Cambridge International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **February/March 2026**

INSERT **1 hour 45 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.

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Pavni's Pottery (PP)

In 2021, Pavni was made redundant from her job as a production supervisor for a large pottery business. She then decided to open PP as a private limited company in country W.

PP produces and sells handmade gift items made of clay and processed in a kiln. A kiln is a high-temperature oven which turns clay into pottery. PP started with a small range of products including cups, bowls and plates but has since increased its product range to include tea light holders, fridge magnets and small plant pots. The new range of tea light holders has been PP's most successful product to date.

Pavni has carried out some research into the gift market in country W and has identified forecasts for continued growth. Forecasts indicate that the gift market could grow to $540 million by 2029. The pottery gift segment of this market is 3% and this segment is very competitive.

Marketing

Pavni sells 75% of her products through three retail outlets business to business (B2B). These retailers place orders with PP quarterly and PP has a 2-month lead time from receiving the order to goods being ready for delivery.

PP has a website for consumers to order direct. Products are delivered to consumers within one week. PP has started to gain brand recognition from repeat consumers. Pavni would like the business to consumer sales (B2C) to grow.

Pavni has employed a university graduate, Fiza, on a full-time contract. Fiza has a marketing degree and is going to manage PP's social media accounts. The marketing role will involve two tasks:

- making regular posts on all the main social media platforms
- developing artificial intelligence (AI) for use in customer service.

Financial data

Pavni is anticipating B2C sales will increase to more than 50% of PP's output once its social media marketing is established. She is uncertain of the impact this will have on PP's financial efficiency.

Table 1.1 shows PP's historical financial efficiency data. Table 1.2 shows data relating to PP's financial efficiency for 2025.

Table 1.1 PP's historical financial efficiency data

year	trade payables turnover	trade receivables turnover	rate of inventory turnover
2023	8 days	12 days	33 times
2024	8 days	14 days	30 times

Table 1.2 Data relating to PP's financial efficiency for 2025

	($)
credit sales	42 000
average inventory	800
credit purchases	19 275
cost of sales	19 630
trade receivables	2 325
trade payables	450

Human Resources and Business Growth

PP employs two potters. Both are experienced in pottery design and manufacture. They are encouraged to research and develop their own ideas. Pavni allows both employees paid time to research and develop their own ideas. She then evaluates their designs and decides whether to produce the suggested new products.

Pavni encourages intrapreneurship by having a flat organisational structure and using delegation. Pavni believes this business approach will help PP's growth.

Consumers are increasingly ordering from social media platforms. For PP to respond to market development, the business is developing its social media marketing.

PP's supplier

Country W only has one supplier of clay. PP uses this supplier. The supplier offers 30 days payment terms with a 5% discount if PP pays within 20 days. The supplier imports clay from China and so it has limited control over the quality or cost.

Investment appraisal

PP will need to increase production capacity to meet the forecast demand from online orders. In order to grow the business, Pavni has decided to invest in a new, larger kiln. The new kiln will allow more items to be manufactured at the same time and will decrease the number of faulty products.

Pavni is considering two options for the new kiln. Table 1.3 shows the investment appraisal information.

Table 1.3 Investment appraisal information for the two different kiln options

year	kiln option A ($)	kiln option B ($)
0	(80 000)	(100 000)
1	30 000	40 000
2	20 000	32 000
3	20 000	28 000
4	20 000	5 000
5	23 000	4 000
residual value	0	0
payback	3 years 6 months	3 years 0 months
ARR	**see Q4(a)**	3.6%
energy source	electricity	gas
cost of energy	low	high
pollution levels	low	high
rate of faulty products	5%	1%
support	1-year technical support included	3-year technical support included

