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BUSINESS STUDIES **0450/21**

Paper 2 Case Study **May/June 2025**

INSERT **1 hour 30 minutes**

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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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Philip Flop (PF)

Philip started PF 10 years ago as a sole trader in country X. PF makes shoes out of natural rubber. Philip used $100 000 of his own money to start up PF. The business has been very successful. Last year Philip changed PF from a sole trader business to a private limited company because he wanted to grow the business.

PF employs 20 workers to make the shoes. They are paid a weekly wage based on the number of hours worked. Philip often has to recruit new production workers as the jobs are boring. Other local businesses pay a higher wage for similar work. Philip needs to improve the motivation of PF's employees and has to decide the best way to do this.

Philip wants to build a new factory. This factory will produce a new range of shoes. PF's products will still be made from natural rubber which is grown in the local area. The bank has agreed to provide a loan to finance the building of the new factory.

Philip needs to choose a suitable location for the new factory and is considering the following factors:
- availability of raw materials
- transport links
- government influence.

PF operates in a very competitive market. Philip will need to make a decision about how to promote the new range of shoes in a mass market.

Philip's sister is a successful entrepreneur and is considering investing in PF. She is using the extracts from PF's statements of financial position, shown in Appendix 3, to help her decide.

Appendix 1

Advertisement for PF's shoes



Natural rubber from local forests is used in the production of all our shoes.

We use sustainable sources of raw materials unlike our competitors which use imported artificial rubber.

Buy your first pair today and you will never buy a different brand again!

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Appendix 2

Newspaper article from Main News in country X, 2 April 2025

The government is increasing tax rates on people's incomes and on business profits.

The tax on people's incomes will increase by 2% and the tax on profits made by businesses will increase by 4%. These increases will be introduced next month.

No further tax increases are planned.

Appendix 3

Extract from PF's statements of financial position $000

	2025	2026 (forecast)
Non-current assets	500	1000
Current assets	50	60
Inventories (included in current assets)	10	30
Current liabilities	40	50
Bank loans	40	500
Retained profit	60	100

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