Cambridge
O Level

Cambridge International Examinations
Cambridge Ordinary Level

BUSINESS STUDIES **7115/22**
Paper 2
October/November 2018
INSERT
1 hour 30 minutes



READ THESE INSTRUCTIONS FIRST

This Insert contains the case study material.
Anything the candidate writes on this Insert will not be marked.

This document consists of **3** printed pages and **1** blank page.

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Perfect Pottery (PP)

PP is a manufacturing business that produces pottery products such as vases, plates, cups, bowls, teapots and coffee pots. Peter Chan is the Managing Director. Peter's father started the company 30 years ago in country X. PP is a private limited company. It has grown by issuing more shares to family members rather than borrowing money.

The factory is located in an area close to where the raw materials used to be available. However, now the raw materials have run out and the materials need to be bought from suppliers in other parts of country X.

Peter wants to expand PP by selling products in other countries, particularly country Z. He thinks there is a lot of potential demand for pottery products that could be used for serving different types of food in country Z. He needs to research this market before deciding whether to expand into country Z.

PP only employs skilled workers in the factory. It uses job production to make traditional designs of vases and other pottery products. There is a factory shop that sells faulty products for 50% less than the normal selling price.



Appendix 1

Main News **5 October 2018**

Country Z enters the boom stage of the business cycle

Country Z has high rates of economic growth and falling unemployment. Many of the large retailers in country Z are reporting increasing sales especially of pottery products. Country Z's pottery producers are experiencing increased competition and consumers are benefiting from more choice and lower prices. Some multinational companies are planning to locate in country Z to take advantage of this growing market.

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Appendix 2

Email

To: Peter Chan

From: Marketing manager

Date: 2 October 2018

Re: You are doing too much!

Hi Peter - I think you should stop trying to do everything in the factory. The new Operations manager will get upset and feel she is not trusted to do her job correctly. She has only just been recruited from our competitor and she has lots of good ideas of how to improve efficiency and quality. We produce too many faulty items and this problem needs to be solved. The quality method we are currently using is not effective and we need to change.

Perhaps you should just concentrate on your main roles and leave the rest of the tasks to others in the company. There are major decisions to make about the expansion of the company and the sale of our products to other countries such as country Z. You need to be fully focused on those if we are to be competitive and successful.

Appendix 3

Summary of financial information for 2018 on PP and a main competitor of PP

	PP	**Competitor of PP**
Revenue	$30m	$20m
Cost of sales	$8m	$4m
Expenses	$15m	$12m
Profit margin	23%	20%
Acid test ratio	1	1.5

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