1 BPT manufactures bicycles in country A. It uses batch production. The Operations Director is preparing a break-even chart for one of BPT's bicycles, as shown in Fig. 1.1. The directors are considering ways to lower BPT's break-even level of output. BPT imports 60% of its raw materials and exports its bicycles to 8 countries. The Managing Director wants to know how a depreciation in country A's exchange rate and the introduction of import tariffs might affect BPT.

Partly completed break-even chart for one of BPT's bicycles

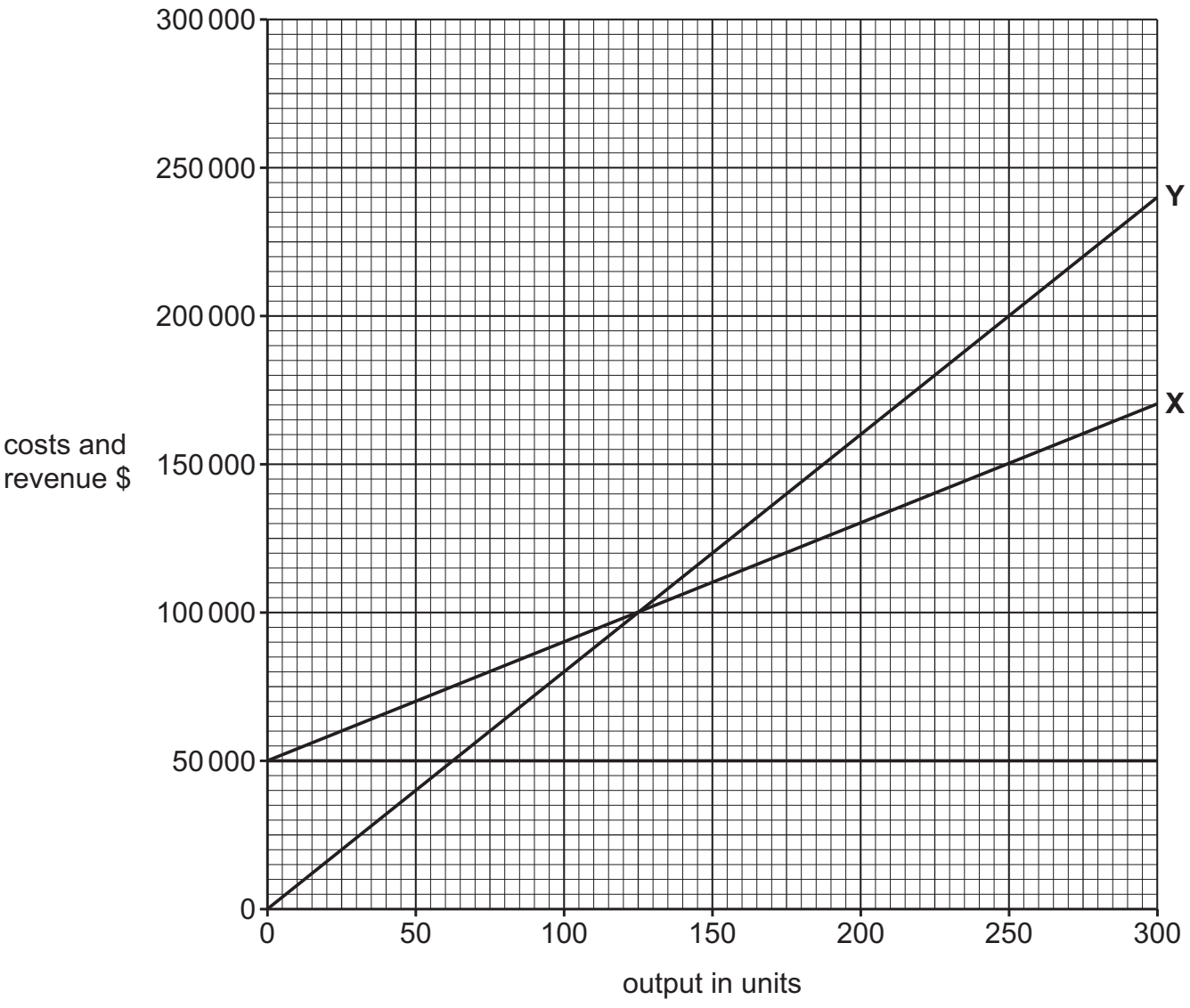

Fig. 1.1

(a) Identify the lines labelled **X** and **Y** in Fig. 1.1.

X: .....

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Y: .....

..... [2]

(b) Define 'import tariff'.

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..... [2]

(c) Outline **two** ways BPT could lower its break-even level of output.

Way 1: .....

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Way 2: .....

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..... [4]

(d) Explain **two** ways a depreciation in country A's exchange rate might affect BPT.

Way 1: .....

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Explanation: .....

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Way 2: .....

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Explanation: .....

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..... [6]

(e) Do you think batch production is the best method of production for a business to use? Justify your answer.

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..... [6]