



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

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**BUSINESS STUDIES**

**0450/21**

Paper 2

**May/June 2012**

INSERT

**1 hour 45 minutes**

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**READ THESE INSTRUCTIONS FIRST**

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

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



## Kickwell Sports Shoes (KSS)

KSS was set up ten years ago as a private limited company. The business manufactures sports shoes. It has grown slowly because the market is very competitive. It has been difficult to increase the company's small market share. The company has share capital of \$1m. The shares are owned by Emmanuel and his father.

KSS has three main types of products: men's trainer sports shoes, women's trainer sports shoes and children's trainer sports shoes.

Emmanuel wants to increase the company's market share. To do this, Emmanuel has designed a new football boot which has many features that are better than competitors' football boots. The new boot helps footballers to kick the ball much more accurately. The company has a patent on the new football boot. A patent stops other companies copying the design.

Emmanuel has considered Option 1 and Option 2 below. He has chosen Option 1.

### Option 1:

Borrow \$10m to enable KSS to produce, promote and distribute the new football boot worldwide. The company would need to expand production and employ new workers and managers. The company would only be able to sell the new football boot in a few countries to start with. This is because KSS does not have links with agents or retail businesses in many countries.

### Option 2:

Sell the patent to a multinational sports company. KSS would be paid 10% of all sales revenue from the football boots each year. The multinational company would find it easy to manufacture, advertise and sell the football boot all over the world. Advertising the new football boot would be expensive. The multinational company has established links with retail businesses in many different countries.

## Appendix 1

### Memorandum

To: Emmanuel  
From: Production Manager  
Date: 15th April 2012

You asked me to compare labour-intensive production methods with capital-intensive methods for manufacturing the new boot. Here are the forecasts.

The factory usually operates 8 hours a day for 5 days a week.

	Labour-intensive methods	Capital-intensive methods
Output per week	2 500	5 000
Number of workers	100	3
Wages per hour (\$)	5	20
Costs for leasing new machinery per week (\$)	0	25 000

There are other factors to consider such as illness, repair costs and the number of hours the new machinery can operate.

**Appendix 2**

Main News

April 2012

**Miracle Football Boots!**

A new football boot has been designed by local company KSS. Professional footballers are telephoning the company trying to order these new boots. The new football boot improves accuracy when kicking the ball, making the new boot a 'must have' for all serious football players. The company has not yet launched the football boot on the market and the price has not been announced.

**Appendix 3**

Estimated cost figures for the new football boot prepared by KSS production department

Direct costs	\$15 per boot
Indirect costs per week	\$20 000

These costs are estimated on maximum production of 5000 football boots per week.

Competitors' football boots cost between \$40 and \$50 per pair.

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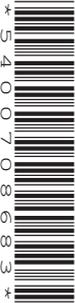
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Paper 2

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**1 hour 45 minutes**

Candidates answer on the Question Paper.

No Additional Materials are required.

**READ THESE INSTRUCTIONS FIRST**

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

Do not use staples, paper clips, highlighters, glue or correction fluid.

**DO NOT WRITE IN ANY BARCODES.**

Answer **all** questions.

The Insert contains the case study.

The business described in this question paper is entirely fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [ ] at the end of each question or part question.

For Examiner's Use	
1	
2	
3	
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<b>Total</b>	

This document consists of **11** printed pages, **1** blank page and **1** Insert.



- 1 (a) The new football boot is being developed. Identify and explain **four** stages of the future product life cycle of the new football boot.

Stage: .....

Explanation: .....

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Stage: .....

Explanation: .....

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Stage: .....

Explanation: .....

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Stage: .....

Explanation: .....

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..... [8]

(b) Consider why each of the following departments will be important to the success of the new football boots. Justify your answer using information in the case.

*For  
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Use*

Production: .....

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Marketing: .....

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Human Resources: .....

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Finance: .....

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..... [12]

- 2 (a) KSS production workers are highly skilled in doing just one task on the production line. Identify and explain **two** advantages and **two** disadvantages of workers being skilled in just one task.

Advantage 1: .....

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Explanation: .....

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Advantage 2: .....

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Explanation: .....

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Disadvantage 1: .....

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Explanation: .....

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Disadvantage 2: .....

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Explanation: .....

..... [8]

(b) The Production manager believes that labour-intensive methods are better than capital-intensive methods of production for the new football boots. Do you agree with him? Justify your answer using appropriate calculations from the information provided in Appendix 1.

*For  
Examiner's  
Use*

Labour-intensive: .....

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Capital-intensive: .....

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Conclusion: .....

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[12]

3 (a) Good communication is important to Emmanuel. He has the following information to communicate.

- All employees are to receive a wage increase.
- There has been an error with a delivery of some supplies.

Identify a suitable method of communication for each situation. Explain why each method is suitable.

Method for 'all employees are to receive a wage increase': .....

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Explanation: .....

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Method for 'there has been an error with a delivery of some supplies': .....

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Explanation: .....

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..... [8]

(b) Labour costs are much lower in other countries. Many sports shoe manufacturers produce in those countries. Consider the advantages and the disadvantages to KSS of manufacturing its football boots in another country. Do you think KSS should move manufacturing to another country? Justify your answer.

For  
Examiner's  
Use

Advantages: .....

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Disadvantages: .....

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Conclusion: .....

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[12]

4 (a) Identify and explain **two** benefits to KSS of creating a brand image for its new football boot.

Benefit 1: .....

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Explanation: .....

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Benefit 2: .....

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Explanation: .....

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..... [8]

(b) Emmanuel needs to decide a pricing strategy for the new football boot. Consider price skimming, cost-plus pricing and competitive pricing. Which do you think is the best pricing strategy for Emmanuel to use? Justify your answer using information in Appendix 3.

*For  
Examiner's  
Use*

Price skimming: .....

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Cost-plus pricing: .....

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Competitive pricing: .....

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Recommendation: .....

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[12]

- 5 (a) The new football boot will be exported to many different countries. Identify and explain **four** possible problems KSS may have when exporting the new football boot.

Problem 1: .....

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Explanation: .....

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Problem 2: .....

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Explanation: .....

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Problem 3: .....

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Explanation: .....

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Problem 4: .....

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Explanation: .....

..... [8]

(b) Emmanuel has already chosen Option 1. Was it the right decision to choose Option 1 rather than Option 2? Justify your answer by considering the advantages and disadvantages of each option.

*For  
Examiner's  
Use*

Option 1: .....

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Option 2: .....

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Conclusion: .....

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