Cambridge IGCSE

Cambridge International Examinations
Cambridge International General Certificate of Secondary Education

BUSINESS STUDIES **0450/22**

Paper 2 **February/March 2016**

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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Dilip's Washing Products (DWP)

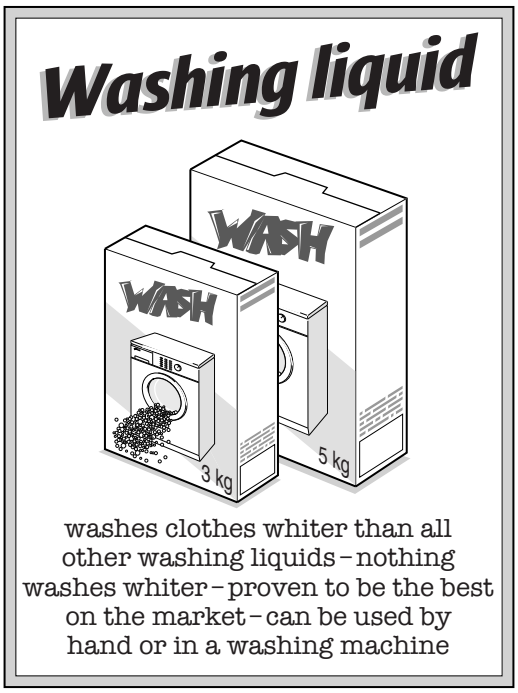
Dilip started DWP 5 years ago as a sole trader. The business makes liquid soap for washing clothes. The products are sold to wholesalers in country X who then supply small shops. Competitors sell their products to large supermarkets.

DWP is very successful and has expanded quickly. Last year Dilip decided to change the business to a private limited company. He sold shares to the value of $250 000 to family and friends to raise finance to buy a new factory. This is a large factory with plenty of room to expand further. DWP made a profit last year of $50 000.

Dilip employs 10 people in the factory and 2 people in the office. He is in charge of all the departments as it is still a small business.

Dilip has developed a new washing liquid which is much better at cleaning clothes than his original product. Dilip thinks there is a large potential market for this new product in country X and possibly in other countries. However, he will need to find a way of increasing output. The new product is better than many of the leading brands of washing liquid on sale in country X.

Appendix 1



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Appendix 2

To: Vijay@gotmail.com
From: Dilip@gotmail.com
Date: 3 February 2016

We need to increase output if we are to produce the new washing liquid. We have the following three options.

- Purchase new equipment – no new workers will be needed, however we will need to retrain 3 of our existing production workers.
- Employ 10 additional production workers – who will need to be trained.
- Purchase partly processed raw materials – to make the new washing liquid. This will reduce the production time by half.

Production workers will need to be trained and I suggest we use on-the-job training as this will be best.

Appendix 3

Information on the three options to increase output
(all figures are per month)

	Cost	Output (number of bottles produced)
Purchase of new equipment (cost of lease)	$10 000	500 000
Employ 10 additional production workers	$2 000	200 000
Purchase partly processed raw materials	$5 000	400 000

Potential sales of the new washing liquid are forecast at 300 000 bottles per month.

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