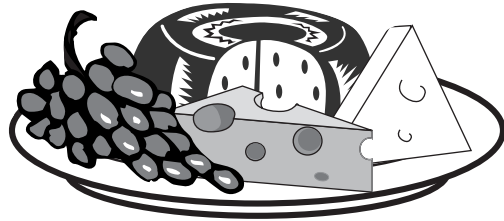


Answer **all** questions.

Read and use **Data A** to help you answer Questions 1 to 3.

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

Turn over for the next question

Turn over ►

(b) Explain why she uses more than one channel.

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(4 marks)

9

Turn over for the next question

Turn over ►

Read and use **Data D** to help you answer Questions 9 to 11.

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		53%
Net Profit	21 000	16 800
Net Profit to Sales ratio		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.

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

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(2 marks)

