

Answer **all** the questions.

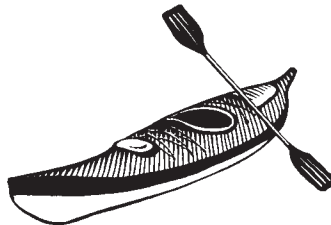
1. BLUE RIVER KAYAKS (BRK)

Blue River Kayaks (BRK) produces kayaks for sale to the outdoor pursuits market.

The information below relates to the year ending 31 December 2010

<p>COSTS in 2010</p> <p>Fixed costs = £300 000 Labour costs = £150 per kayak Material costs = £200 per kayak</p>	<p>SALES in 2010 = 1200 kayaks</p> <p>PRICE per kayak in 2010 = £750</p>
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The rent BRK pays for its factory is due to increase in 2011 by £20 000. Whilst the workforce has been persuaded that a rise in wages is not possible for 2011, it is estimated that material costs are likely to increase by 15%. BRK operates in a very competitive market and a 3% rise in price is as much as it feels it can charge in 2011 and yet still match its 2010 sales volume.



- (a) Distinguish, with the use of examples, between fixed and variable costs. [4]
- (b) **Construct** and **label** the break-even chart for the year 2010 on the graph paper provided on page 3 and write the break-even **output** figure in the box provided. [5]
- (Tear out page 3 and place it in your answer book.)*
- (c) Based on the figures given in the passage, calculate by how much BRK's profit would change in 2011 compared with 2010. [6]
- (d) Explain the advantages and limitations to BRK of the use of break-even analysis. [8]

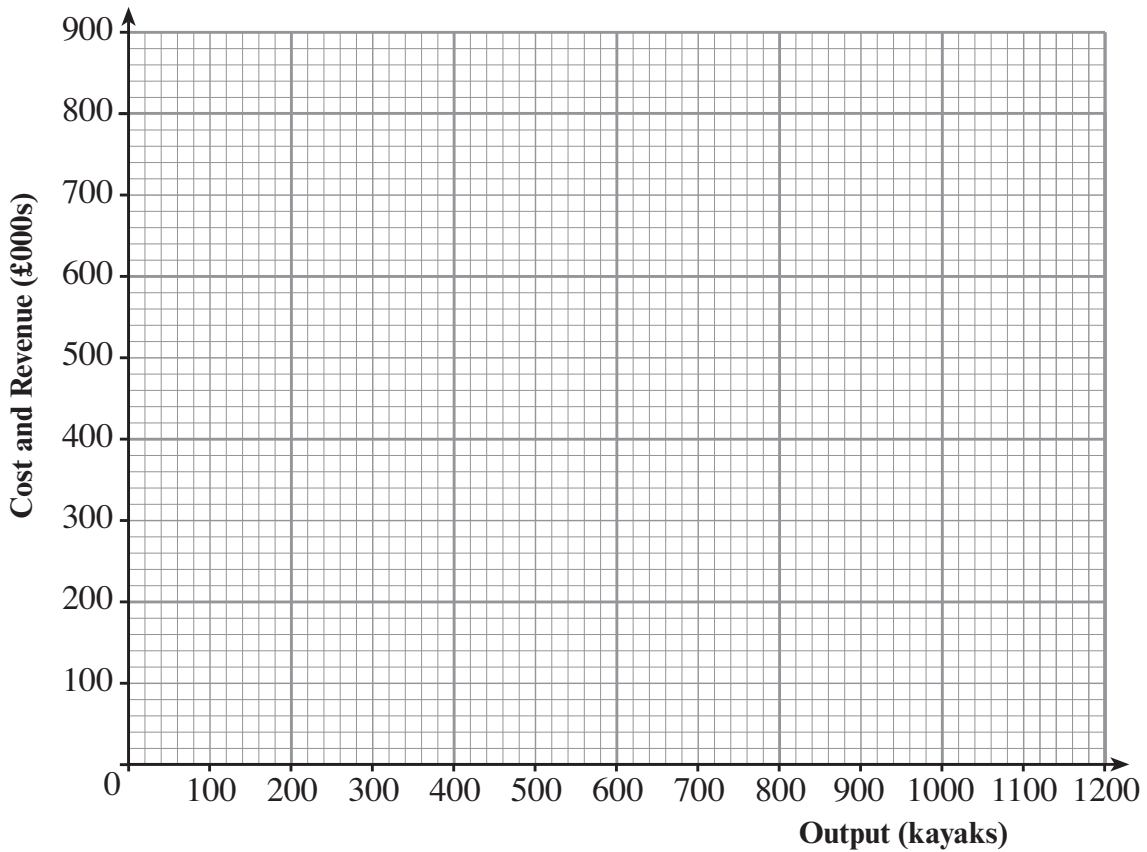
Centre Number

Candidate's Name (in full)

Candidate's Examination Number

BRK's Break-Even Chart 2010

BREAK-EVEN OUTPUT =



Tear along dotted line and place this page in your answer book

TEAR OUT AND PLACE THIS PAGE IN YOUR ANSWER BOOK