Cambridge Assessment International Education

Cambridge O Level

BUSINESS STUDIES **7115/22**

Paper 2 Case Study **May/June 2022**

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.

This document has **4** pages.

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Titantic Toys (TT)

TT is a large manufacturer of toys based in country Y. It is a public limited company and has been trading for 20 years. TT's products are designed for children up to the age of 5.

TT has benefited from economies of scale as it has grown. The company has been able to buy specialist new equipment for the flow production line in its factory. TT's factory uses lean production methods, such as Kaizen and just-in-time inventory control. All of its employees are well-motivated and few leave each year. The company provides training for employees in all departments of the business whenever there are any changes such as introducing new equipment or new products.

Currently, TT only sells its products in country Y but it plans to expand into country Z and become a multinational company. TT could buy a toy manufacturer located in country Z or build its own factory there. The government of country Z will need to give permission for TT to build a new factory. Either option will cost $10 million. The directors are worried about liquidity as TT expands.

TT has developed a new toy for children under 5. The toy is a soft, easy to hold doll which speaks 4 different languages. The Marketing Director thinks this new toy will help TT expand into country Z, as there are no other products like it in that country. TT is recruiting a new Marketing Manager for country Z. Details of the shortlisted applicants are in Appendix 3.

The marketing department has already carried out research in country Z and some results are shown in Appendix 1.

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Appendix 1

Market research results for country Z

Chart 1

Age structure of the 200 million population

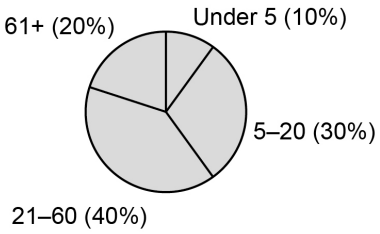


Chart 2

Unemployment rate

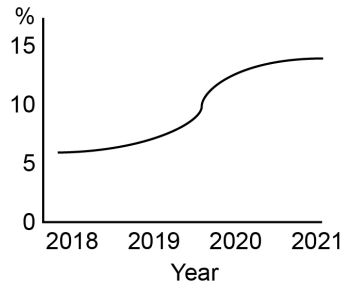


Chart 3

Distribution channels for toys

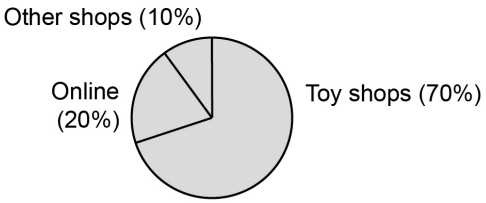
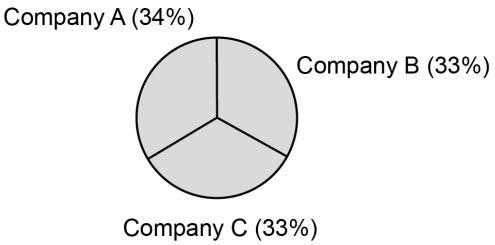


Chart 4

Market share of existing toy companies



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Appendix 2

Extract from TT's statement of financial position, 2021 and 2022 (at 31 March)

	2021 ($m)	2022 ($m)
Inventories	5	5
Accounts receivable (debtors)	5	8
Cash	0	2
Accounts payable (creditors)	4	5
Bank overdraft	1	0
Long-term bank loans	5	10
Total Shareholder's equity	40	50
Current ratio	2	?
Acid test ratio	1	?

Appendix 3

Three applicants for Marketing Manager for country Z

	Labiba	Shahin	Samihah
Qualifications/Skills	10 IGCSEs and 3 A levels Speaks 2 languages	5 IGCSEs and 2 A levels Degree in Business Management	8 IGCSEs Speaks 6 languages
Experience	5 years working for TT as the Assistant Marketing Manager in country Y	2 years as the Marketing Manager of a small food company in country Z	10 years as the Marketing Manager of a large toy company in country Y

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