

date

Centre Number

Candidate Name \_\_\_\_\_

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

**BUSINESS STUDIES  
PAPER 2**

**0450/2  
OCTOBER/NOVEMBER SESSION 2002**

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 at the top of this page.  
Read the passage and 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 business described in the case study is entirely fictitious.

FOR EXAMINER'S USE	
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<b>TOTAL</b>	

### Kim Yan Fashions Ltd

Kim Yan owns and manages a fashion clothing company. The business makes a narrow range of fashion clothes and by far their best selling lines are 'made-to-measure' men's suits. These suits are produced in 24 hours. To achieve this the workshops operate a 3 shift day with each shift working for 8 hours. Kim sells most of her suits to foreign visitors to her country. Most of these visitors only stay for a few nights. The whole business depends upon an ability to make products quickly. "They buy from me because my suits are made with high quality materials and my prices are reasonable," said Kim.

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However, her business is not doing very well at the moment. The clothing market in Kim's country is very competitive and her sales have been falling recently. This has caused financial problems because her profit margins are low so that she can keep her prices down. In addition, cash flow problems are starting to occur and her creditors want to be paid.

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Kim also has problems in her workshop. Many workers have been leaving the company and new workers have to be recruited. In addition, the output per worker has been falling. Kim does not know why. She is thinking of introducing a bonus payment system to reward her staff. She has also considered spending some time and money on providing training for her new staff. Table 1 provides some data concerning output per worker and rates of pay.

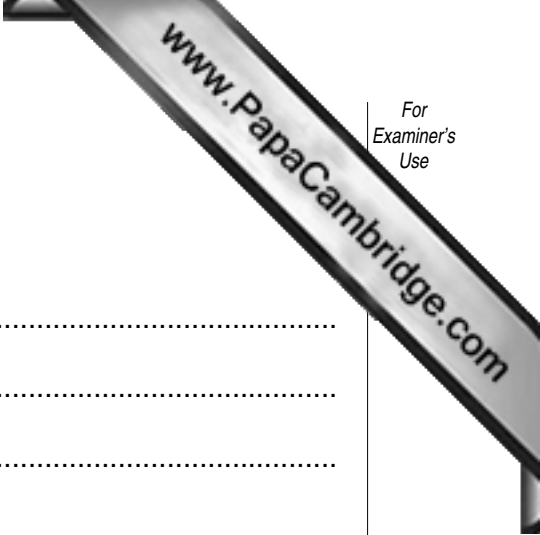
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**Table 1**

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Year	Number of employees per shift	Total output per shift (number of suits)
2000	60	90
2001	60	60

Wages = \$10 per hour per employee in both years.



1 Explain the following terms used in the case.

(a) Profit margins (line 11)

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(b) Creditors (line 13)

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(c) Bonus payment (lines 16–17)

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(d) Training (line 18)

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[12]

**2** Suggest reasons why sales of Kim's suits might have fallen recently.

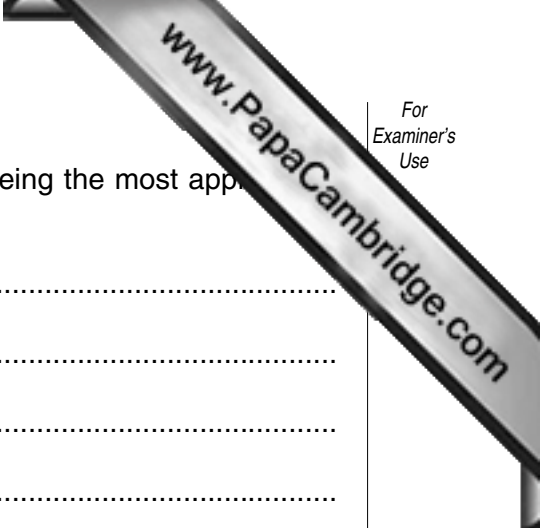
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**3 (a)** State and explain **two** ways in which Kim could deal with the problem of falling sales.

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**(b)** Which would you recommend, from your answer in **(a)**, as being the most appropriate for Kim? Give your reasons.

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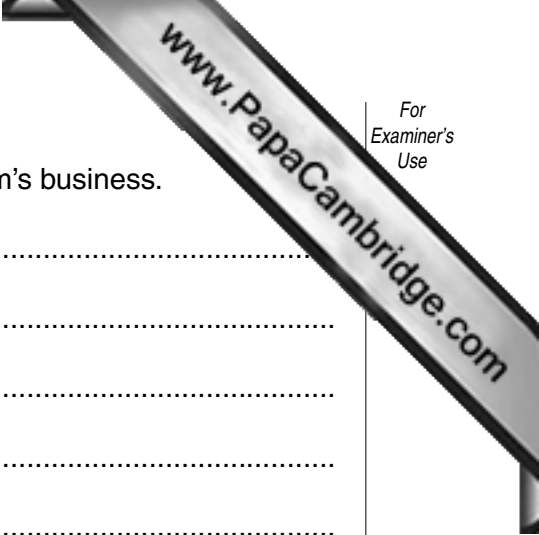
**4 (a)** Calculate:

**(i)** The change in output per worker per shift between 2000 and 2001.

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**(ii)** The wage cost per suit in both 2000 and 2001.

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**(b)** Explain how this change in wage cost per suit could affect Kim's business.

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