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

$CM = £\mathbf{3}$

ratio $\dfrac{3}{8} = \mathbf{37.5}\%$

2.2

$\dfrac{6{,}000}{3} = \mathbf{2{,}000}$ units

$2{,}000 \times 8 = £\mathbf{16{,}000}$

2.3

$\dfrac{6{,}000 + 3{,}000}{3} = \mathbf{3{,}000}$ units

2.4

600 units, $\dfrac{600}{2{,}600} = \mathbf{23.1}\%$

contribution 7,800, profit 1,800

leverage $\dfrac{7{,}800}{1{,}800} = \mathbf{4.33}$

3.1

(a) $CM = £2.90$; $\dfrac{4{,}200}{2.90} = 1{,}448.3$, so **1,449** meals

(b) $\dfrac{10{,}200}{2.90} = 3{,}517.2$, so **3,518** meals; a rise of **17**%

(c) a 7.7% price cut must win 17% more meals, which needs very elastic demand; if the rival also cuts, the extra meals may not come

3.2

(a) pre-tax $\dfrac{9{,}000}{0.75} = 12{,}000$; $\dfrac{16{,}200}{3.40} = 4{,}764.7$, so **4,765** meals; below 6,000, so possible without the step

(b) break-even 1,236; $\dfrac{5{,}000 - 1{,}236}{5{,}000} = \mathbf{75.3}\%$

3.3

(a) bundle $CM = 0.5 \times 3.50 + 0.5 \times 2.00 = £2.75$; $\dfrac{5{,}500}{2.75} = 2{,}000$ bundles: **1,000** of each

(b) $CM = 0.3 \times 3.50 + 0.7 \times 2.00 = £2.45$; $\dfrac{5{,}500}{2.45} = 2{,}244.9$, so **2,245**

(c) **4**: the deal lowers the average margin, so break-even rises by about 12% (App); it is worth it only if total meals rise enough: each extra Delta adds only £2.00 (An); risks: the supermarket's power over price, and Gamma customers switching (K); judgement, e.g. accept if total volume rises by more than about 12%, with a review (Ev). **2–3**: the mix effect explained, weak judgement. **1**: one relevant point.

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