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**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.



## Dilip's Washing Products (DWP)

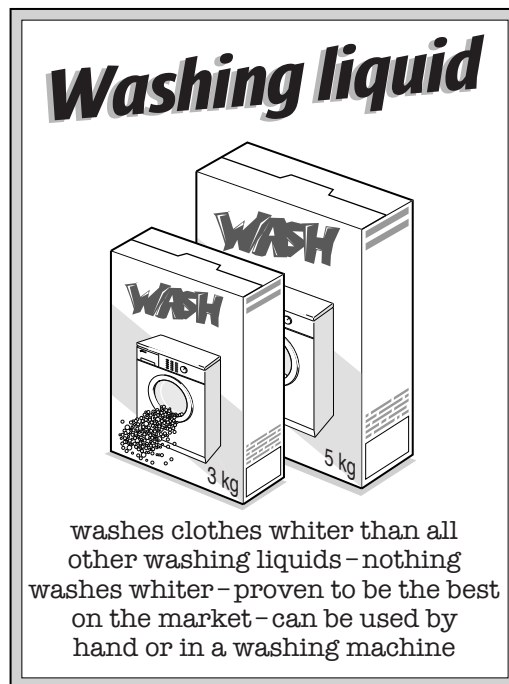
Dilip started DWP 5 years ago as a sole trader. The business makes liquid soap for washing clothes. The products are sold to wholesalers in country X who then supply small shops. Competitors sell their products to large supermarkets.

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



**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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