Cambridge Assessment International Education

Cambridge International AS & A Level

BUSINESS **9609/31**

Paper 3 Business Decision-Making **October/November 2024**

INSERT **1 hour 45 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. Any blank pages are indicated.

TopoChoc Enterprises (TC)

TC is a private limited company that has manufactured premium quality chocolates in country R for 15 years. The directors know the business faces significant competitive pressures over the next two years. They plan to improve TC's efficiency and competitiveness by considering:

- a new product range
- improving the effectiveness of human resource management (HRM)
- improving liquidity
- increasing international sales
- introducing total quality management (TQM).

TC has grown organically. The directors have never set SMART business objectives.

Marketing a new product range

TC sells its chocolates in boxes of 4 to 24 individual pieces. TC prices are high and reflect the top quality ingredients, hand decorating and luxurious packaging. The boxes are sold to retailers and online outlets that match this top quality image. Alice, Marketing Director, thinks TC could use its knowledge to produce lower cost chocolate bars. The bars would be sold to supermarkets to sell as their own-brand value products. Alice's calculations show that profit margins would be satisfactory and she will develop a marketing plan for approval by the Board of Directors.

Improving HRM effectiveness

Tembo, Human Resources Manager, wants to improve the effectiveness of HRM. He wants to invest in artificial intelligence (AI) such as new employee selection methods and virtual reality employee induction. He researched the initial costs of AI software and training his HR staff to use it. Tembo believes TC has the finance required for this investment. However, he is aware that implementation of AI does not guarantee a return on the investment.

Improving liquidity

The directors want to improve the liquidity of TC. The current interest rate in country R is high. At the last board meeting the directors considered the information in Table 1.1.

Table 1.1 Extracts from TC's financial statements

Year ending September 2024	$m
Revenue from cash sales	1
Revenue from credit sales	5
Cost of sales	3
Administrative and other overhead expenses	2
Profit for the year	1
Dividends paid	0.75

As at September 2024	$m
Non-current assets	2
Inventory	1
Trade receivables	1.4
Cash	0.6
Trade payables	3
Non-current liabilities	0.5

Expansion in country M

The directors wish to increase sales to country M. They are considering three options which were proposed by an industry consultant:

A. A new marketing strategy at a cost of \$0.7m. The expected monetary value (EMV) for this option is \$0.9m.
B. Build a factory in country M. This would incur construction, marketing and other set-up costs of \$5.5m.
C. Continue with the existing marketing methods. The EMV for this option is \$0.84m.

Fig. 1.1 shows the decision tree data prepared by the consultant. She recommends TC should choose option B.

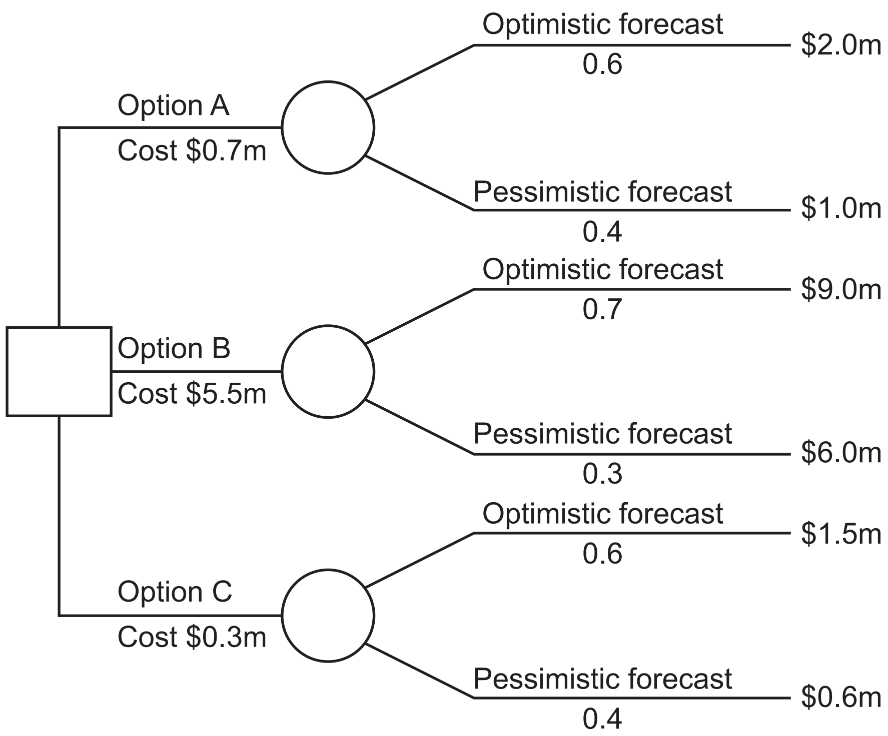

Fig. 1.1 Decision tree data for expansion in country M

Implementing TQM

TC uses batch production on three assembly lines. The raw materials are cocoa, sugar, vegetable oils, nuts, fruits and flowers, sourced from wholesale importers. Production employees are paid using a time-based system. They are given recipes that must be followed exactly. The chocolates are decorated by hand in order to achieve the high-quality premium products customers require. A quality controller checks each batch of raw materials, and another quality controller inspects the finished batches before they are packaged. A significant number of chocolates do not meet the required standards and are wasted.

The directors are considering implementing TQM. Their aim is to reduce costs while maintaining TC's high-quality image.

The directors are aware that TQM could have an impact on suppliers, employees, training and the culture of TC.

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