

Edexcel A Level Business Linear Worksheet 19 – Themes 1, 2 and 3

1. Complete the table below which illustrates different costs as a business grows.

Output	Variable cost per unit	Total variable cost	Fixed costs	Total cost	Unit cost
100	£1		£20,000		
1000	£0.50		£20,000		
10,000	£0.10		£20,000		

1a. Use the table to help you explain at least two reasons why average costs fall as a firm grows.

.....

.....

.....

1b. The business charges a price of £30. Calculate the break-even point at each output level and what its margin of safety would be, assuming all output is sold.

Output level 100

.....

.....

Output level 1000

.....

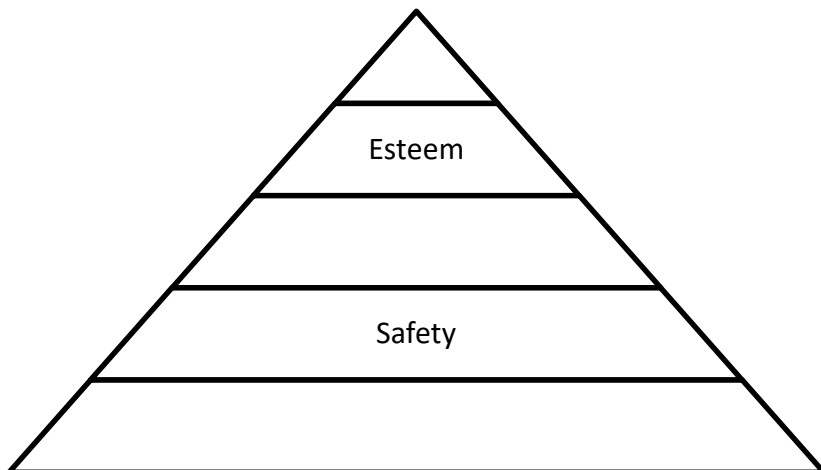
.....

Output level 10,000

.....

.....

2. Below is an incomplete drawing of Maslow’s hierarchy of needs. Complete the drawing and add at least one example of how a business may help its employees achieve each layer.



Edexcel A Level Business Linear Worksheet 19 – Themes 1, 2 and 3

3. A business is trying to choose between two projects (A and B). Net cash flow data is shown for both projects below. Figures are in millions. (Cumulative net cash flow and discounted net cash flow columns have been provided to assist you in your workings if required).

Year	Discount factor (@10%)	Net Cash Flows – Project A	Cumulative Net Cash Flows – Project A	Discounted Net Cash Flows – Project A	Net Cash Flows – Project B	Cumulative Net Cash Flows – Project B	Discounted Net Cash Flows – Project B
0	1	(15)			(20)		
1	0.909	1			6		
2	0.826	2			6		
3	0.751	5			6		
4	0.683	8			6		
5	0.621	10			6		
Total							

3a. Calculate the payback period for each project

.....

3b. Calculate the net present value for each project

.....

3c. Calculate the ARR for each project

.....

3d. Use your answers to parts 3a to 3c to decide which project the firm should choose

.....

