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

relevant: (b), (d)

not relevant: (a), (c)

2.2

extra cost £3.30 a meal

gain $0.50 \times 500 =$ £**250**

accept

2.3

avoidable cost $3.10 + \dfrac{300}{1{,}000} =$ £3.40

$3.40 < 3.90$: **make**

2.4

the line adds $6{,}000 - 2{,}000 =$ £**4**,**000** to profit

keep it: closing it lowers profit by £4,000

3.1

(a) need $600 + 500 = 1{,}100$ kg > 900; Alpha £8.67/kg, Beta £9.00/kg

(b) Beta first: 2,500 meals, 500 kg; 400 kg left: $\dfrac{400}{0.30} =$ **1**,**333** Alpha; plan **2**,**500** Beta and **1**,**333** Alpha

(c) $2{,}500 \times 1.80 + 1{,}333 \times 2.60 =$ £**7**,**966**

3.2

(a) gain $1.25 \times 800 =$ £1,000; lost contribution $3.40 \times 800 =$ £2,720; profit falls by £**1**,**720**: reject

(b) $3.25 + 3.40 =$ £**6.65** a meal

3.3

(a) $5{,}100 - 1{,}800 - 2{,}800 - 900 =$ −£**400**

(b) keep: $5{,}100 - 1{,}800 =$ £3,300 a month; close: rent income £1,200; keeping is better by £**2**,**100** a month

(c) **4**: the rent share and depreciation stay either way, so the "loss" misleads (App); the one-off £8,000 equals under 4 months of the £2,100 gap (An); other factors: customers of the line, staff morale, spare capacity for growth (K); judgement: keep the line unless its sales are expected to fall soon (Ev). **2–3**: relevant costs used, weak judgement. **1**: one relevant point.

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