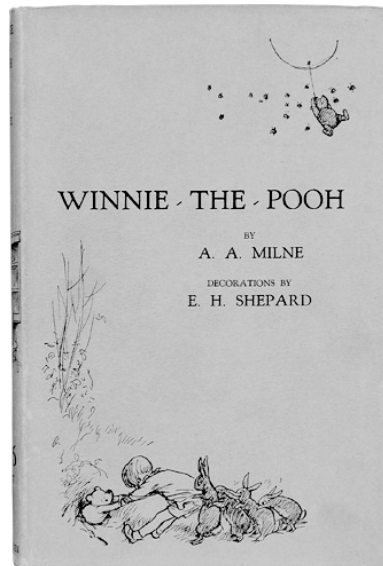




**Read this page, then answer the questions which follow.**

### **Context**

Across the world, people (known as book collectors) buy rare books. These books are often quite old. They can be very valuable if only a few original copies are left. For example, a rare copy of the children's book 'Winnie The Pooh', originally published over 80 years ago for less than £1, was recently bought by a book collector for £3 000.



Hari Petersen buys and sells rare books. *Hari Petersen Books (HP Books)* started in 1959 when Hari's father began selling rare books from a market stall. Hari became a partner in 1967. By 1991 Hari was running the business as a sole trader and had opened a shop in London. There are now over 10 000 rare books for sale in the *HP Books* shop.

Specialist employees work in the shop. There is a monthly *Hari Petersen* catalogue containing details of books for sale, which is posted to existing customers, and a website where book collectors can see details of the rare books and buy them.

Some rare books bought by *HP Books* are in poor condition. Therefore, Hari plans to set up another business, *Petersen Bindery*. At *Petersen Bindery*, Hari will employ experts to re-bind (put new covers on) books where the covers need repairing or replacing.



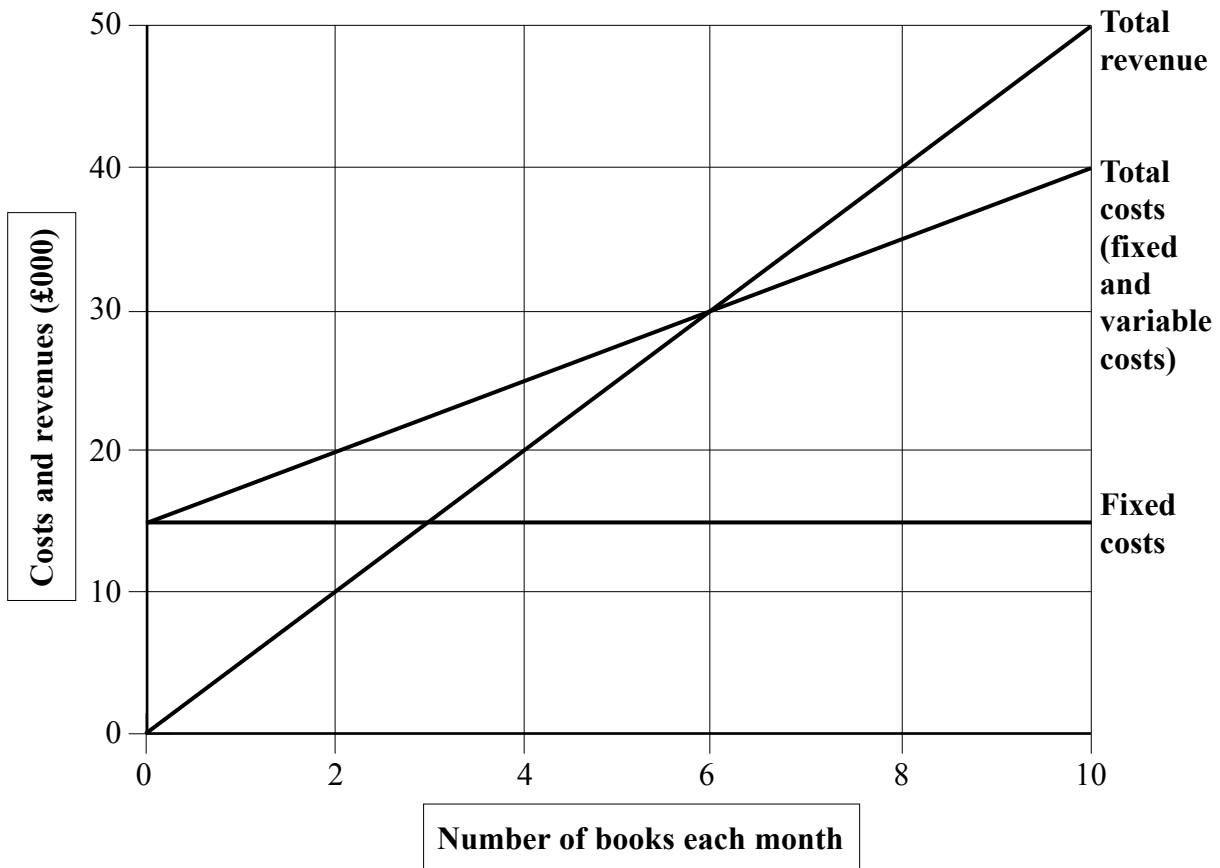
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1. Hari is setting up *Petersen Bindery*, a business that will re-bind (put new covers on) books. This will allow Hari to sell these books at higher prices.

Hari has constructed the break-even chart below for *Petersen Bindery*.

**Break-even chart for *Petersen Bindery***



(a) Using the chart

- (i) what would be the break-even number of books?

..... (1)

- (ii) what would be the break-even revenue?

£ ..... (1)



(iii) what is the profit or loss for *Petersen Bindery* if it re-binds and sells

- 4 books each month
- 10 books each month?

In each case, state whether it is a profit or a loss.

4 books .....

10 books .....

(4)

(b) What is the difference between fixed costs and variable costs?

.....  
.....  
.....  
.....

(2)

Hari is employing experts to re-bind the books, which he will sell in the *HP Books* shop. The new covers for the books will be made from expensive leather.

(c) Name **one** likely fixed cost and **one** likely variable cost for *Petersen Bindery*.

.....  
.....  
.....  
.....

(2)

(d) Name **two** financial rewards that Hari might give employees of *Petersen Bindery*.

.....  
.....  
.....  
.....

(2)













3. Hari and his father used to be in partnership. However, Hari's father died in 1991. Hari now runs *HP Books* as a sole trader.

Hari considered the following factors when deciding to run *HP Books* as a sole trader.

- Control
- Use of profits.

(a) Analyse how **one** of the above factors might have encouraged Hari to run *HP Books* as a sole trader rather than to look for another partner.

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(4)





