products, including products made from plastic or bamboo. Consumer spending patterns have been changing in country Y and this has affected EP's sales.

EP currently advertises its pottery in newspapers and magazines. EP does not have a website and only sells its products to retail shops in country Y. EP needs a new Marketing Manager and the Managing Director thinks EP should employ someone from outside the business. The new Marketing Manager will need to consider which of the following three ways EP could use to increase sales:

- Advertising using social media
- Emailing special offers to existing customers
- Setting up a website

The Managing Director wants to increase efficiency in the factory. She is considering either improving labour skills or introducing more automation and technology. Both methods will need additional finance. The Managing Director will consider different factors before choosing which source of finance to use.

Appendix 1

Advertisement for EP



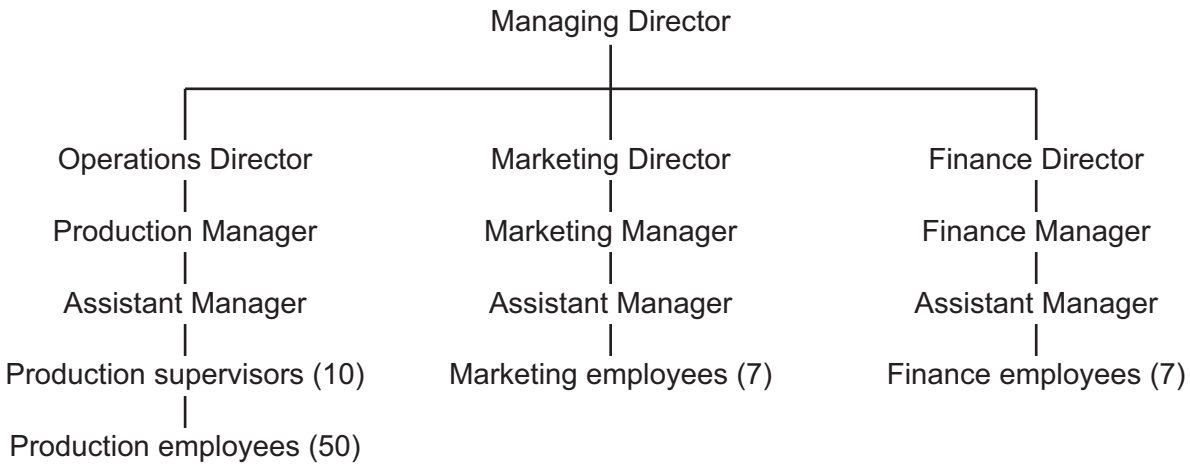
We sell a wide range of plates, cups and bowls which are sold in all good retailers.

EP's products are all high quality and made using materials from local suppliers.

© UCLES 2024

Appendix 2

Organisational chart for EP



Total employees = 84

© UCLES 2024

[Turn over

Appendix 3

Email from Managing Director to Operations Director

To: Operations Director

From: Managing Director

Date: 5 March 2024

Re: Which product to stop making

We need to keep our costs low and therefore I suggest we stop making either Product A or Product B. I have included some data in the table below to help us make the decision.

Demand is forecast to increase in 2024 for both products. Total costs are expected to remain unchanged.

Let me know which product you would choose to stop making and why.

Financial information for Product A and Product B for 2023		
	Product A	**Product B**
Price per unit	$10	$40
Sales volume	20 000 units	10 000 units
Total cost	$140 000	$350 000
Profit	$60 000	$50 000
Gross profit margin	50%	62.5%
Forecast increase in demand in 2024	10%	20%

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 Cambridge Assessment. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which is a department of the University of Cambridge.

© UCLES 2024