

Little Jimmy's Fish'n'Chips

Little Jimmy's is a large fish and chip restaurant. The owner, Jimmy Groat, wants to know how many dinners he needs to make and sell in order the break-even. Currently the restaurant serves 750 meals each month, but it could serve a maximum of 1200.

The average customer spends \$38 per meal and the average cost of ingredients for each meal is \$15.

Annual salaries for waiting staff at Little Jimmy's totals \$45,000 per year. The chef is paid \$60,000 per year.

Heating, lighting, and other expenses cost \$55,000 per year.

1. Using examples from Little Jimmy's, distinguish between fixed, semi-variable and variable costs. [6 marks]
2. Produce a break-even graph showing the **annual** break-even level of output, level of profit and margin of safety. [6 marks]

HL only

3. Jimmy Groat has decided to split the business into profit centres. What are the likely benefits and problems for the business of splitting in this way. [8 marks]