

SECTION A

*Answer **all** the questions.*

1. Explain the possible advantages **and** disadvantages to a business of having a marketing plan. [6]

2. Michelle Adams is the financial director of Highlights Ltd, a manufacturer of ladies' clothing. Bob Thomas, her export sales manager, is interested in developing the German market. However, he is finding difficulty in persuading German retailers to pay the normal asking price for the company's products.

In particular, he has been told by one retailer that it will buy 4000 of the company's blouses if Highlights Ltd drops its price from £12 to £8.50.

The original price per blouse was calculated as follows:

Variable costs of materials and labour	£6.00
Fixed costs	£4.00
Profit	£2.00

- (a) Calculate the total value of the contribution if Highlights Ltd decides to accept the new order. (Show your workings.) [4]

- (b) Discuss the factors which Highlights Ltd should consider before deciding whether or not to accept this order. [6]