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.

Break-even chart for SBL

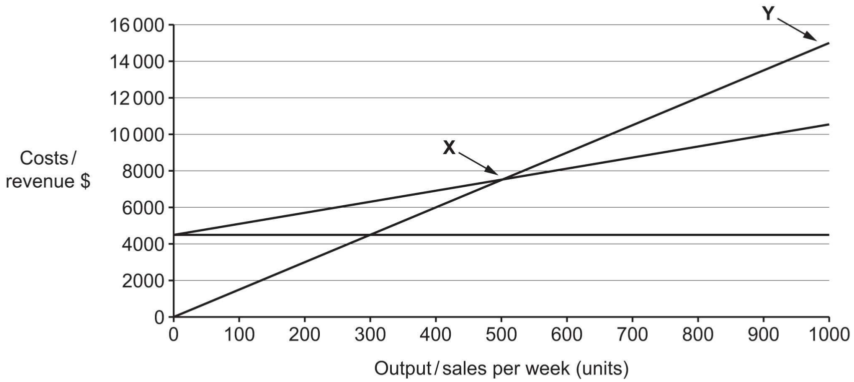

Fig. 3.1

(a) Identify **X** and **Y**.

X: ....

....

Y: ....

.... [2]

(b) Define 'margin of safety'.

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....

.... [2]

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(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]

(e) Explain **two** methods of training a business might use. Which is likely to be the best method for a service business to use? Justify your answer.

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.... [6]

4 DJU manufactures clothing including jeans and trousers. There are 90 employees working in its factory. DJU uses specialisation when making its products. The Managing Director is reviewing DJU's cost and output data. An extract is shown in Table 4.1. She wants to know how lower interest rates might affect the business. DJU's directors are considering different ways a business could grow including taking over a competitor.

Table 4.1

Extract from DJU's cost and output data (per week)	
Fixed costs	\$400 000
Total costs	\$595 000
Total output	85 000 units

(a) Define 'fixed costs'.

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.... [2]

(b) Calculate DJU's average cost per unit per week. Show your working.

Working: ....

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Final answer: .... [2]

(c) Outline **two** ways lower interest rates might affect DJU.

Way 1: ....

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Way 2: ....

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.... [4]

(d) Explain **one** advantage and **one** disadvantage to DJU of using specialisation when making its products.

Advantage: ....

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Explanation: ....

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Disadvantage: ....

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Explanation: ....

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.... [6]

(e) Do you think the advantages of taking over a competitor are greater than the disadvantages? Justify your answer.

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.... [6]

1 BPT manufactures bicycles in country A. It uses batch production. The Operations Director is preparing a break-even chart for one of BPT's bicycles, as shown in Fig. 1.1. The directors are considering ways to lower BPT's break-even level of output. BPT imports 60% of its raw materials and exports its bicycles to 8 countries. The Managing Director wants to know how a depreciation in country A's exchange rate and the introduction of import tariffs might affect BPT.

Partly completed break-even chart for one of BPT's bicycles

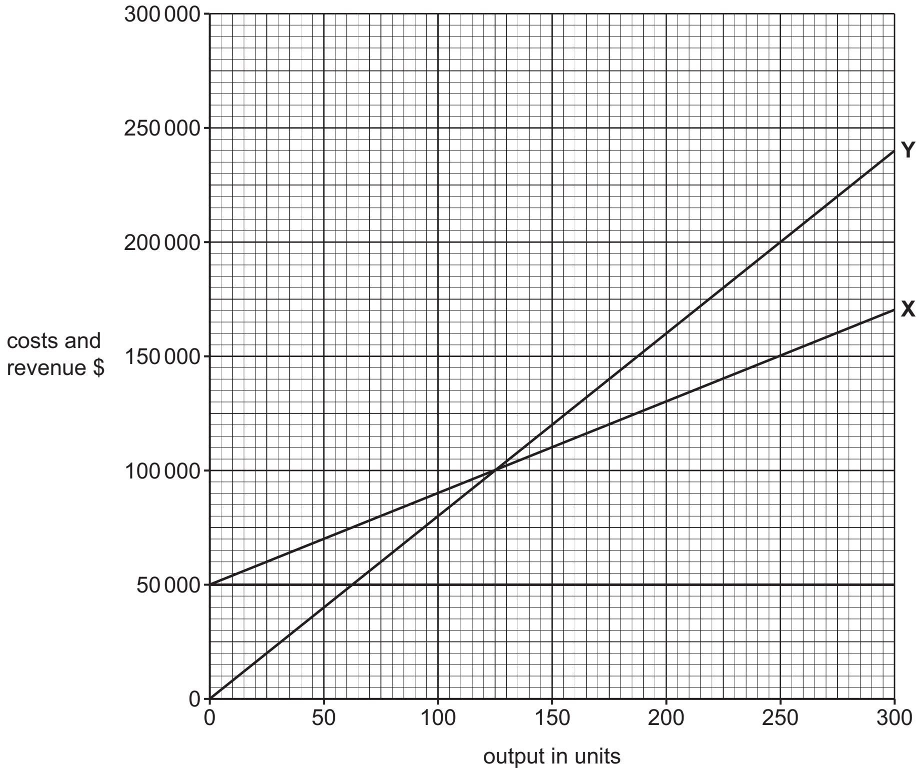

Fig. 1.1

(a) Identify the lines labelled **X** and **Y** in Fig. 1.1.

X: ....

....

Y: ....

.... [2]

(b) Define 'import tariff'.

....

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.... [2]

(c) Outline **two** ways BPT could lower its break-even level of output.

Way 1: ....

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....

Way 2: ....

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.... [4]

(d) Explain **two** ways a depreciation in country A's exchange rate might affect BPT.

Way 1: ....

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Explanation: ....

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Way 2: ....

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Explanation: ....

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.... [6]

(e) Do you think batch production is the best method of production for a business to use? Justify your answer.

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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'.

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.... [2]

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

Way 1: ....

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Way 2: ....

.... [2]

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

Fixed cost 1: ....

....

Fixed cost 2: ....

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Fixed cost 3: ....

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Fixed cost 4: ....

.... [4]

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

Advantage: ....

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Explanation: ....

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Disadvantage: ....

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Explanation: ....

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.... [6]

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

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