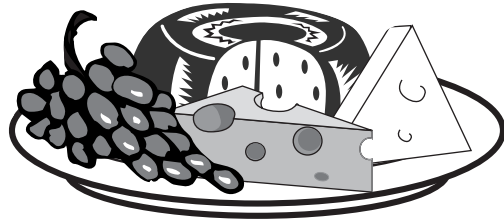


Answer **all** questions.

Read and use **Data A** to help you answer Questions 1 to 4.

Data A

Rhiann Lacey spent over 10 years working in the dairy products industry. By 2000, she was the manager of the Edinburgh branch of a small chain of cheese shops. After 18 months in the job, Rhiann decided she wanted to open her own cheese shop in her home town of Dunbar. The only real competition was from the town’s supermarket which had a cheese counter.



Rhiann estimated that her new venture would cost £65 000 to set up. She had £20 000 of savings that she was willing to invest in the business. She felt that a bank could be persuaded to lend her the rest of the money. Rhiann was determined to set up as a sole trader, but knew that one of her friends, Angus, who had savings of £25 000 was interested in starting up a similar business.

1 Describe **three** possible reasons why Rhiann decided to open her own cheese shop.

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(6 marks)

6

Read and use **Data C** to help you answer Questions 7 to 9.

Data C

Rhiann opened her shop, the ‘Cheese Board’ in November 2001. Her main supplier was a specialist cheese wholesaler. She also bought directly from a local farm, that had won awards for the quality of its speciality cheeses. Rhiann knew it was vital to control her stocks. She also knew that it was important to control her cash flow and to maintain quality.

In the first three months after opening the ‘Cheese Board’, 95 % of her total sales were to individual customers calling at the shop. However, within six months she had increased her sales to hotels and restaurants to 20 % of her total sales.

7 Using Rhiann’s cheese shop business as an example, explain the term ‘channels of distribution’.

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(5 marks)

5

Turn over for the next question

Turn over ►

Read and use **Data D** to help you answer Questions 10 to 12.

Data D

At the end of her fourth year in business Rhiann was considering expanding her business. She reviewed her financial position by using the following figures from her accounts at the end of November 2005. She compared them to figures for 2004.

	2005	2004
	£	£
Sales Revenue	150 000	140 000
Gross Profit	75 000	74 200
Gross Profit to Sales ratio	50%	53%
Net Profit	21 000	16 800
Net Profit to Sales ratio	14%	12%

In 2005, she estimated her average selling price of 1 kg of cheese at £8.50. The variable costs were £2.50 per 1 kg. Rhiann's fixed costs were £54 000.

10 (a) What is meant by the break-even point?

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(2 marks)

