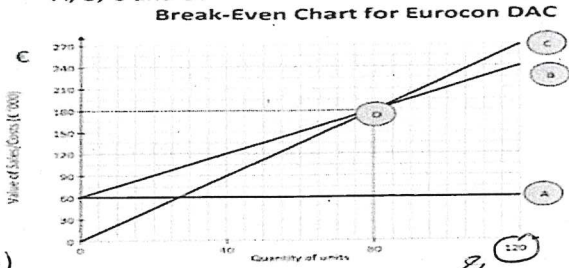


Business Opportunities Rapid Revision

1.

A.

(i) Read the Break-Even chart below and identify the full labels (not abbreviations) for A, B, C and D.



Answer Box	
	Full Label
A	Fixed Costs
B	Total Costs
C	Total Revenue
D	Break Even Point

(ii) Calculate Profit at Forecast Output of 120 units.

Workings
 $270 \text{ (TR)} - 240 \text{ (TC)}$
 $= 30,000$

Show your workings.

Profit at Forecast Output
 Answer: £30,000

B. Explain what is meant by the term 'Margin of Safety'.

This is the level at which sales can fall before a business starts to lose money.

C. Give two limitations of Break Even Analysis.

1. Assumes Fixed Costs are constant - can change - eg. rent increase
 2. Assumes Firms sell products at one price - does not take into account sales
- Does not account for external environment - eg. strikes close business

D.

The following information is supplied by Canon Ltd.

- Forecasted Output (Sales) 60,000 units
- Fixed Costs €48,000
- Selling price per unit €5
- Variable Costs per unit €2

(Show your workings)

Using the information provided calculate the following:

- (a) Total Revenue at forecasted output
 - (b) Total Costs of production at forecasted output
 - (c) Profit at forecasted output
 - (d) Breakeven point (BEP) in units
- (Answer in the Answer Box below)

Answer Box

	Workings	Answer
(a) Total Revenue at forecasted output	Forecast output \times Selling Price $60,000 \times €5$	€300,000
(b) Total Costs of Production at forecasted output	Fixed Costs + Variable Costs $€48,000 + (60,000 \times €2 \text{ per unit})$	€168,000
(c) Profit at forecasted output	$TR - TC = 300,000 - 168,000$	€132,000
(d) Breakeven point (BEP) in units (It is not necessary to draw a break-even chart)	$\frac{\text{Fixed Costs}}{\text{Contribution per unit}} =$ $\frac{48,000}{€5 \text{ (SP)} - €2 \text{ (VC)}} = \frac{48,000}{3}$	Units 16,000 units

2. Put the stages of the product development process in the correct order using the definitions below.

<u>Idea Generation</u>	Search for possible product ideas, brainstorming is a tactic that is often used
<u>Product Screenings</u>	Selecting the product ideas which have the best potential for sales. The products that are selected at this stage have the greatest potential for development. Care must be exercised not to reject products which if developed could be marketed successfully. SWOT Analysis can be used.
<u>Concept Development</u>	Developing basic ideas into a detailed version of the new product- USP needed.
<u>Feasibility Study</u>	This looks in detail at the product's commercial possibility. Can the product be produced at a cost and sold at a price, which will enable a profit to be made? Consumer demand must be analysed.
<u>Prototype Development</u>	Sample or mock up product, the product is tested to see how it works and is then refined to eliminate any bugs.
<u>Test Marketing</u>	The new product is released on the market on a small scale to the target market. Consumer reaction is compiled and any necessary changes to the marketing mix must be made.
<u>Product Launch</u>	Assuming the test marketing goes well the business will commence production and the advertising and promotional campaign will be implemented.

3. List three internal and three external sources of business ideas.

Internal	External
Brainstorming	Competitors
Intropreneurs hip	Trade Shows
Hobbies & Interests	Customer Feedback
Research + Development	- Import Substitution / - Media - Family or Friends

4. Explain three benefits of Market Research for a business.

1. Saves money - Establishes whether there will be a demand in a market. Will consumers be interested in a product - don't want to waste money.
2. Identifies Competitors - It can let a business know who is in their market - their strengths and develop a USP to attract customers.
3. Identifies Target Market - It can identify who will likely be your customers - their perception of the brand and price they would pay.

5. Name one advantage and one disadvantage of both Field and Desk Research below.

Field Research	Desk Research
Adv: Tailored to you / up to date / Don't have to share - competitive advantage	Adv: Cheaper / Obtained quickly / Volume of data available
Disadv: Costly / Takes time that could be used elsewhere.	Disadv: No control of accuracy / Out of date quickly / Competitors also have access.