

Cambridge (CIE) IGCSE Business

Paper 2 (Set A)

Case Study

SunnyShade Hats (SSH)

SunnyShade Hats is a private limited company (Ltd) that designs and makes sun hats. It started six years ago and now has 40 production workers and 8 office staff in City M. SSH sells hats on its website and to independent clothes shops. The owners, Naila and Amir, want to expand by launching a new eco-friendly range called OceanWave.

SSH currently buys most fabric from Country T and pays in US dollars (USD). Fabric prices have been stable, but transport costs are rising. The company uses industrial sewing machines. A bank loan of £300 000 was used last year to buy new machines.

Quality is very important. Recent checks show defect rates have increased as new staff have joined. SSH plans to hire 20 more machinists. Managers are deciding how to motivate staff to increase output and reduce defects. Two ideas are:

- Piece rate (a payment per hat made)
- Job rotation with extra skills training

SSH is also reviewing its packaging for online orders. The current plastic mailer is cheap and waterproof. A supplier has offered recyclable cardboard packaging that looks premium but costs more and may be less water-resistant.

To support decision making, the finance manager prepared weekly cost data and a summary of assets and liabilities for this year and last year. The marketing team has created a simple online advert for the OceanWave launch. A news article has also highlighted changes in the economy that could affect SSH.

Appendix 1 – Online advert (draft)

SUNNYSHADE – OCEANWAVE

Light • durable • **made from recycled fibres**

Intro price: **£24.99**

Free head-size guide • Free returns

Follow us @SunnyShadeHats

Appendix 2 – Statement of financial position items (end of year)

Item	2025 (£)	2026 (£)
Inventories	120,000	90,000
Trade receivables	180,000	210,000
Cash	40,000	10,000
Trade payables	160,000	190,000
Bank overdraft	0	50,000
Bank loan (long term)	300,000	300,000

Appendix 3 – Business news (extract)

The economy is facing mixed news this month. The local currency has dropped 8% against the US dollar since January, making imports more expensive. At the same time, the government announced a 5% rise in the minimum wage to help workers cope with higher living costs. Meanwhile, the central bank cut interest rates by one percentage point in a bid to boost economic growth and encourage more borrowing and investment.

Appendix 4 – Weekly cost and output (current line)

Measure	Value
Output (hats per week)	3,000
Fixed costs per week	£6,000
Total variable costs per week	£15,000