CAMBRIDGE
International Education

Cambridge International AS & A Level

BUSINESS **9609/32**

Paper 3 Business Decision-Making **May/June 2026**

INSERT **1 hour 45 minutes**

5220706504-I

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 **8** pages. Any blank pages are indicated.

DC (DE/CB) 365644/2

[Turn over

Carrum Cars (CC)

CC is a private limited company, based in country W, that sells cars. Gross domestic product (GDP) in country W has increased significantly in the last five years.

CC was set up in 2022 and for two years it traded online and from a small showroom in the centre of city A.

CC does not manufacture cars. The business buys cars directly from manufacturers and then sells these from its showroom and on its website.

Showroom relocation

In March 2024, CC purchased a large plot of land on a busy road in country W. It built a large showroom so that customers can view the cars and take them for a test drive. This investment was financed by a bank loan. In August 2024, CC relocated to the new showroom.

The new showroom building also has offices for the directors and managers and an area for internet sales. Figure 1.1 shows some data about the showroom relocation.

CC's new showroom:

- opened in August 2024
- capacity to store 70 cars in inventory at any one time
- employee and customer parking for an additional 30 cars
- two other competitor car showrooms within 5 km
- closest populated areas:
  - city A – 9 km away, population 500 000
  - city B – 21 km away, population 200 000.

Figure 1.1 Data about CC's showroom relocation

Organisational structure

At a recent meeting of the board of directors, the efficiency of CC was discussed. Figure 1.2 shows the current organisational structure for CC in 2026. The number in brackets in each box shows the number of employees in that role.

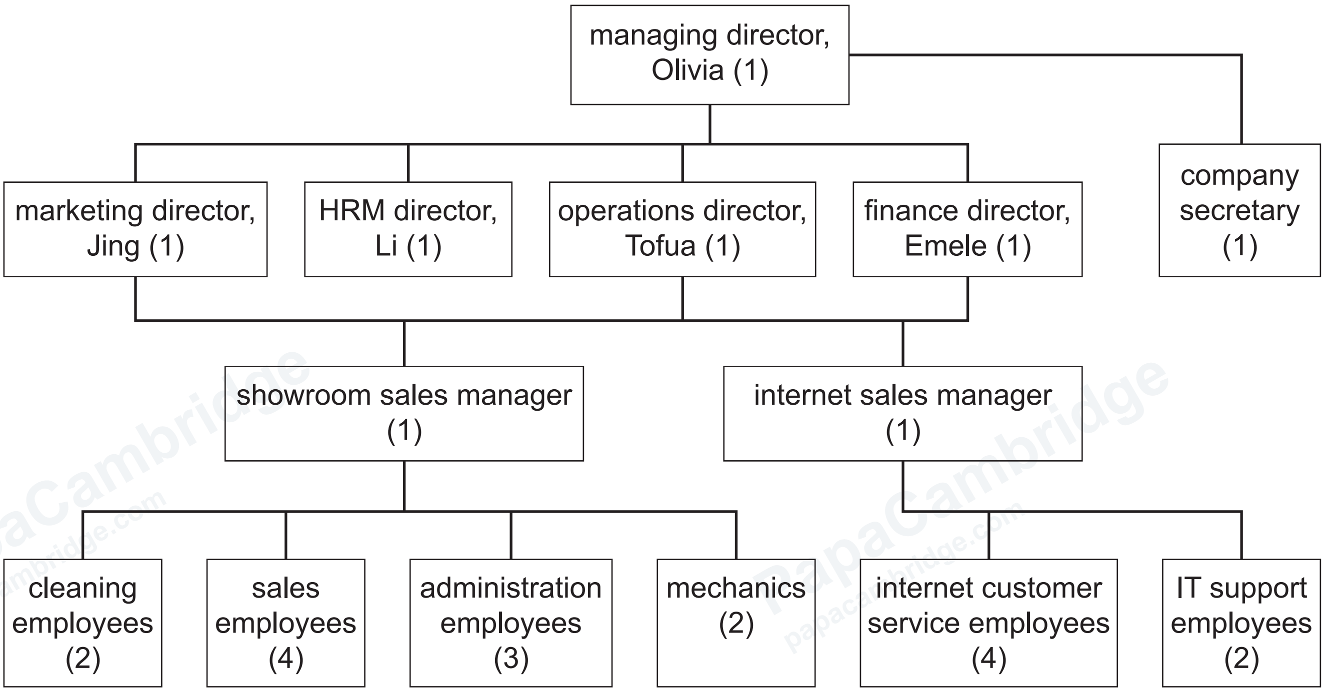

Figure 1.2 CC's organisational chart

CC's finance director, Emele, thinks that the business has too many levels of hierarchy. She has proposed that CC delayers the company by making the showroom sales manager and the internet sales manager redundant. She has proposed that CC should invest in an Enterprise Resource Planning (ERP) programme which would take over most of the managerial functions currently carried out by the two managers.

The showroom sales employees are paid using commission based on achieving sales targets. The cleaners are paid country W's minimum wage, and the other employees are paid a salary. The mechanics are paid a relatively high salary due to a skills shortage in country W.

ERP investment appraisal

Emele has carried out an investment appraisal for the proposed ERP programme (see Table 1.1). There is no residual value for this investment at the end of its four-year life.

Table 1.1 Net cashflow for the proposed ERP software

year	net cashflow ($000s)
0	(125)
1	25
2	50
3	50
4	60

Inventory control

The operations director, Tofua, is more concerned about the inventory held by CC. ‘When we were located at the old showroom, we held very little inventory’ said Tofua, ‘and it worked well for us. However, since opening the new showroom, we have been holding more and more inventory, and it is causing significant opportunity costs.’ Table 1.2 shows inventory and cost data for CC.

Table 1.2 Inventory and cost data for CC

year	average inventory ($000s)	cost of sales ($000s)
2022	1250	5650
2023	1500	7000
2024	2000	15500
2025	2500	20000

The managing director, Olivia, thinks that reducing the inventory level in the showroom would be an inappropriate decision. She knows that many customers expect to be able to see and test drive a car before they agree to purchase it. Without inventory of the different car models CC sells, she worries that demand will decrease, especially with the current high inflation rate in country W.

Tofua has prepared a summary report of CC’s current inventory (see Table 1.3).

Table 1.3 CC’s current inventory

car model	engine type	quantity in inventory	cost per car ($)
A	gas (petrol)	24	12000
B	gas (petrol)	12	30000
C	gas (petrol)	16	22500
D	electric	6	99000
E	electric	12	59000

Sales forecasting

At a recent board meeting, Jing, the marketing director, presented the quarterly sales forecast. An extract from the quarter 3 (July to September) 2026 forecast is shown in Figure 1.3.

July and August – low sales due to customers prioritising vacations.

September – manufacturers launch new car models – high sales expected.

market trends – 35% increase in demand for electric vehicles.

Figure 1.3 Extract from Q3, 2026 CC sales forecast

Olivia, the managing director, is concerned that Jing’s forecast does not include more qualitative sales forecasting.

BLANK PAGE

BLANK PAGE

BLANK PAGE

BLANK PAGE

