

Break-even test (40 marks; 40 minutes)

1. How do you calculate the amount of revenue that comes in from a firm's sales? (2)

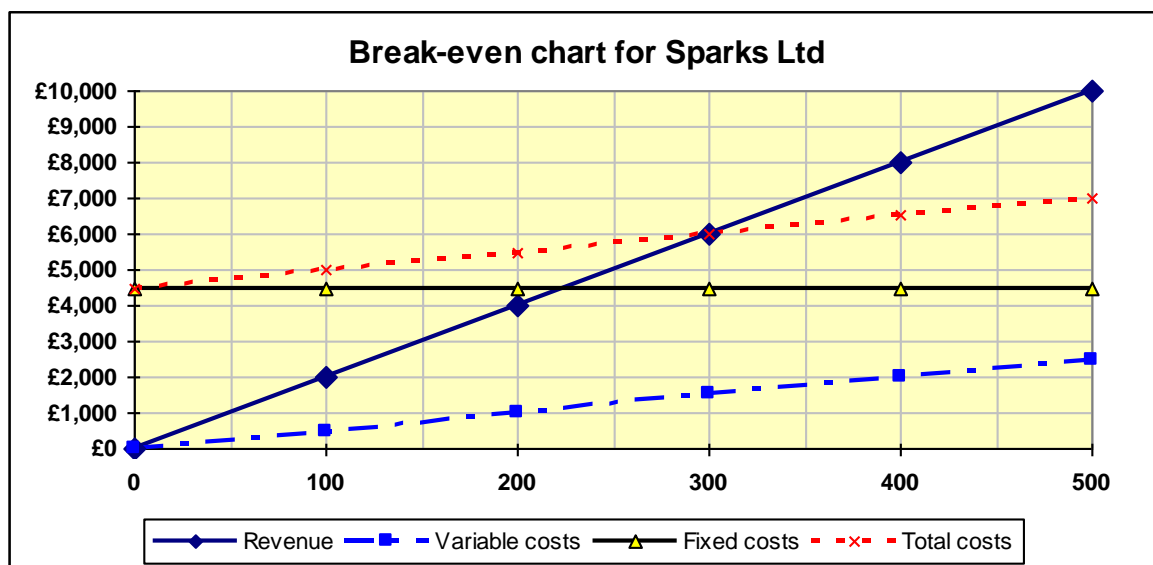
2. At a McDonalds, which of these are fixed and which are variable costs?

Burgers	Store manager's salary	
Lighting	Gas for cooking	
Paper bags	TV advertising	
Tables and chairs	Cooking equipment	(8)

3. A baker's variable costs per loaf of bread are 40p. The daily fixed costs are £120. If 250 loaves are sold at £1 each, calculate the daily:
 - a) Revenue
 - b) Total costs
 - c) Profit(6)

4. Explain the meaning of the term 'fixed costs'. (3)

5. French Connection has suffered a sharp fall in profits. Outline three ways it might act to increase its profits. (6)



6. Identify the:
 - a) Break-even level of output (1)
 - b) Profit/loss if Sparks Ltd sells all it can make (1)
 - c) Profit/loss if 100 units are sold (1)

- 7a) Explain the meaning of the term 'margin of safety'. (3)

- 7b) State the margin of safety for Sparks Ltd, if its sales are currently 400 units. (3)

8. Examine one advantage and one drawback to the use of a break-even chart when deciding whether or not to increase the selling price of a product such as a Mars bar. (6)