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BUSINESS STUDIES **0450/22**

Paper 2 Case Study **October/November 2020**

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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Cell Covers (CC)

Aisha worked for several years for a company that repairs mobile (cell) phones in country Z. She had always wanted to be her own boss and decided to leave her job to set up CC to produce covers for mobile phones. She went into partnership with her brother, Aruna. He worked as an Operations Manager for a company producing children's clothes.

The sources of finance for the business were $10 000 of savings from each partner and a bank loan of $10 000. CC was also given a government grant to help the new business get started. CC leased a factory, bought some equipment and had to pay some expenses before the business had regular cash inflows.

CC's current product is a range of standardised phone covers which are sold in the mass market. These are sold using a competitive pricing method through mobile phone shops. CC employs 10 skilled production workers who are paid just above the legal minimum wage. These workers have been trained how to operate the equipment and work as a team on the production line. During the production process there is a lot of waste plastic produced and CC sends this to landfill sites. The business has just completed its second year of trading.

CC is about to launch a new range of individual personalised phone covers. It will need to recruit 2 additional production workers. Aruna knows that the marketing mix for this new product may have to be different to the marketing mix used for the standardised products. The new product will be aimed at a niche market of high income consumers between the ages of 18 to 25. There are few other competitors in this market at present.

Appendix 1

Newspaper article in Main News

Country Z has been in a recession but the economy is now growing rapidly and unemployment is falling. With higher incomes the majority of people now own a mobile phone. This makes communication easier. Mobile banking is becoming more popular and it is used by a large percentage of the population.

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Appendix 2

Advertisement for CC's standardised mobile phone covers



Do you want to protect your phone from damage? Then buy a phone cover from CC. Your phone will never be damaged if you use one of our high quality covers!!

We offer a range of standardised covers at competitive prices. The CC range has many different colours and designs so you will stand out from the crowd.

Appendix 3

Summary of CC's financial information from the end of the second year of trading ($)

Revenue	800 000
Cost of sales	400 000
Gross profit	400 000
Expenses	250 000
Profit	150 000
Current Assets	20 000
of which: Inventory	5 000
Current liabilities	15 000

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