

BUSINESS TEST

Marks: 22

Time allowed: 30 minutes

Please attempt all questions

- 1 FlyAway is an airline business. It is in the tertiary sector. It offers low-price flights for business customers in country J. Customers have to pay extra for luggage and food on the flight. It is a very competitive market. The Marketing manager knows that improving customer service is important. Bookings and advertising are done through FlyAway's ticket shops and its website. The Marketing manager cannot decide whether to close its ticket shops and use only e-commerce.

Table 1: Selected information about two of FlyAway's routes

Route	Average number of passengers per flight	Average price per ticket (\$)	Break-even number of passengers per flight
1	85	80	70
2	110	60	90

- (a) What is meant by 'tertiary sector'?

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..... [2]

- (b) Calculate the revenue gained from an average flight on route 2.

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..... [2]

- (c) Identify and explain **two** ways in which break-even information could help FlyAway.

Way 1:.....

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Explanation:.....

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Way 2:.....

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Explanation:.....

..... [4]

2)CGM makes high quality shoes using job production. The production method makes use of specialisation. CGM operates in a niche market. CGM managers know that all business activity creates external costs, so they always try to act in ways that protect the environment. The Operations Director wants to increase profit. CGM could either buy cheaper raw materials or introduce new technology into the production process. The new technology would cost \$30 000 and could reduce the number of employees from 30 to 26.

(a) Identify two advantages of specialisation.

Advantage 1:.....

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Advantage 2:.....

..... [2]

(b) Identify and explain one advantage and one disadvantage to CGM of using job production.

Advantage:.....

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Explanation:.....

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Disadvantage:.....

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Explanation:.....

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(c) Do you think CGM should introduce new technology into the production process? Justify your answer.

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[6]