Solutions

Marking: **K** knowledge, **App** use of the case or data, **An** analysis (a chain of reasons: cause, then effect), **Ev** evaluation (a judgement with a reason). In calculations, **M1** is for the method and **A1** for the answer; **B1** is an independent mark.

Each answer shows the steps, then the **result**.

2.1

(a) inbound logistics; (b) operations

(c) outbound logistics; (d) marketing and sales

(e) service

2.2

contribution $= (1 - 0.45) \times 24 =$ £**13.20**

break-even $= \dfrac{1{,}320}{13.20} =$ **100** hampers a week

2.3

profit $= 12{,}000 - 10{,}200 =$ £**1,800**

cash $= (12{,}000 - 1{,}500) - (10{,}200 - 900) = 10{,}500 - 9{,}300 =$ £**1,200**

2.4

create: fresh bread with no queue and a reserved loaf

deliver: pick-up shelves at set times

capture: a monthly fee paid in advance, which also helps Nimbus plan baking

3.1

(a) $0.45 \times 36 =$ £**16.20**; $\dfrac{4{,}050}{16.20} =$ **250** subscribers

(b) $320 \times 16.20 - 4{,}050 = 5{,}184 - 4{,}050 =$ £**1,134**; margin of safety $320 - 250 =$ **70** subscribers

3.2

(a) $40{,}000 - 31{,}000 =$ £**9,000**

(b) received $40{,}000 - 7{,}000 =$ £33,000; paid $31{,}000 - 6{,}000 + 2{,}500 =$ £27,500; cash £**5,500**

(c) profit matches costs to the month they belong to; cash counts when money moves (K); the hotel debt and the prepaid rent hold back cash, the flour credit adds it: $9{,}000 - 7{,}000 + 6{,}000 - 2{,}500 = 5{,}500$ (An)

3.3

(a) P: $2{,}000 \times 5.45 - 9{,}000 =$ £**1,900**; break-even $\dfrac{9{,}000}{5.45} =$ **1,652** baskets

Q: $700 \times 6.10 - 2{,}600 =$ £**1,670**; break-even $\dfrac{2{,}600}{6.10} =$ **427** baskets

(b) P: $\dfrac{2{,}000 - 1{,}652}{2{,}000} =$ **17**%; Q: $\dfrac{700 - 427}{700} =$ **39**%

(c) **Q**: almost the same profit with far more room for error (Ev); value chain: pre-order lets operations bake to order, cutting waste, and needs no new lease (App); P only if demand evidence shows the third site will reach 2,000 baskets

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