

Name: **Business AS-level – Continuous assessment – 13/10/2017**

Case study: Thompson Engineering Ltd.

Thompson Engineering Ltd is a family business based in Chesterfield. The company makes three components for the engines that power microlights. The work undertaken by the company is quite specialised and it was thought that few rivals operated in the same market. At the end of 2013 the company had to make some modifications to two of the components, A and C. This was to comply with some new healthy and safety specifications. As a result the directors decided to raise the price of these two components by 20 per cent in 2014. Some financial information for the three components is shown in Table 2.

Table 2 Financial information and price elasticity of demand (PED) for three products (2013)

	Price	Sales	PED
Component A	£10	100,000	-0.8
Component B	£7	150,000	-1.1
Component C	£5	300,000	-1.2

Assess the possible impact on Thompson Engineering Ltd of the price changes (15 marks).

Use this space to sketch an outline for your essay:

