Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/22**

Paper 2 **February/March 2015**

INSERT

1 hour 30 minutes

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READ THESE INSTRUCTIONS FIRST

This Insert contains the case study material.
Anything the candidate writes on this Insert will not be marked.

The syllabus is approved for use in England, Wales and Northern Ireland as a Cambridge International Level 1/Level 2 Certificate.

This document consists of **3** printed pages and **1** blank page.

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The Lamp House (LH)

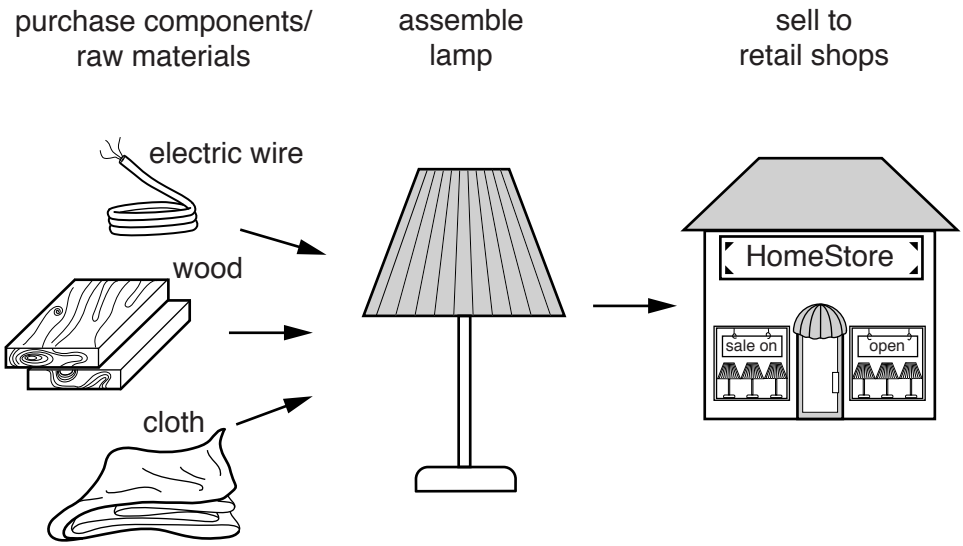
Vijay started a business as a partnership with his two brothers, Sandeep and Abhi. They are equal partners and each invested $20 000 into the business. LH manufactures electric lamps in country X.

The lamps are of good quality and are sold for high prices. The lamps are distributed through independent retail shops. Most of the lamps are purchased by home owners and hotels and Vijay is considering also using e-commerce to sell LH's products. Vijay believes meeting customer needs and building good customer relationships is important if the business is to be successful and grow.

When the factory was set up 2 years ago with $95 000, Vijay did not buy much machinery. The manufacturing process used is batch production and uses a lot of labour. Vijay has considered purchasing automated equipment but this will need external finance. There are 50 workers in the factory and they are not well trained. He is also considering introducing lean production to increase efficiency.

All the management jobs in the business are done by Vijay. However, as the business is growing, Vijay wants to recruit an Operations manager for the factory. This manager is going to be recruited externally.

Appendix 1



Appendix 2

To: Sandeep@gotmail.com; Abhi@gotmail.com
From: Vijay@gotmail.com
Date: 3 February 2015

The factory needs an Operations manager to improve the motivation of the workers. The working conditions are not good and there were several workers injured in the factory last month.

We only pay the minimum wage per hour and the jobs are very boring. Each worker does the same job every day and they are paid for each hour they work.

If we want to become more competitive we need to find ways to motivate the workers to produce more output.

Appendix 3

Financial information from LH balance sheet – year ending December 2014

	$ 2013	$ 2014
Non-current assets (fixed assets)		
Buildings	60 000	60 000
Equipment	35 000	30 000
Total	95 000	90 000
Current assets		
Inventories (stock)	10 000	5000
Trade receivables (debtors)	5000	10 000
Cash at bank	10 000	5000
Total	25 000	20 000
Current liabilities		
Trade payables (creditors)	25 000	30 000
Bank overdraft	0	0
Non-current liabilities		
Bank loan	35 000	20 000
Total assets – Total liabilities	60 000	60 000

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