

Unit 5

2. Column 1 is a list of *business terms*. Column 2 is a list of *possible explanations* for these business terms. (One explanation does not refer to any of the business terms.)

Column 1 – Business Terms	Column 2 – Explanations
1. Idea Generation	A. It involves developing a sample or 'mock-up' of a product.
2. Concept Development	B. Brainstorming is one of the methods used.
3. Product Launch	C. Is carried out to assess if a product has profit potential.
4. Prototype Development	D. The product is made available to the market.
5. Feasibility Study	E. Unworkable ideas are dropped.
	F. A unique selling point (USP) is identified.

Match the two lists by placing the letter of the correct explanation under the relevant number below.

1.	2.	3.	4.	5.

9. Illustrate the difference between a 'strategic alliance' and a 'takeover' as methods of business expansion.

4. Write *True* or *False* after each of these statements.

Sentence		True or False
1.	Batch Production is used when making a single, one off, unique product.	
2.	In a Hire Purchase agreement legal ownership of the good transfers to the buyer when the first installment is made.	
3.	A Cash Flow deficit can be addressed by negotiating a shorter period of credit with debtors.	
4.	A sole trader is an ownership structure that benefits from limited liability.	
5.	When a company's equity capital is greater than its debt capital it has low gearing.	

10. 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)

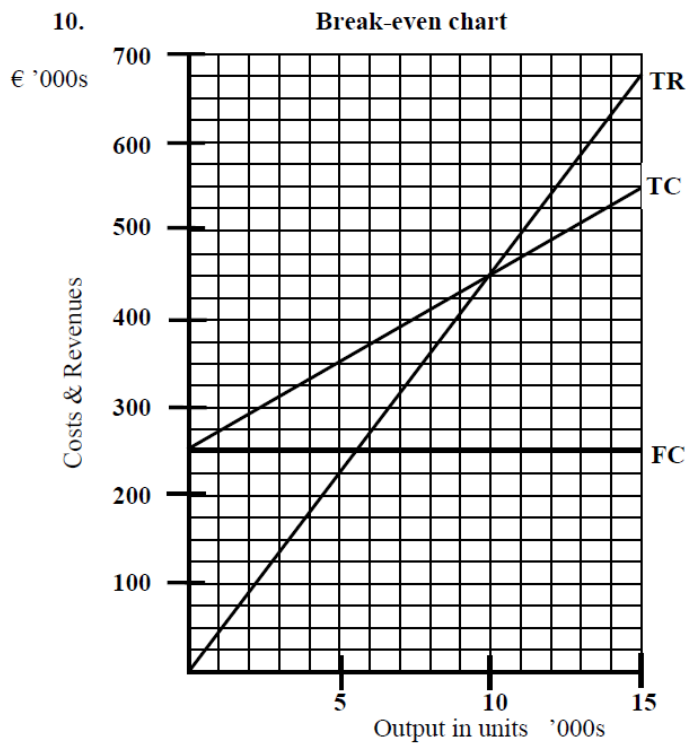
Using the information provided **calculate** the following:

- (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		€
(b) Total Costs of Production at forecasted output		€
(c) Profit at forecasted output		€
(d) Breakeven point (BEP) in units (It is not necessary to draw a break-even chart)		Units

7. Distinguish between a *merger* and a *franchise* as methods of business expansion.



Answer the following questions in the Answer Box below.

- (i) **Break-even point (BEP)** in units and in euros
- (ii) The **Profit** at Forecast Sales (15,000 units) in euros.

Answer Box

BEP in units and in euros	Units: _____ €
Profit at Forecast Sales in euros	€

(iii) Explain the term Margin of Safety.

1. (a) Explain the meaning of the term 'Own - brand products'.

- (b) Outline **two reasons** why retailers use 'Own - brand products':

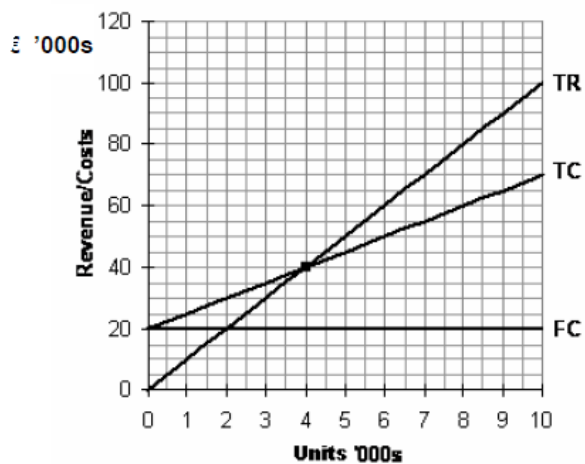
(i) _____

(ii) _____

2. Distinguish between 'Prototype Development' and 'Test Marketing' as stages in the development process of a new product.

6. Study the break-even chart below and answer the following questions in the Answer Box provided:

- (i) **Break-even point (BEP)** in units and in euros
(ii) The **Profit** at Forecast Sales (10,000units) in euros.
(iii) **Margin of safety (MOS)** in units.



Answer Box

BEP in units and in euros	Units: _____ €
Profit at Forecast Sales in euros	€
Margin of safety in units	Units: _____

4. Explain the terms 'desk research' and 'field research'. Use **one** example of each to support your answer.

(a) Desk Research is:

Example: _____

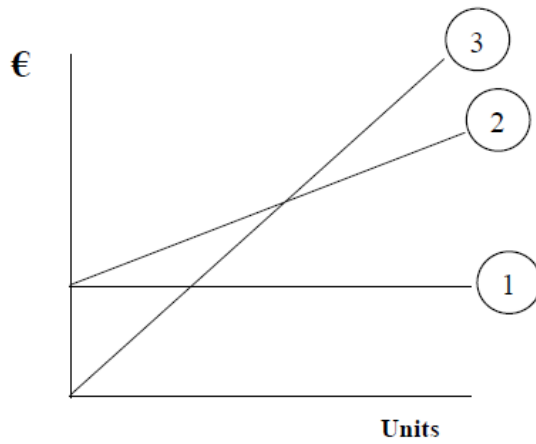
(b) Field Research is:

Example: _____

9. Contrast 'job production' and 'batch production', giving **one** appropriate example in each case.

10. Explain the terms 'job production' and 'batch production'.

9. Below is a diagram used in business. In the answer box beside this diagram, name the diagram and insert the appropriate labels for the numbered lines in the diagram:



Answer Box

Name	
Label 1	
Label 2	
Label 3	

7. Name and illustrate three types of production.

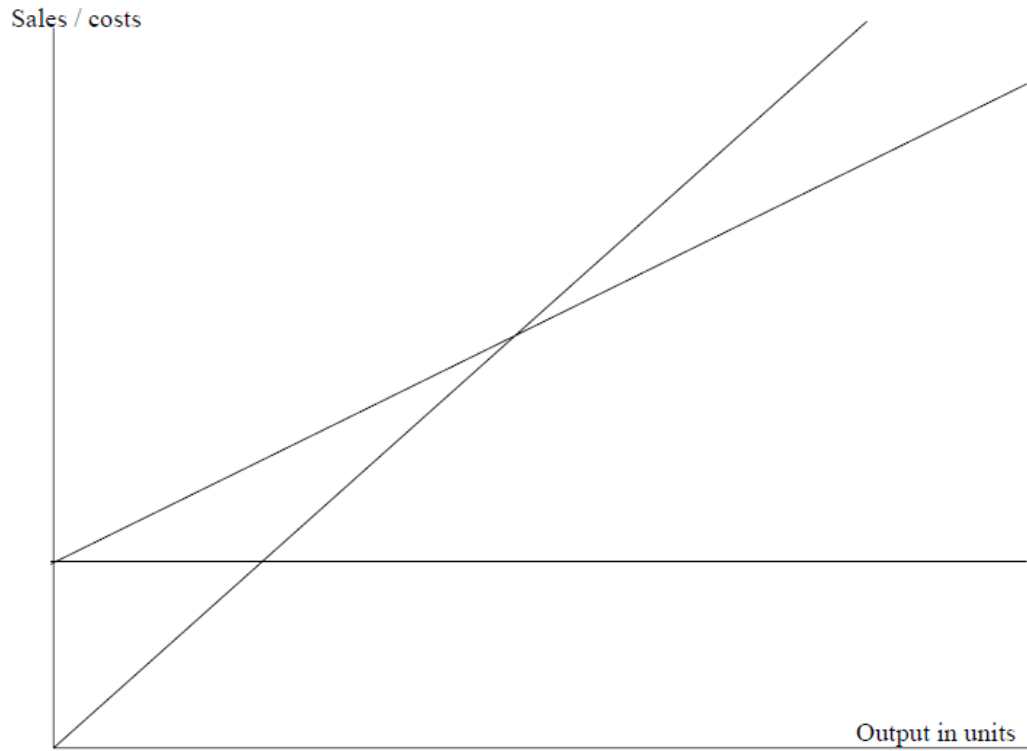
(i) _____

(ii) _____

(iii) _____

9. A 'Feasibility Study' is used to:

10. On the Break Even Chart below indicate clearly the following:
Total Cost Line, Revenue Line, Margin of Safety, Fixed Costs Line, Break Even Point.



3. Distinguish between 'Gross Profit' and 'Gross Pay.'

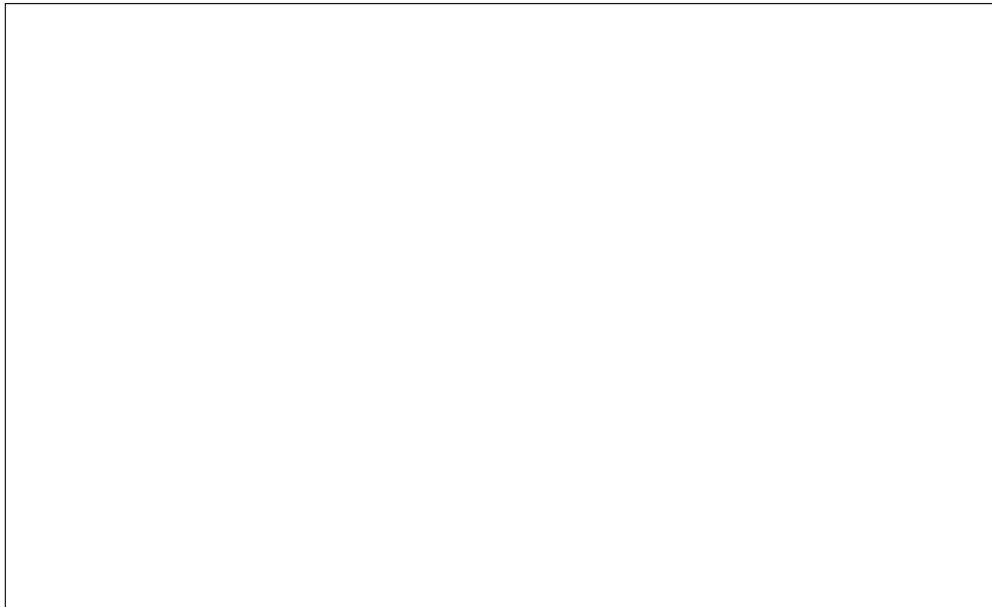
(i) _____

(ii) _____

5. Define market research:

6. Prototype development involves:

10. Identify and chart the stages of the Product Life Cycle in the space provided.



6. Sales Promotion is a popular promotion technique. List three other promotion techniques used by business.

(i) _____

(ii) _____

(iii) _____

Outline any one of them.

8. Define the term 'Feasibility Study'.
