



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS  
International General Certificate of Secondary Education

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**BUSINESS STUDIES**

**0450/21**

Paper 2

**October/November 2011**

INSERT

**1 hour 45 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.

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



## Everyday Suits

Simon owns a business called Everyday Suits. It is a private limited company. The business makes suits for men using batch production. The production workers are paid an hourly wage. They have no fringe benefits, as Simon believes the workers should be happy that they have a job. Simon employs 100 production workers who work on the production of suits. He has 5 employees who help him in the office. There is only one manager who is responsible for Finance. Simon carries out all the other management functions for the business.

The business has grown quickly and profits have also increased rapidly over the last two years. To finance the rapid growth of the business Simon has taken out a large bank loan for \$15 000 which is being repaid over 5 years.

Simon wants to continue to expand the business. He wants to increase the range of suits to add to his current range of medium priced suits. There is a lot of competition for medium priced suits and this market segment is not growing. He has identified two other market segments for suits, both of which have increasing demand. However, he is unsure which market segment option to choose.

### Option 1:

Start selling expensive suits that are hand made and of high quality material. These suits would be made to measure for each customer and individually designed. The market for these suits is a niche market. He would need to employ more skilled workers.

### Option 2:

Start selling low priced suits to the mass market. However, to enter this market Simon will need to invest in machinery to produce suits on a large scale. He could gain from economies of scale which would be an advantage.

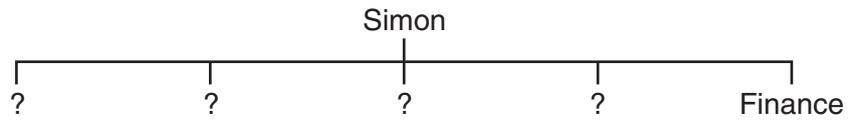
## Appendix 1

Balance Sheet for Everyday Suits at 31st August 2011 in \$

	2011	2010
<b>Fixed Assets</b>		
Equipment	20 000	20 000
<b>Current Assets</b>		
Stock	10 000	5 000
Debtors	30 000	10 000
Cash at Bank	0	5 000
Total	40 000	20 000
<b>Current Liabilities</b>		
Creditors	10 000	20 000
Overdraft	20 000	0
Total	30 000	20 000
<b>Working capital</b>	10 000	0
<b>Net Assets employed</b>	30 000	20 000
<b>Financed by:</b>		
Share capital	10 000	10 000
Profit and loss reserves	5 000	10 000
Bank loan	15 000	0
Capital employed	30 000	20 000

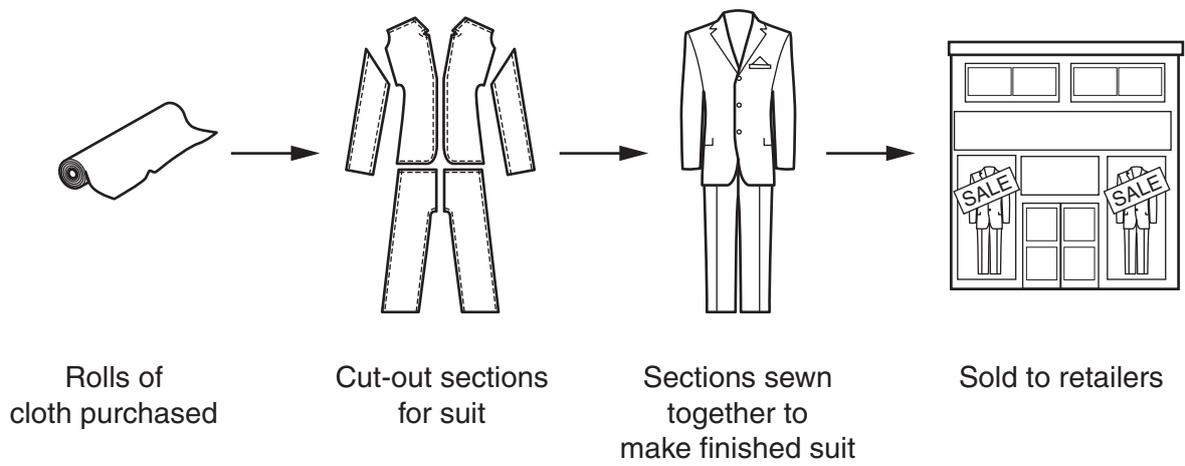
**Appendix 2**

Proposed Organisation Chart for Everyday Suits



**Appendix 3**

Added value for Everyday Suits



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Candidates answer on the Question Paper.

No Additional Materials are required.

**READ THESE INSTRUCTIONS FIRST**

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

Do not use staples, paper clips, highlighters, glue or correction fluid.

**DO NOT WRITE IN ANY BARCODES.**

Answer **all** questions.

The Insert contains the case study.

The businesses described in this question paper are entirely fictitious.

At the end of the examination, fasten all your work securely together.

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

For Examiner's Use	
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	
<b>Total</b>	

This document consists of **11** printed pages, **1** blank page and **1** Insert.



- 1 (a) Simon wants to motivate his production workers to work harder. Identify **two** methods he could use to motivate production workers at Everyday Suits. Explain why these methods would be effective.

For  
Examiner's  
Use

Method 1: .....

Explanation: .....

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Method 2: .....

Explanation: .....

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..... [8]

(b) Appendix 2 shows the proposed new organisation chart for Everyday Suits. Simon will not be able to do all the work himself if the business grows bigger.

*For  
Examiner's  
Use*

Choose **four** departments that Simon could create and justify why each department could be important to the success of the business.

Department 1: .....  
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Department 2: .....  
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Department 3: .....  
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Department 4: .....  
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[12]

- 2 (a) Refer to Appendix 3. Identify and explain **two** ways Simon could **increase** the added value of his current business.

First way: .....

Explanation: .....

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Second way: .....

Explanation: .....

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[8]

(b) To expand the business Simon may need new machinery. To finance this, he is considering using an overdraft or leasing the equipment or selling more shares. Consider these **three** options for raising finance and recommend which one he should choose. Justify your choice.

*For  
Examiner's  
Use*

Using an overdraft: .....

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Leasing equipment: .....

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Selling more shares: .....

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Recommendation: .....

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[12]

3 (a) As Everyday Suits expands it will need to employ new managers. Identify and explain **four** parts of an induction training programme for new managers.

1. ....

Explanation: .....

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2. ....

Explanation: .....

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3. ....

Explanation: .....

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4. ....

Explanation: .....

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..... [8]



- 4 (a) As Everyday Suits expands it could gain from economies of scale. Identify and explain **two** examples of economies of scale the business might benefit from as it expands.

Example 1: .....

Explanation: .....

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Example 2: .....

Explanation: .....

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[8]



- 5 (a) Everyday Suits currently uses batch production. However, if Simon chooses Option 1 job production will be used or if he follows Option 2 flow production will be used. Explain the main features of job production for Option 1 and the main features of flow production for Option 2.

Job production: .....

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Flow production: .....

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