

3 SBL is a fast food restaurant which sells 900 chicken burgers each week. It has 14 employees. The owner, Vicki, provides her employees with training but does not currently use delegation. She is preparing a break-even chart to help calculate SBL's margin of safety. A partially completed break-even chart is shown in Fig. 3.1. Vicki wants to know how an economic recession might affect her business.

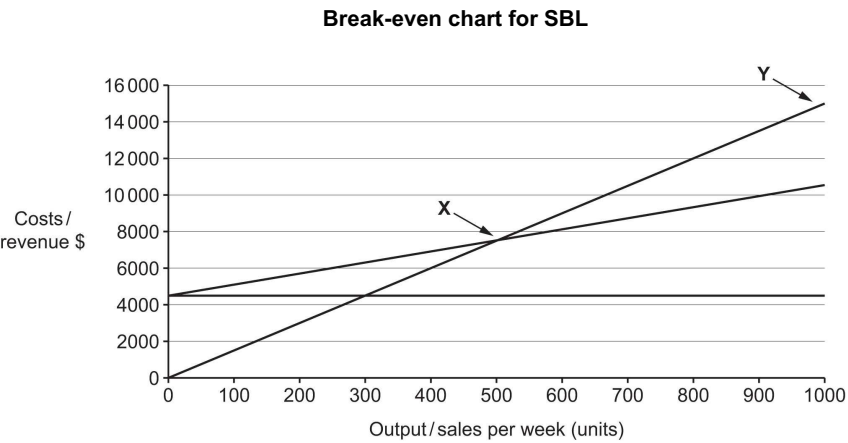


Fig. 3.1

- (a) Identify X and Y.
- X:
- Y:
- [2]
- (b) Define 'margin of safety'.
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- [2]

- (c) Outline **two** advantages of Vicki delegating tasks to her employees.
- Advantage 1:
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- Advantage 2:
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- [4]
- (d) Explain **two** possible effects an economic recession might have on Vicki's business.
- Effect 1:
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- Explanation:
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- Effect 2:
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- Explanation:
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- [6]

[illegible]

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(d) Explain **two** possible diseconomies of scale as TLA grows.

Diseconomy of scale 1:

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Explanation:

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Diseconomy of scale 2:

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Explanation:

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[6]

(e) Do you think the advantages of managers using a democratic leadership style are greater than the disadvantages for a business? Justify your answer.

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[6]

2 (a) Explain **two** functions of management for CC's new manager.

Function 1:

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Explanation:

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Function 2:

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[8]

(b) Consider how a decrease in interest rates and an increase in taxes in country P could affect CC. Which is likely to have the biggest effect on CC's profit? Justify your answer.

Decrease in interest rates:

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Increase in taxes:

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Conclusion:

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[12]

2 (a) Explain **two** effects of BB having a short chain of command.

Effect 1:

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Explanation:

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Effect 2:

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Explanation:

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[8]

(b) Consider the following **three** extension strategies BB could use for its best-selling product. Which strategy should BB use? Justify your answer.

- Adding new features
- Start selling in toy shops
- Television advertising campaign

Adding new features:

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Start selling in toy shops:

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Television advertising campaign:

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Recommendation:

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