

Exports

Identify and explain 6 marks

IGCSE Paper 1

BVC makes a range of paints. It exports 60% of its products. The Managing Director has been looking at BVC's cash-flow forecast shown in Table 2. He said: 'Success is not just about our return on capital employed.' The Managing Director is worried about the introduction of new legal controls to protect the environment. This will mean BVC will have to reduce the number of chemicals that are used to make paint. He thinks these new legal controls will be bad for business.

Identify and explain two possible problems for BVC when exporting its products. (6 marks)

Problem 1: *Different tastes*

Explanation: *different countries might prefer different paint colours adding to production costs*

Problem 2: *Effect of exchange rates*

Explanation: *as an appreciation in own currency would mean its products are more expensive so not able to export as much as 60%*

