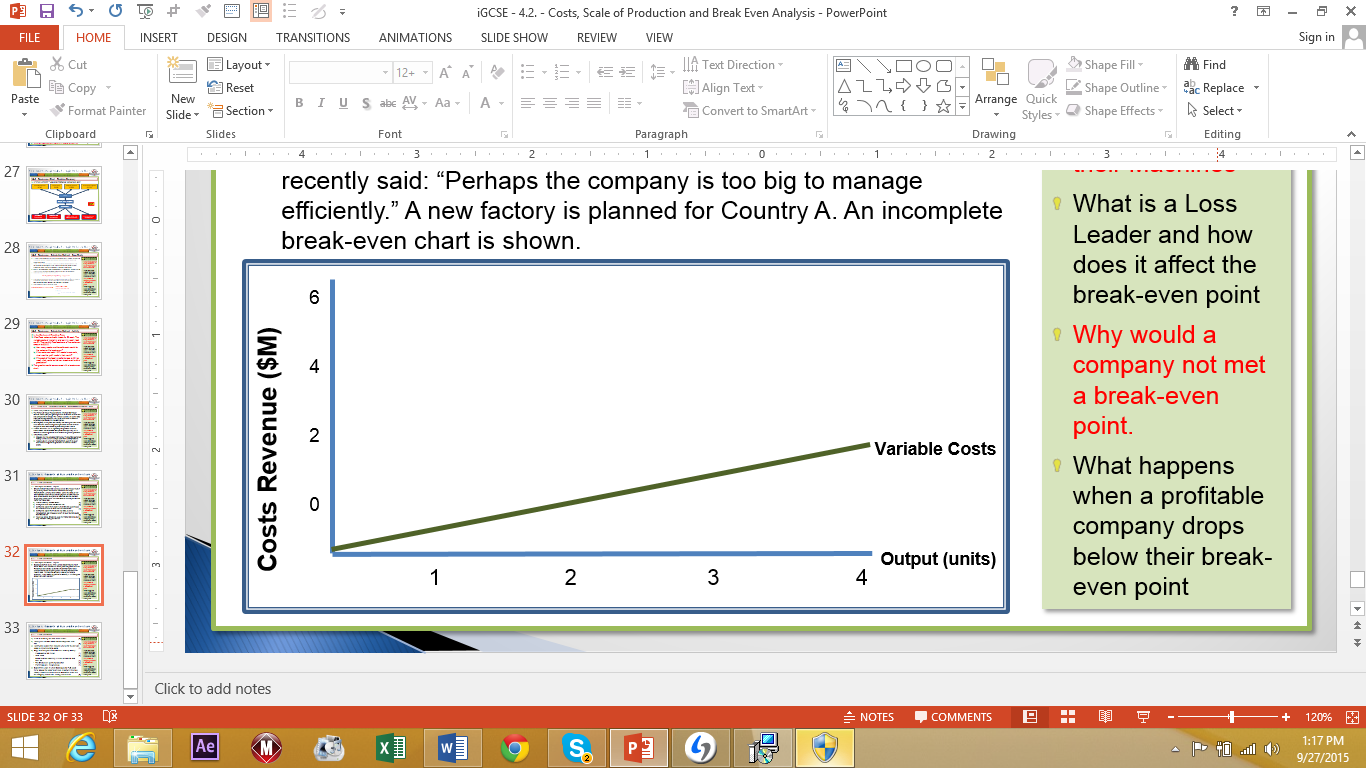
1. Onesha rents a market stall selling jewellery. She makes most of the jewellery herself but she also buts items from large manufacturers. Her only other variable cost is the salary of her sales assistant who receives a small payment for each item she sells. Onesha wants to expand her business and has found an empty shop nearer home. The fixed costs of the shop are 3 times that of the market stall.
2. What is meant by variable costs? [2]
3. Identify **two** fixed costs that Onesha has. [2]
4. Identify and explain **two** ways in which Onesha could reduce the break-even level of sales from her market stall. [4]
5. Identify and explain **two** reasons why large jewellery manufacturers can produce jewellery at lower average costs than Onesha can. [6]
6. Would you advise Onesha to close her market stall and open a shop instead? Justify your answer. [6]
7. Sodasqueeze PLC is one of the world’s largest makers of soft drinks. Sales have increased in recent years but profits have not. Rising fixed and variable costs have meant that higher sales revenue has not led to higher profits. The Chief Executive has recently said: “Perhaps the company is too big to manage efficiently.” A new factory is planned for Country A. An incomplete break-even chart is shown.



1. What is meant by the term ‘fixed costs’? [2]
2. Identify **two** variable costs that Sodasqueeze PLC   
   has [2]
3. Identify and explain **two** reasons why being ‘too big’ can leads to higher average costs. [4]
4. Copy and complete the break-even chart by adding:
   * Fixed costs of $2 million [1]
   * Total costs [2]
   * Sales revenue assuming 4 million drinks are sold at $1.50 [1]
   * The Break-even point of production [1]
   * Profit made at 4 million drinks [1]
5. Explain two ways in which Sodasqueeze PLC could try to reduce the break-even level of output in the new factory. Recommend to the Chief Executive which one [6]