

**Script G with marks – paper 2**

**IGCSE Business Studies  
0450/02**

June 2002



UNIVERSITY *of* CAMBRIDGE  
Local Examinations Syndicate

Centre Number      Candidate  
Number

Candidate Name .....

**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	
1	8 ✓
2	4 ✓
3	14 ✓
4	11 ✓
5	12 ✓
6	5 ✓
TOTAL	52 ✓

**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

$$1000 - 500 - 100 = 400$$

$$400 - 40 = 360$$

$$360 - 200 = 160$$

1 Explain the following terms contained in the case.

(a) Market segment (line 6)

the ~~group~~ different groups used for ~~as~~ marketing.  
when a business aims selling its product to a  
specific segment. They can be segmented according, age,  
sex, wealth etc.

(b) Cash flow forecasts (line 9)

the predictions made on the inflows and  
out flows of the business in the upcoming  
years.

(c) Liquidity (line 10)

the ability of paying back short term  
debts. such as Bank loans.

(d) Gross profit (line 21)

the profit made after all expenses (such as  
~~any~~ wages and capital) have been deducted  
from the sales.

[12]

3

2  
3

2

2

2  
1

(8)

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?

Questionnaires: he'd want to see if the business really gets what the majority had picked. He may also want to see if research has been carried on other businesses like this hair dressing one and see overall if they are managing well. He would like to know what segment this would be aimed at.

[4]

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

To see the businesses liability so they could be certain that the business could pay back the loan it has taken out. Since Dwight is a role trader he would have unlimited liability and not being able to pay back his loan may cost him everything he has got. In that case if he couldn't pay it back then the bank may never get its money back.

[4]

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

he could have made questionnaires asking teenagers whether what he is doing is interesting and for some of their own ideas. He also could have called them in for interviews which would give them more space to give out more ideas. He could have also given a demonstration showing teenagers one of the new hair styles he might have created.

[4]

C

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3

4

3 (a) Calculate:

(i) the average price charged per customer,

$$\frac{1000 = \text{sales}}{400 = \text{customers}} = \frac{\text{sales}}{\# \text{ of customers}} = \$2.50$$

2

(ii) the wages per employee,

$$\frac{500 = \text{wages}}{8 = \text{employees}} = \frac{\text{total wages}}{\# \text{ of employees}} = \$62.50$$

2

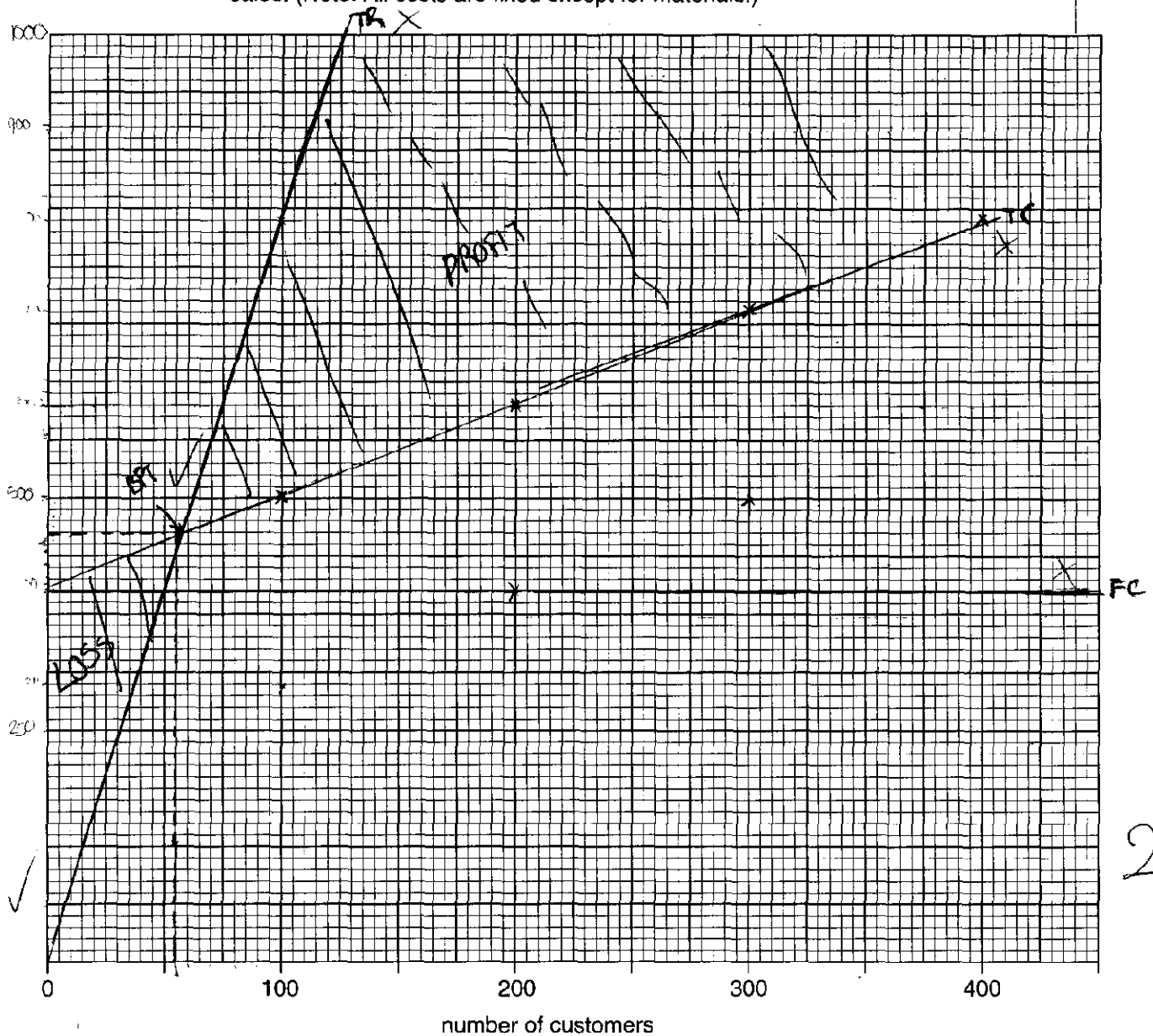
(iii) the forecasted gross profit in the first year.

$$\begin{aligned} & \text{① Sales} - (\text{expenses}) \\ & \text{② Sales} - (\text{wages} + \text{salary} + \text{materials}) \\ & \text{③ } 1000 - (500 + 100 + 40) = 360 \end{aligned}$$

2

[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.

55 customers

[2]

2

2

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

By this he could tell his profit and loss  
and at which stage he makes no money  
and loses no money. This may help him plan  
investments and whether the business can  
grow if it was making a ~~low~~ high profit.  
in this breakeven you need 55 customers to  
break-even.

[4]

2

~~(X)~~  
(12)



- 4 Dwight knew that it would be important to promote his business in order to attract customers. State and justify the promotional methods you think he should use to attract customers to his business.

① advertising:- once people know about how interesting this new hairdressing shop is they would want to try it out. flyers could be given in schools since they are aiming for teenagers. TV commercials can be also used for advertisement.

② For the first few weeks the shop can give free hair cuts. by this people may end up liking it then surely they would be back soon for another hair cut. People seeing a persons hair style may really like it and want the same one for them selves.

③ After each hair cut the hair dresser can give a free present such as a gift (concerning hairdressing) or such as a new hair conditioner they had made and people may like these samples and come back to buy more.

④ Vouchers could be given (e.g. every 4 hair cuts they would get a free hairstyle). people then would be encouraged to come back for their other hair cuts to fill up the voucher.

⑤ The advertisements could show pop-stars getting their hair cut, it has to be something that the teenagers would want to see.

⑥ set out a few demonstrations on a few teenagers showing them how good their work is this would show the customers how talented they are.

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?

The more motivated his staff is, the better they do their jobs. If they do a good job, customers would be happy. Un-motivated workers may cut people's hair sloppily and customers may end up leaving unhappy. So ~~this way~~ people seeing the bad hairstyle may not want to cut ~~there~~ their hair there again. This might lead to a loss, especially if it was a regular customer. [4]

4

(b) Explain the methods Dwight could use to motivate his staff.

- ① Dwight should keep close relationships with his employees. In this way his employees would be his friends and then they may want to do a good job since their employer is really nice with them.
- ② wages:- He could either give them good, fair wages or pay them by piece. So each hair cut they give, this would encourage them to work harder on the person.
- ③ working hours:- He should give them good breaks this way they would have time to relax and come back to their work and perform a good job.
- ④ monetary/non monetary rewards:- The employees should get accommodation and medical and schooling. non-monetary should also be given once in a while such as holidays.
- ⑤ Job rotation:- This would help the employees not to get bored of their jobs, by switching roles each time.
- ⑥ Delegation:- delegating the staff would help the owner and the staff would think of themselves in a higher position with more responsibility.

[10]

12

- 6 The bank manager had told Dwight that many new business start-ups fail. What steps could Dwight take to reduce the chances of his business failing?

- ① advertisement and promotion. They should make sure that the business is known of. Using promotion would attract a lot of customers too.
- ② when the business starts up the pricing should be quite low so more people would also come in this way.
- ③ The business shouldn't buy a lot of expensive machinery, wait they started as they go on they can invest more in the business by time.
- ④ Taking a loan out ~~may~~ would help the business to start up well.
- ⑤ Dwight, could cut down some of his own expenses for a while and use the money for his business to get it to start up well.
- ⑥ make sure that all the staff are experienced and specialised at the job.

[10]

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5  
5

