4 MHL manufactures tyres for large vehicles. It has factories in 6 countries. The business creates external costs when producing its products. Good communication with MHL's suppliers is important. The Managing Director knows globalisation provides many opportunities for MHL. She is reviewing data for one of MHL's factories as she wants to reduce the average cost of the tyres. An extract from this data is shown in Table 4.1.

Table 4.1

Data for one of MHL's factories	
Output per month (units)	200 000
Fixed costs per month	$500 000
Variable cost per unit	$25

(a) Define 'average cost'.

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(b) Calculate total variable cost per month. Show your working.

Working: .....

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Final answer: ..... [2]

(c) Outline **two** external costs MHL might create when producing its products.

External cost 1: .....

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External cost 2: .....

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..... [4]

(d) Explain **two** opportunities of globalisation for MHL.

Opportunity 1: .....

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Explanation: .....

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Opportunity 2: .....

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Explanation: .....

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(e) Explain **two** methods of communication a business could use to communicate with its suppliers. Which is likely to be the best method to use? Justify your answer.

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