

UNIVERSITY OF BOLTON

OFF CAMPUS DIVISION

WESTERN INTERNATIONAL COLLEGE

BA (HONS) ACCOUNTANCY

SEMESTER TWO EXAMINATIONS 2023/2024

CONTEMPORARY BUSINESS MANAGEMENT

MODULE NO: ACC5006

Date: Friday 17 May 2024

Time: 1:30pm – 4:30pm

INSTRUCTIONS TO CANDIDATES:

There are **FIVE** (5) questions on this paper.

Answer **ALL** questions from Section A and **TWO** (2) out of the 3 questions from Section B

Answer **FOUR** (4) questions in total.

All questions carry equal marks.

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Case Study

Enchanta Games is a large distribution of toys and games. It is based in Ferrariland and designs, manufactures, markets, and distributes various family-orientated products. Ferrariland is a developed economy with high levels of income per capita. The business started 83 years ago with one simple family board game called Enchanta but now produces a wide range of board games, toys, and mobile games. The company is structured into three divisions, one for each of its main product lines – Board Games, Toys, and Mobile Gaming.

Enchanta has a September Year End - It is currently October 20x4.

Overview and Challenges

The toy and gaming industry in Feariland is large but rapidly changing, with many foreign and domestic companies competing for a share of the market. Board games are still popular, despite being seen as 'old fashioned' by some, and demand has dropped significantly from the 'hey-day' 20-30 years ago but has stabilised in the last ten years.

The overall board game market is reasonably static; however, the popularity of individual games can vary significantly, with some traditional board games being family favourites for decades. New board games are being created regularly to try to become the next big hit; whilst some succeed, many new games fail to capture the public's imagination.

Toys are a massive market in Ferrariland and globally, with total toy sales in Ferrariland approximately £1,700m in 20x4. As with board games, some toys have been popular for decades (e.g., toy cars, dolls, building blocks) whilst other toys become a 'must have' craze for a short period before often fading just as quickly. The toy market is seasonal, with holiday periods significant for toy companies. Getting your marketing or key product launch wrong before a big holiday season can be disastrous for any toy company – both financially and in terms of reputation.

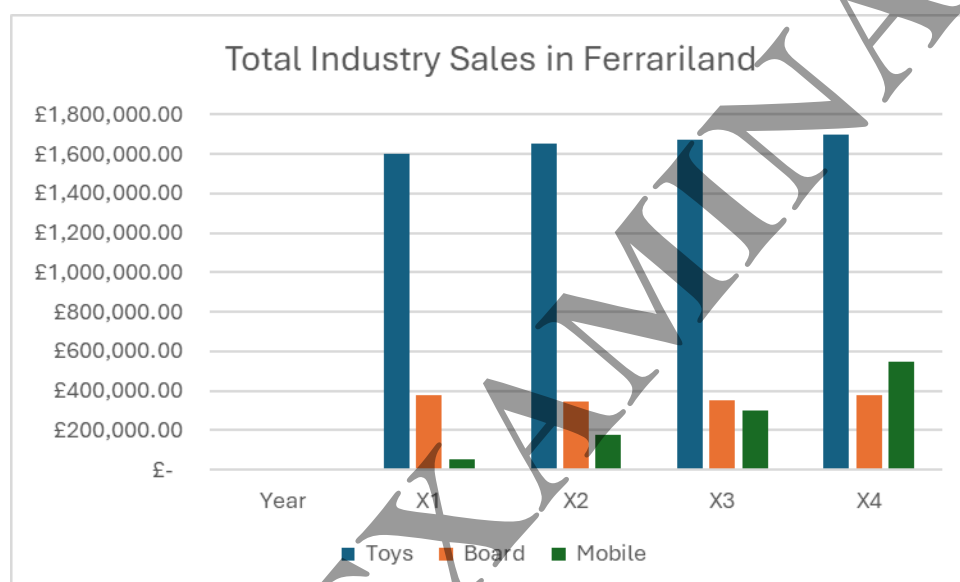
The industry has seen a big shift towards mobile gaming in recent years as the improved technology and increased popularity of smartphones have led to the launch of more complex and better games for mobile phones – often rivalling those only available on expensive game consoles just a few years ago.

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Case Study continued

Many small and independent developers create mobile games and have been very successful. The main problems are making new games popular and well-known in an increasingly crowded marketplace and how to monetise the product. Many customers expect mobile game apps to be 'free', and developers rely on in-game adverts and in-game purchases (of bonuses, additional game features, etc.) to make revenue from their product.



Customers

Whilst the end users of toys are usually children, adults generally buy the toys (typically as a gift or reward). Therefore, often, a toy needs to make itself attractive to both the child and the buying adult. Some companies do this by advertising the 'educational value of the toy or the 'life skills' it will build. Other companies just focus on making their toys as appealing to the child as possible, relying on 'pester-power' that the adult will buy a toy the child wants.

Board games attract a wide range of customers, from young children to adults. Adults have been playing board games on regular 'games nights' between couples and friends in recent years. Board games are also popular with many families trying to increase 'family time' and reduce 'screen time', particularly for children.

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Case Study Continued

Company Information

Ownership and Board Structure

Enchanta has both an Executive Board and a Supervisory (non-executive) Board. Both Elements attend regular board meetings.

Shreya Ghoshal – Managing Director

Dave Grohl – Production Director

Billie Joe Armstrong – Marketing Director

Ed Sheeran – Finance Director

Charlotte Aitchison – Chairwoman and leader of the supervisory board

Chris Martin – Bank representative on the supervisory board

Damon Albarn – Employee representative, member of the supervisory board

Javid Ali – Shareholder representative – member of the supervisory board

Enchanta's Divisions and Products

Board Game Division

This is the oldest division within the group and represents the original business idea when the company was set up 83 years ago. The business started one simple family game called Enchanta's (from which the company takes its name). Which involved moving magnetic pieces around a reinforced cardboard game board. The game became very popular and provided the finance needed to develop other board games.

Today, Enchanta produces around 70 different types of board games designed to be popular for many market segments. However, sales volume is only a small percentage of the levels of family entertainment. Today, there are many substitute products and greater opportunities for spending family time together. Enchanta has also faced a significant influx of foreign competition with global brands and global marketing budgets.

The great-granddaughter of the original company founder runs the board division. She also sits on Enchanta's supervisory board, though the family owns less than 20% of the company's issued share capital. However, other shareholders are reassured by the ongoing family involvement in the business.

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Toy Division

This division has operated for over 20 years. Enchanta decided to produce some toys overseas and sell them through its existing network of retail customers. This was a very popular strategy, and sales levels have been consistently high for a number of years. The toy division's products include several core toy lines, including dolls, action figures, toy vehicles, clothing, and accessories for children of all ages. Enchanta often links up with successful film and book franchises to produce 'character' themed toys. However, the product life cycle can be short; therefore, Enchanta ensures regular updates of its product lines and has invested heavily in product development to ensure that, in common with its three biggest domestic rivals, consistently high sales volumes have been maintained for several years.

Mobile Gaming Division

This is Enchanta's newest division. Marketing director Shreya Ghoshal had the idea of creating mobile applications that were versions of Enchanta's current board games. The mobile games would have the same name as the original board game in order to build on the loyalty and branding built up in the past by board game division. The mobile game would be available on various mobile devices and tablets.

Creating mobile games involves considerable upfront investment, and only two mobile games have been developed. Initially, there was a heavy investment in finding the best way to leverage the game brands. Some initial attempts had to be terminated and written off. The best model was then found to be one where mobile games are free to download. However, in-app purchases are aimed at quickly recovering Enchanta's initial investment.

Both mobile games on the market have proven to be very popular downloads on the most commonly used mobile platforms. There are plans for four more mobile games to be launched in the six months and each game is expected to have a payback period of less than three months.

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Production and Sales

Traditionally, Enchanta produced their toys and games in Ferrariland and was a large employer, however, as competition increased, particularly from foreign companies, there was pressure to decrease costs to remain competitive. This led to the closures of Ferrariland-based factories, and Enchanta moved its manufacturing overseas.

Enchanta closed its last factory in Ferrariland five years ago. Enchanta's toys are now produced in Enchanta owned manufacturing facilities in Renauland, Alphaland and Hondaland, as well as through independent toy manufacturers located in Fordland. All four countries where Enchanta's products are made would be considered 'developing' economies.

Enchanta has always had a strong presence in Ferrariland, based on its 80-year history and respected brand name, making it a 'safe brand' for parents to buy from. However, Enchanta has found it more challenging to expand overseas, with just 6% of Enchanta's current revenue generated outside of its home nation.

Enchanta has also found itself very reliant on a small number of key customers; during the most recent financial year, about half of Enchanta's sales were made through three main retail customers. The Board realises this is risky but is confident they have an excellent relationship with all main customers.

Risk to Enchanta

The board of Enchanta have identified the following as key risks.

- Decline of core Board Game market
- Loss of major customer
- Inability to adapt to changing market conditions and growth of video/mobile gaming.
- Reputational damage from safety issue linked to Enchanta game or Toy.

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Financials

Key Financial data for Enchanta's divisions

Board Game Division

Year ended 30th September	x1	x2	x3	x4
Sales Revenue (£m)	15.00	14.00	13.00	13.00
Net Profit (£m)	2.00	1.00	1.00	1.00

Toy Division

Year ended 30th September	x1	x2	x3	x4
Sales Revenue (£m)	480.00	482.00	485.00	488.00
Net Profit (£m)	101.00	98.00	100.00	97.00

Mobile Gaming Division

Year ended 30th September	x1	x2	x3	x4
Sales Revenue (£m)	-	-	-	6.00
Net Profit (£m)	-	-	-	(6.00)

END OF CASE STUDY

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SECTION A – ANSWER BOTH QUESTIONS

Question 1

a. Using an appropriate model, propose a strategic direction for Enchanta's Division and Products, considering their historical background, current market position.

(15 Marks)

b. Identify the challenges faced in the industry.

(10 Marks)

Total 25 Marks

Question 2

a. Apply the BGC Matrix to analyse Enchanta's three divisions: Board Game Division, Toy Division, and Mobile Gaming Division.

(15 Marks)

b. Considering their market position and growth potential, what strategic actions would you recommend to the executive board to maximise profitability and mitigate risks?

(10 Marks)

Total 25 Marks

END OF SECTION A

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SECTION B – ANSWER TWO (2) OUT OF THE 3 QUESTIONS

Question 3

a. Using the appropriate model, evaluate Enchanta's approach to managing risks in the toy and gaming industry. (15 Marks)

b. Identify specific strategies employed by Enchanta for each category to mitigate potential risks. (10 Marks)

Total 25 Marks

Question 4

a. Explain how Enchanta, a leading toy and gaming company based in Ferrariland, can apply Lewin's Change Management Model to implement organisational changes effectively. (15 Marks)

b. What are the key stages of Lewin's model, and how can Enchanta navigate each stage to achieve successful change? (10 Marks)

Total 25 Marks

Question 5

a. How can Enchanta integrate Corporate Social Responsibility (CSR) initiatives into its business operations effectively? (13 Marks)

b. What are the potential benefits of implementing CSR practices for Enchanta and its stakeholders? (12 Marks)

Total 25 Marks

**END OF QUESTIONS
END OF EXAM PAPER**