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**18. Break-even charts Mark: /10**

Figure 1: Forecast break-even for Strictly Sushi

Figure 1 shows Mr Ikitar’s weekly break-even forecast for his new restaurant Strictly Sushi.

1. a) What are his forecast fixed costs? /1 mark

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b) What is his forecast break-even point? /1 mark

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c) If his market research proves correct and he attracts 500 customers per week what will his profit be? /2 marks

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 2. Unfortunately his forecasts prove inaccurate and his fixed costs rise by £1000

 a) Amend the break-even chart to show Mr Ikitar’s new total cost line. Label this TC2.

 /2 marks

 b) Show his new margin of safety if he achieves 500 customers. Label this MS. /2 marks

c) Show the difference in profit as a result of the increase in fixed costs. Label this P2. /2 marks

Explain why a change in variable costs leads to a parallel shift in the total cost line.