Cambridge O Level

Cambridge International Examinations
Cambridge Ordinary Level

BUSINESS STUDIES **7115/22**

Paper 2 **May/June 2017**

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1 hour 30 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.

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

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Chocolicious Chocolates (CC)

CC is a private limited company. It was set up 15 years ago in country X. It manufactures luxury chocolates with fillings made with high-quality ingredients. The different brands of luxury chocolates produced by CC are sold to specialist sweet (candy) shops. CC only uses high-quality imported ingredients.

The factory uses labour-intensive production techniques using batch production. CC has 100 production workers who are skilled at making hand-made chocolates. Most of the workers have been employed at CC since it started. New workers are trained using on-the-job training.

The directors want the company to expand and they are developing a new brand of chocolate bar called Fizz Bomm. The new chocolate bar is to be targeted at the mass market. Variable costs could be reduced by using lower quality ingredients. The directors will purchase a new automated production line to manufacture the new chocolate bars, as output is expected to be high. CC will need to borrow $500 000.

Appendix 1

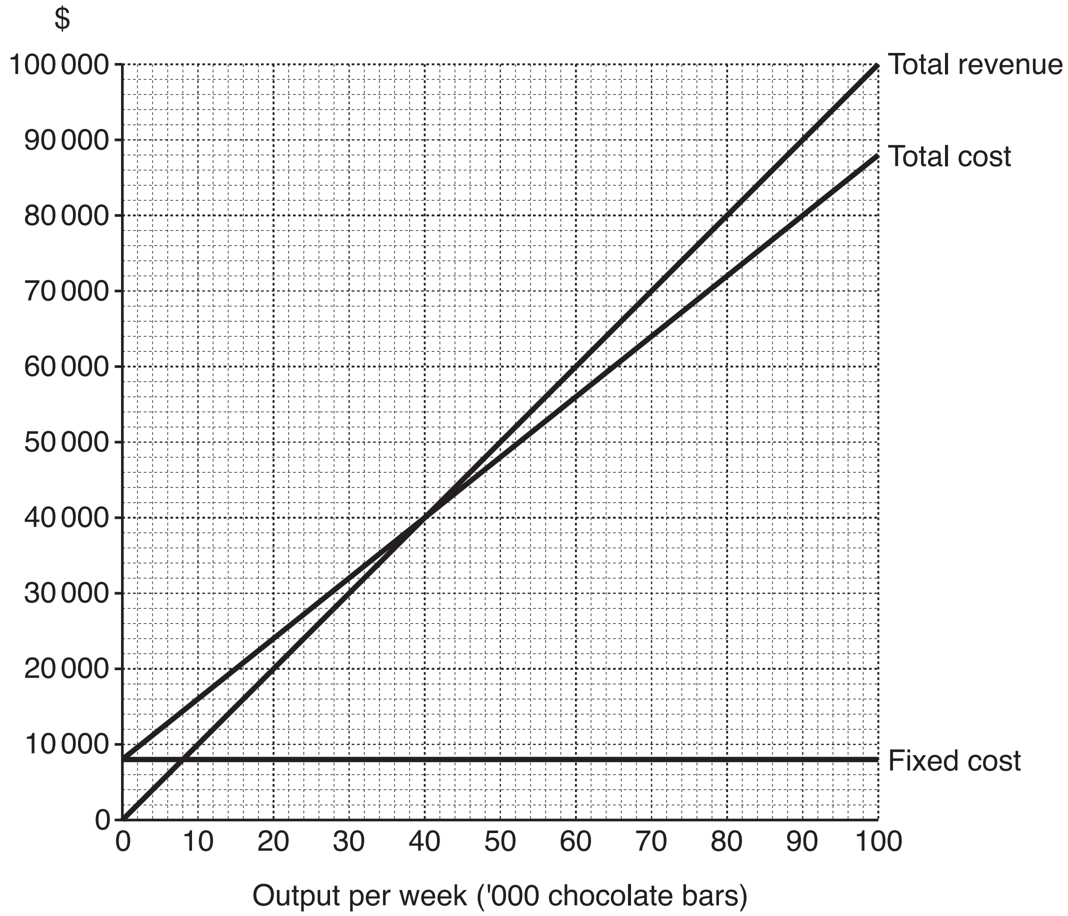
Main news 1 May 2017

The Government is going to put a tariff on all imported goods from next month. It wants to increase demand for some products made in country X.

Many businesses in country X are unhappy about this decision as they think it will lead to higher costs. However, other businesses welcome this news and argue that a low exchange rate for the currency of country X has already led to a lot of problems.

Appendix 2: Break-even chart for Fizz Bomm

Variable cost = $0.80 per chocolate bar.
Predicted sales = 100 000 chocolate bars per week at a price of $1 per unit



Appendix 3

To: Managing Director
From: Marketing manager
Date: 1 May 2017
Re: Fizz Bomm

The marketing mix for the new chocolate bar that is to be targeted at the mass market:

Price: Penetration pricing rather than competitive pricing. There are a lot of competitors in the mass market.

Promotion: Advertise in children's magazines and put discount coupons in the magazines. Competitors only advertise on television.

Place: We can sell through our existing distribution channel. Most of the competing chocolate bars are sold through wholesalers and supermarkets.

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