

**Advantage:**

• to be able to compete with new competitors by offering a more comprehensive service

• demonstrating that costs could rise disproportionately as HP expands, (eg poorer communications), ie any aspect of economies of scale

• to make more money (profit)

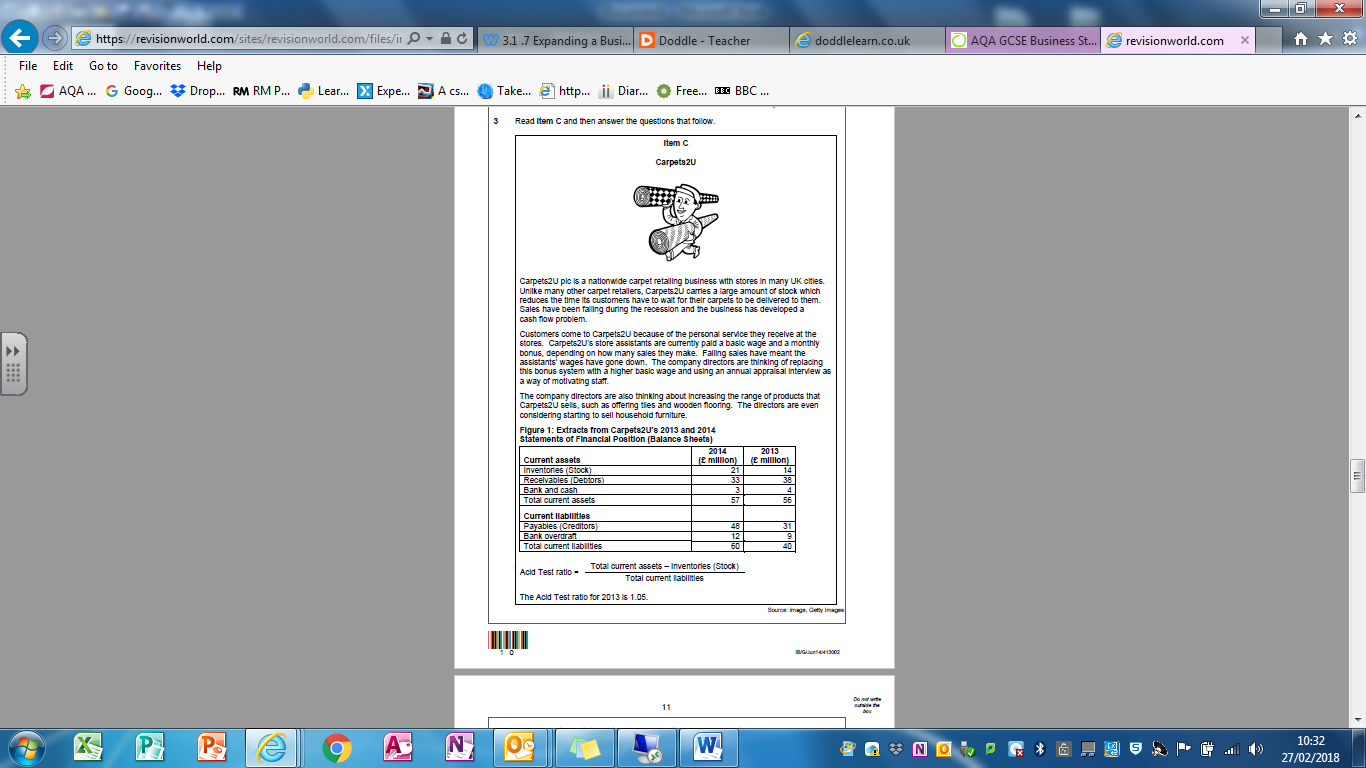
• to reduce costs (economies of scale).

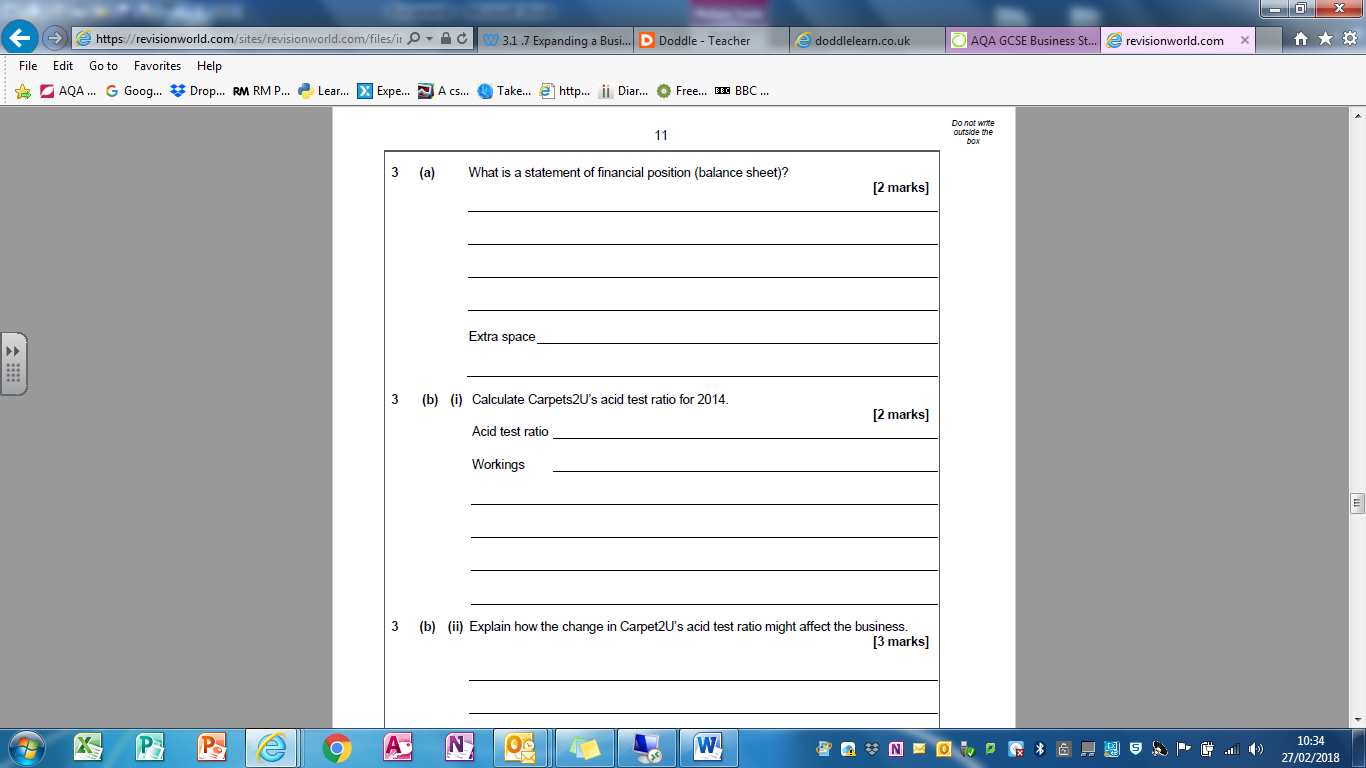
**Disadvantage:**

• higher risk, more to lose as there are several new competitors

• any aspect of diseconomies of scale.

**1 mark** for identifying the advantage/disadvantage and **1 mark** for point developed/explained.



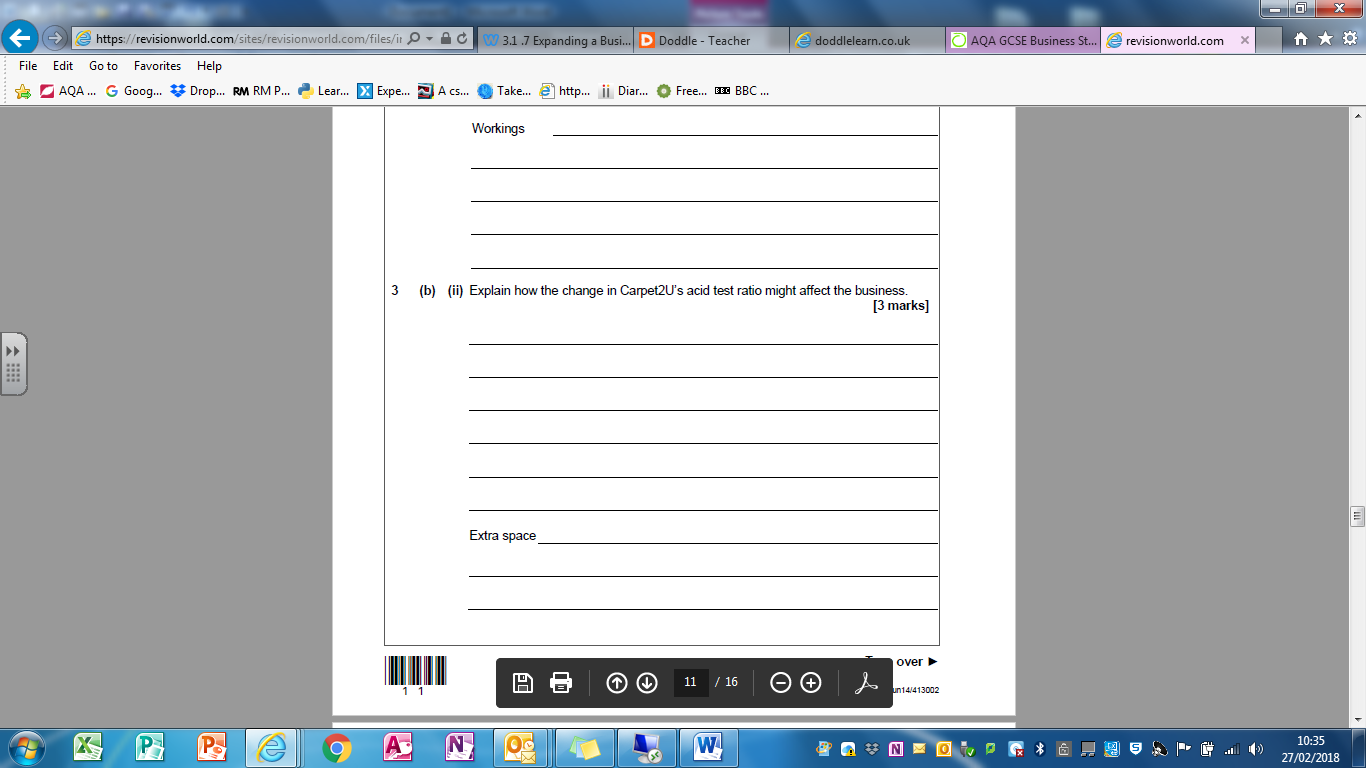


ATR (2014) = (57-21)/60 or 36/60= 0.6

**1 mark** for showing (57-21) or 36 and 60

Correct answer (0.6) is **2 marks**

Allow fraction and percentage equivalents: 3/5, 6/10 etc or 60%.



**1 mark** for stating or implying that change is not good.

**1 mark** for identifying Carpets2U’s ability to pay short term creditors is not as good as it was.

**1 mark** for developing response, this could include: the risk that further credit may be refused by suppliers; bank my not continue to extend overdraft; longer term loan would help.