Solutions

2.1

- Fixed cost.

2.2

- $5 \times 80 = 400$.

2.3

- Revenue = \$400.
- Variable costs = $2 \times 80 = 160$.
- Profit/loss = $400 - 160 - 300 = -60$, so it is a \$60 loss.

3.1

- It estimates sales revenue and costs before money is committed.
- The student can see the number of cases needed to cover fixed costs.
- It can reveal a likely cash or profit problem early.
- The student can change price, costs, or sales targets using evidence.

3.2

- Revenue = $40 \times 12 = 480$.
- Variable cost = $40 \times 5 = 200$.
- Total cost = $200 + 350 =$ \$550.
- The target is not enough: it gives a \$70 loss, so more sales, a higher price, or lower costs are needed.