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BUSINESS STUDIES **0450/22**

Paper 2 Case Study **May/June 2026**

INSERT **1 hour 30 minutes**

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.

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KE (Kitchen Equipment)

KE is a public limited company in country X. It has 10 000 employees. KE manufactures cooking equipment such as cooking pots, which it sells at low prices. KE produces 20 million cooking pots per year in its factory, and sells its products in country X. The market for cooking pots is very competitive. KE uses simple packaging to help keep costs low.

KE is planning to build a second factory. The existing factory is working at maximum output and is unable to meet growing demand. The second factory will allow KE to increase sales from $90 million to $180 million per year. KE needs to choose between two possible locations for the second factory. Information about the two locations is shown in Appendix 1.

KE does not currently use lean production. The operations director plans to introduce lean production in both the existing factory and the second factory. Training for all employees is important for KE.

KE is planning to produce a new cooking pot when it opens the second factory. The marketing director will use primary market research to help decide whether to produce product A or product B. Information about the two new cooking pots in shown in Appendix 3. KE wants to choose the cooking pot with the highest potential revenue and profit.

Appendix 1

Information about the two possible locations for KE's second factory

	location A	**location B**
cost of land	$100 000	$300 000
unemployment in the local area	10%	5%
distance to main market	80 km	10 km
distance to raw material suppliers	20 km	100 km
how often there are power cuts	25% of the time	never

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Appendix 2

Email from managing director to operations director

To: Operations director
From: Managing director
Date: 5 March 2026

I would like to discuss the following ways we can become an ethical business:

- change to buying from ethical suppliers for all our raw materials – our existing suppliers are low cost
- paying fair wages to all our employees – we currently only pay the minimum wage.

Please consider these two ways before we meet.

Appendix 3

Information about the two new cooking pots KE could start producing

	product A	product B
price per item	\$2	\$6
additional fixed costs per month	\$30 000	\$30 000
variable cost per item	\$0.50	\$3
forecast sales per month	40 000	15 000

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