

Answer ALL the questions. Write your answers in the spaces provided.

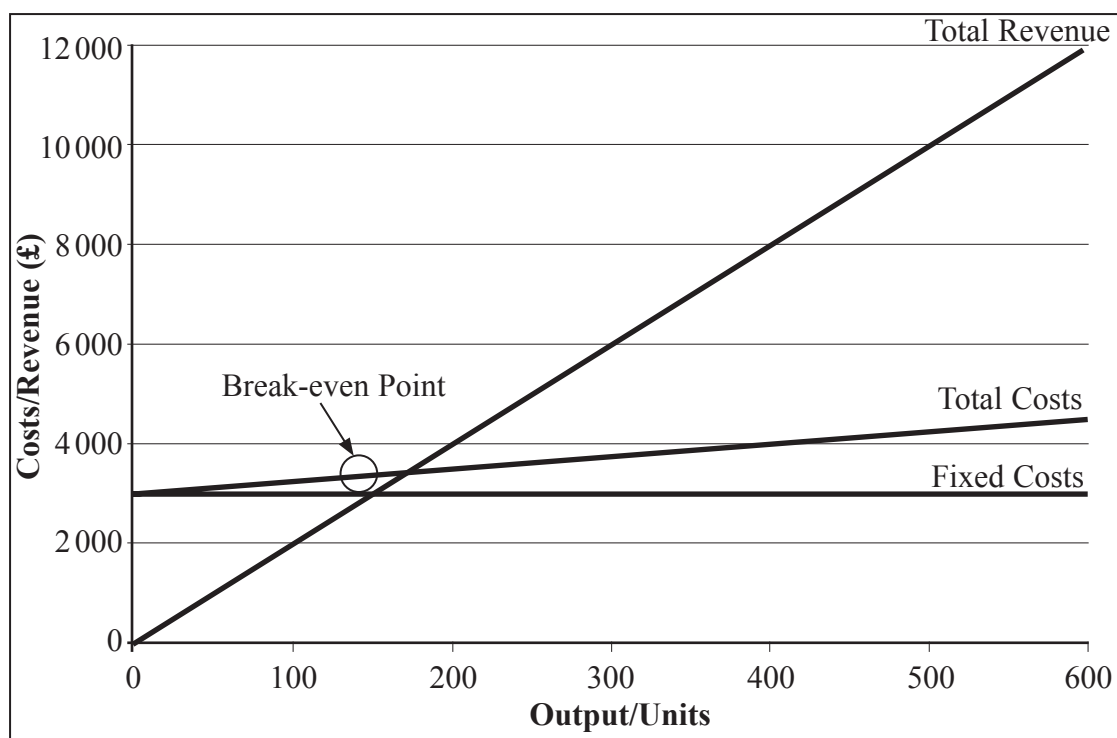
1. Economies of scale can be either internal or external.

(a) In the table below, indicate with a cross in a box (☒) whether the economy of scale is internal or external. If you change your mind about an answer, put a line through the box (☒) and then indicate your new answer with a cross (☒).

Economy of scale	Internal	External
Trading	☒	☒
Location	☒	☒
Skilled labour availability	☒	☒
Financial	☒	☒
Managerial	☒	☒

(5)

Having drawn the break-even chart below, Balbao thinks that the selling price of £20 is higher than it needs to be and that it should be decreased.



(b) How will a decrease in the selling price affect the Total Revenue line, the Total Costs line and the Break-even Point?

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(5)

Apple, a manufacturer of electronic products, sold the first iPhone in the United Kingdom (UK) in November 2007 after a large-scale marketing campaign. Its selling price was £269 and it was only available from one mobile telephone company, O₂. Apple used the skimming pricing strategy.

(c) Analyse why the skimming pricing strategy was used by Apple for the sale of iPhones in the UK.

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All limited companies have to produce an annual Trading and Profit and Loss Account.

(d) Discuss how a Trading and Profit and Loss Account could be used to assess the performance of a business.

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(5)

(Total 20 marks)

Q1

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2. Governments can influence business activity. One way this can be done is by tariffs.

(a) (i) What is a tariff?

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(1)

(ii) List **four** benefits for the country setting the tariff.

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(4)



A large retail chain has the following hierarchical structure. The number in brackets shows the number of people in that position.



(b) Using the chart above, explain why this is a hierarchical structure.

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(5)



Businesses pay their employees a wage or a salary. Sometimes businesses will further reward their employees by paying commission and bonuses.

(c) Show the difference between commission and bonus as methods of rewarding staff.

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Good communication is an important aspect of business success. However, many businesses are not good at communicating with their employees.

(d) Consider the possible effects on a business if it has poor communication with its employees.

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(5)

Q2

(Total 20 marks)

TOTAL FOR PAPER: 40 MARKS

END

