

Candidate Name _____

Centre Number	Candidate Number

**International General Certificate of Secondary Education
CAMBRIDGE INTERNATIONAL EXAMINATIONS**

0450/2
MAY/JUNE SESSION 2002

BUSINESS STUDIES
PAPER 2

1 hour 45 minutes

Candidates answer on the question paper.
No additional materials are required.

TIME 1 hour 45 minutes

INSTRUCTIONS TO CANDIDATES

Write your name, Centre number and candidate number in the spaces provided at the top of this page.

Answer **all** questions.

Write your answers in the spaces provided on the question paper.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets [] at the end of each question or part question.

The businesses mentioned in the questions are entirely fictitious.

FOR EXAMINER'S USE	
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6	
TOTAL	

This question paper consists of 11 printed pages and 1 blank page.

D.H. Hairdressers Ltd

Dwight Henry has always wanted to own and run his own business. 'I thought it would be fun to be my own boss and not to be told what to do all the time,' said Dwight. He has been to college and has qualifications in hair cutting and styling. He decided that he would open a shop specialising in styling and hair creation specifically for teenage boys and girls. He felt certain that there was a gap in this market segment. 5

Dwight produced a business plan that he took with him on his visit to his bank manager. He needed a bank loan to help finance the start-up capital of the business. The bank manager asked a lot of questions about cash flow forecasts, liquidity and even market research. Dwight's answers must have satisfied the bank manager. After the meeting the manager wrote to him and said that his request for a fixed interest loan for five years had been approved and an overdraft facility had also been agreed. Dwight could not wait to get his business started. 10

Table 1 below is an extract from the financial figures that Dwight showed the bank manager as part of his business plan. 15

Table 1**Forecast weekly profit / loss account \$**

Sales		1000	
Less Wages	500		
Own Salary	100		
Materials	40		20
Gross Profit		?	
Overheads	200		
Net Profit		160	

The above figures were based upon the following assumptions:

1. Number of customers per week = 400 25
2. 8 staff employed
3. All staff receive the same weekly wage
4. 50 week year

1 Explain the following terms contained in the case.

(a) Market segment (line 6)

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(b) Cash flow forecasts (line 9)

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(c) Liquidity (line 10)

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(d) Gross profit (line 21)

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[12]

2 The bank manager had asked about the market research that Dwight had undertaken.

(a) What market research information do you think the bank manager would want to see?

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(b) Why do you think that the bank manager asked for this information?

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(c) Explain how Dwight might have collected this information.

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3 (a) Calculate:

(i) the average price charged per customer,

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(ii) the wages per employee,

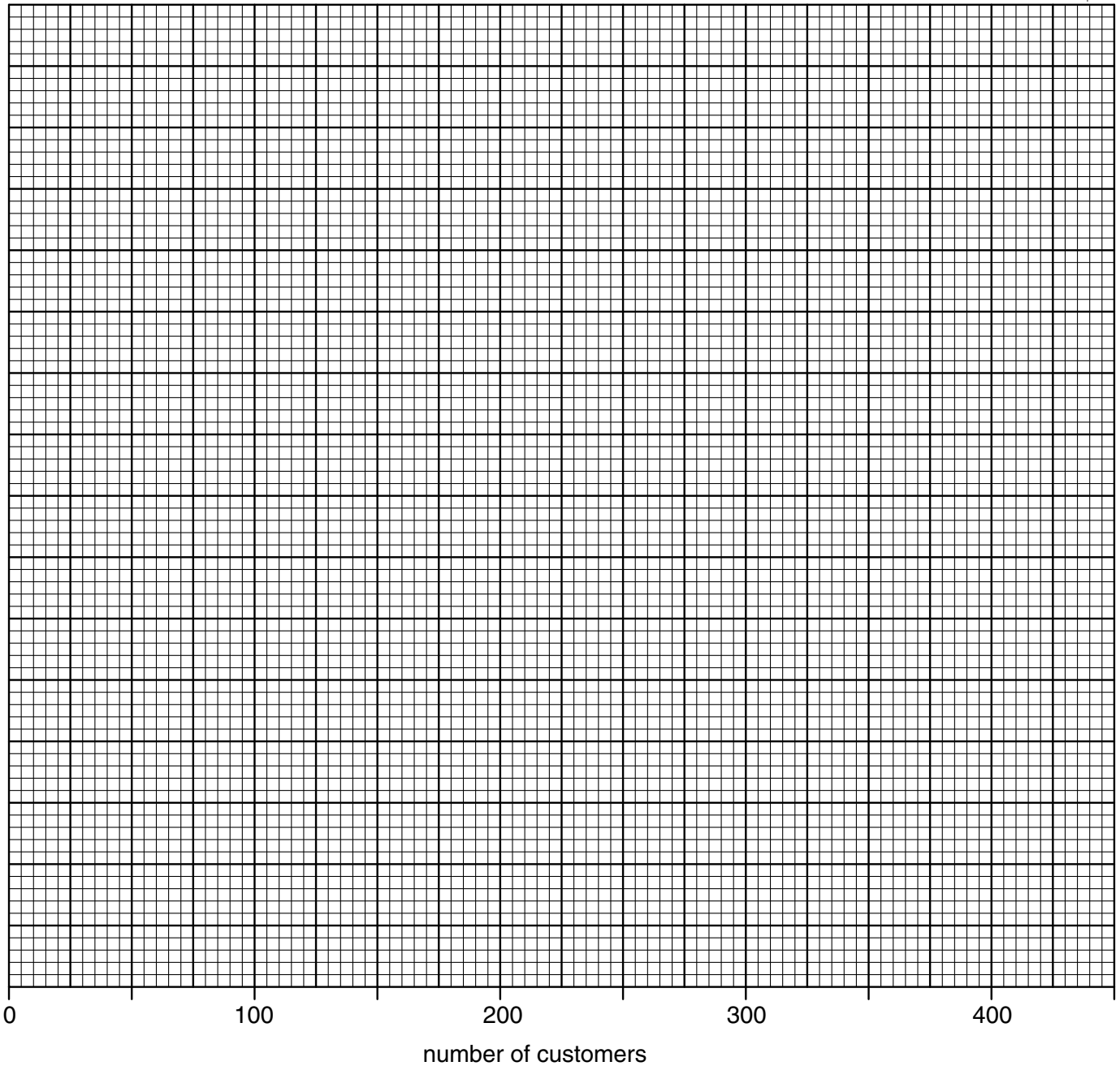
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(iii) the forecasted gross profit in the first year.

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[6]

(b) (i) Construct a break even chart for the business based upon the forecasted weekly sales. (Note: All costs are fixed except for materials.)



[8]

(ii) State the weekly break even point from your chart.

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(iii) Why would this break even figure be of use to Dwight?

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5 Dwight believes that it will be important to motivate his staff.

(a) Why do you think that the motivation of his staff would be important?

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