1 FBM is a boat building business. It has 100 skilled employees. The Operations Director is concerned that FBM holds a high level of inventory. She is also concerned that the business is starting to experience diseconomies of scale. The Finance Director has been asked to analyse FBM's cost and output data. An extract is shown in Table 1.1.

Table 1.1

Extract from FBM's cost and output data	
Variable costs per unit	$5000
Fixed costs per year	$600 000
Number of boats made each year	300

(a) Define 'diseconomies of scale'.

....

....

....

.... [2]

(b) Identify **two** ways a business can use cost data to help make decisions.

Way 1: ....

....

Way 2: ....

.... [2]

(c) Identify **four** fixed costs a business might have.

Fixed cost 1: ....

....

Fixed cost 2: ....

....

Fixed cost 3: ....

....

Fixed cost 4: ....

.... [4]

(d) Explain **one** advantage and **one** disadvantage to FBM of holding a high level of inventory.

Advantage: ....

....

Explanation: ....

....

....

....

Disadvantage: ....

....

Explanation: ....

....

....

.... [6]

(e) Do you think customers have a more important role in the success of a business than its employees? Justify your answer.

....

....

....

....

....

....

....

....

....

....

....

.... [6]