

Exercise walk-through

4.4

Location decisions

IGCSE Business Studies

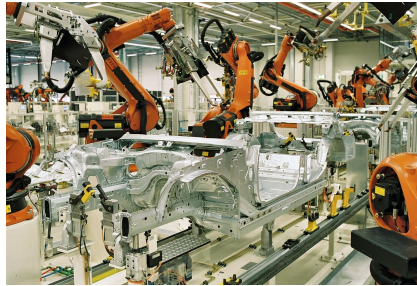
Productivity and lean production

productivity

output per worker; raise it with training, technology & motivation

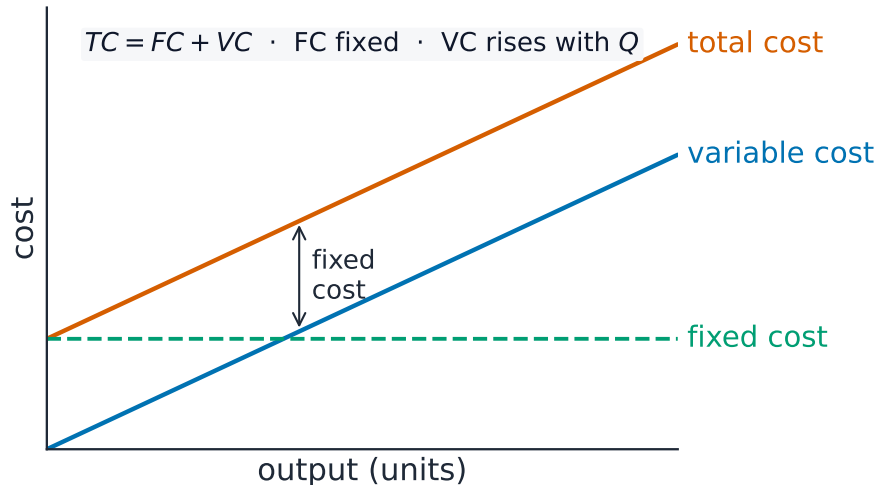
lean production

cut all waste; **just-in-time** holds little **inventory**



Industrial robots

Types of cost



- **fixed costs** do not change with output – rent, salaries, insurance. You pay them even if you make nothing.
- **variable costs** change with **output** – materials, and pay for each item made. More output means more variable cost.
- **total cost** is fixed costs plus variable costs.
- **average cost** is the total cost divided by the number

Exam tips

- Match the production methods: **job** (one-off items to order), **batch** (a group, then switch to another), **flow** (non-stop mass production on a line).
- Learn the formulas: $\text{total cost} = \text{fixed} + \text{variable}$; $\text{average cost} = \text{total cost} \div \text{output}$; $\text{total revenue} = \text{price} \times \text{quantity}$; $\text{profit} = \text{total revenue} - \text{total cost}$.
- **Break-even output** = $\text{fixed costs} \div (\text{selling price} - \text{variable cost per unit})$. How far actual output is above break-even is the **margin of safety**.
- Break-even analysis assumes everything made is sold at one fixed price and cost, so it is only a guide.
- **Quality control** checks finished goods at the end; **quality assurance** builds quality in at every stage.

Exercises 2.1-2.3

2.1 Identify two factors a manufacturing business considers when choosing a location. [2]

2.2 State one location factor that matters most to a service business. [1]

2.3 State one reason a business might locate in another country. [1]

Exercises 2.1-2.3

2.1 Identify two factors a manufacturing business considers when choosing a location.[2]

2.1

- any **two** of: near raw materials / near the market / land cost / labour / transport / grants (K, K)

2.2 State one location factor that matters most to a service business. [1]

2.2

- a service business: **nearness to customers** (or passing foot traffic) (K)

2.3 State one reason a business might locate in another country. [1]

2.3

- any **one** of: new customers / lower wages or rent / nearer raw materials / avoid tariffs (K)

Exercises 3.1-3.2

3.1 Identify two factors that affect the location of a shop.

[2]

3.2 Explain two factors a manufacturer should consider when choosing where to locate its factory.

[6]

Exercises 3.1-3.2

3.1 Identify two factors that affect the location of a shop. [2]

3.1

- any **two** of: near customers / passing traffic / nearby shops / the rent (K, K)
-

3.2 Explain two factors a manufacturer should consider when choosing where to locate its factory. [6]

3.2

- for **each** of two factors: K + An, max 3 each
- e.g. **near raw materials**: heavy materials costly to move → locating nearby cuts transport
- e.g. **suitable labour**: enough skilled workers nearby → the factory can be staffed

Exercise 3.3

3.3 A manufacturer is deciding whether to move its factory to a country with lower wages. Do you think it should move? Justify your answer. [6]

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3.3

- **for moving:** lower wages cut costs; may reach new customers
- **against:** different laws and languages, higher transport back, loss of quality/control
- **judgement (Ev):** move only if the wage saving outweighs the risks and quality can be kept