

Read this page, then answer the questions which follow.

Context

HH Ltd is a private limited company that makes pianos, organs and other keyboard instruments. Its main factory and offices are located in the United Kingdom.

HH Ltd is organised into different departments. Each department is under the control of a specialist manager. It is a company that is rapidly growing as it continues to benefit from economies of scale.

HH Ltd carries out primary (field) and secondary (desk) market research to discover trends in the demand for keyboard instruments. The company is researching into new electronic keyboard instruments so that it can compete successfully with other manufacturers.

HH Ltd supplies the instruments it makes directly to shops specialising in selling musical instruments. *Keitel's* is a chain of shops that sells musical instruments, and is a customer of *HH Ltd*.



Answer ALL the questions.

**For each of the questions (i) – (v), indicate your answer by marking the box (☒).
If you change your mind, put a line through the box (☒) and then indicate your new
answer with a cross (☒).**

1. (a) (i) The business taxes paid by *HH Ltd* are set and changed by

- A competitors
- B customers
- C government
- D suppliers

(ii) Using lean production methods will help lower *HH Ltd's*

- A capital
- B commission
- C communications
- D costs

(iii) The Sales Manager at *HH Ltd* is paid a one-off sum of money at the end of the year if sales targets are met. This is known as a

- A bonus
- B payslip
- C salary
- D wage

(iv) As a manufacturer, *HH Ltd* is in the

- A primary sector
- B secondary sector
- C tertiary sector
- D public sector



(v) An example of an asset that *HH Ltd* will have is

- A capital
- B cash
- C salaries
- D sales

(5)

The directors of *HH Ltd* are meeting to discuss its market segments and market share. They will also discuss ‘below the line’ promotional techniques.

(b) (i) What is the difference between ‘market segments’ and ‘market share’?

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(2)

(ii) Name **two** ‘below the line’ promotional techniques.

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(2)

HH Ltd benefits from economies of scale.

(c) (i) Define the term ‘economies of scale’.

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(2)



(ii) Identify from the context on page 2 **one** statement that suggests *HH Ltd* benefits from economies of scale.

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(1)

(d) How could *HH Ltd* benefit from the following two economies of scale?

(i) Financial

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(3)

(ii) Managerial

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(3)

HH Ltd uses methods such as lean production and Just In Time (JIT) stock control.

(e) What is meant by ‘JIT stock control’?

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(2)

(Total 20 marks)

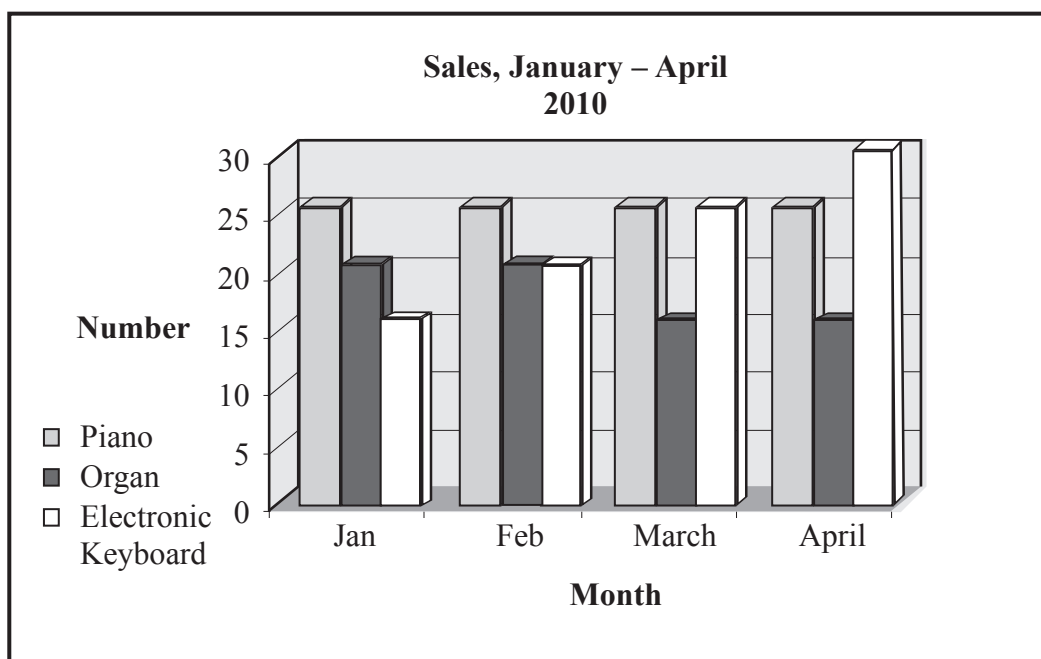
Q1

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2. *Keitel's* is a chain of shops that sells musical instruments made by *HH Ltd.*

The following chart shows recent sales figures for three types of instruments sold by *Keitel's*.



(a) (i) Identify the month in which *Keitel's* sold 20 electronic keyboards.

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(1)

(ii) Calculate the total number of all instruments sold in March.

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(1)

For question (iii) indicate your answer by marking the box (☒). If you change your mind, put a line through the box (☒) and then indicate your new answer with a cross (⊗).

(iii) Identify the best-selling type of instrument in this four-month period.

Piano

Organ

Electronic Keyboard

(1)



(b) Using the information in the chart, discuss which instrument will be the best for *Keitel's* to sell in the future.

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(6)

Keitel's has a large Finance Department. One function of this department is to construct Profit and Loss Accounts and Balance Sheets.

(c) (i) What would be **two other** functions this Department would carry out at *Keitel's*?

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(4)



(ii) What is **one** difference between a Profit and Loss Account and a Balance Sheet?

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(2)

(iii) What would be **one** department, **other than Finance**, at *Keitel's*?

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(1)

One of *Keitel's* employees has money that she could invest in *HH Ltd* (a limited company) or in *Keitel's* (a partnership).

(d) Justify why the employee's investment might be safer in *HH Ltd* rather than in *Keitel's*.

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(4)

(Total 20 marks)

Q2

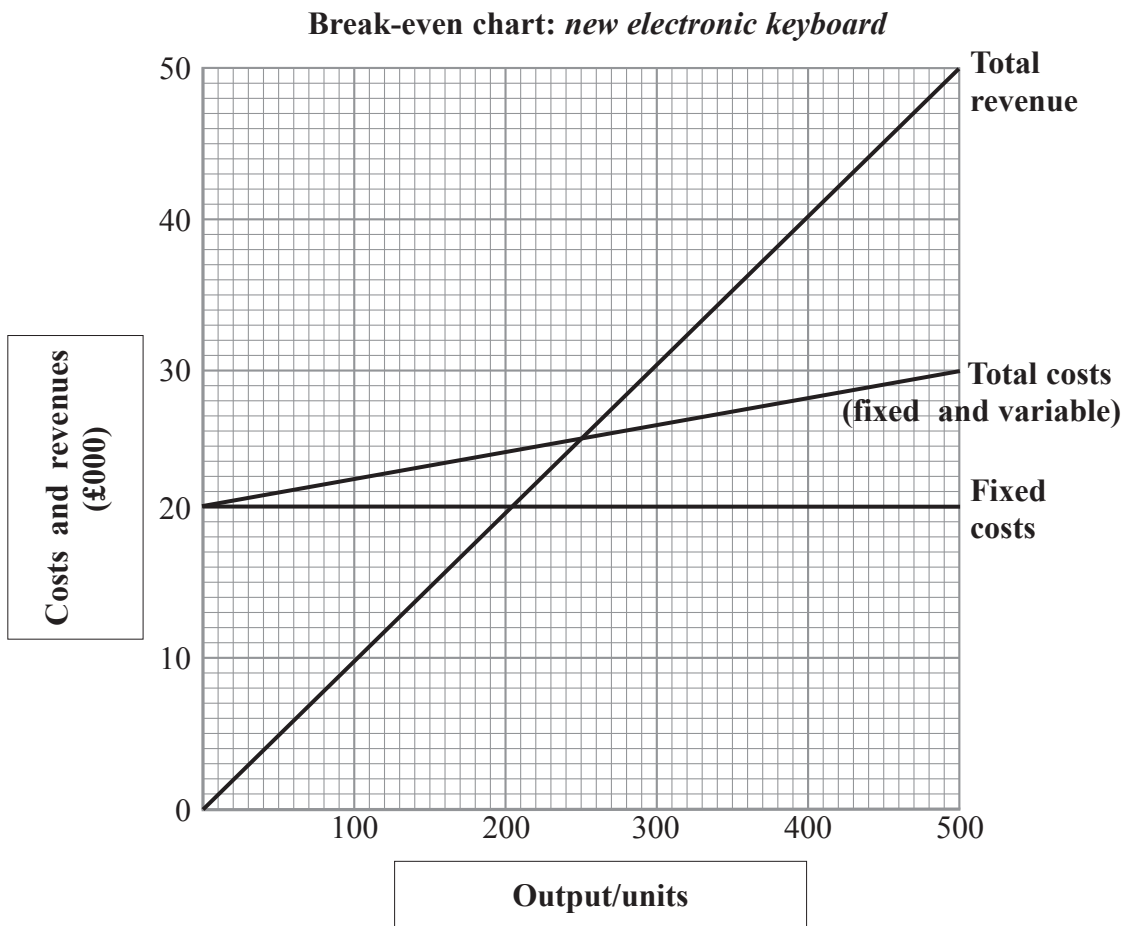
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3. The directors of *HH Ltd* are planning to make a new electronic keyboard. A break-even chart for this keyboard is shown below.



- (a) (i) What is the difference between fixed costs and variable costs?

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(2)

- (ii) Give **two** likely variable costs for *HH Ltd*.

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(2)



(b) (i) What would be the break-even output **and** the break-even revenue for the new electronic keyboard?

Break-even output

Break-even revenue £

(2)

(ii) Using the chart, identify the profit or loss if *HH Ltd* made and sold

- 200 new electronic keyboards
- 400 new electronic keyboards.

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

200

400

(4)

The directors of *HH Ltd* will want to measure the success of the new electronic keyboard.

(c) State **three** ways that they could measure whether the new electronic keyboard is successful.

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(3)

Turn over for question 3(d)



The new electronic keyboard will be sold in a very competitive market. *HH Ltd* will need to set a price for the electronic keyboard. The directors will choose one of the following pricing strategies for the electronic keyboard.

- Cost plus
- Competition.

(d) How would **each** pricing strategy work in this situation?

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(4)

The directors have now decided to price the new electronic keyboard using cost plus pricing.

(e) To what extent is this a suitable pricing strategy for the directors to use?

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(3)

Q3

(Total 20 marks)

TOTAL FOR PAPER: 60 MARKS

END

