

OXFORD IB PREPARED



BUSINESS MANAGEMENT

ANSWERS



IB DIPLOMA PROGRAMME

Loykie Lomine

OXFORD

IB Prepared Business Management

Answers to *test yourself* questions

Here are the answers to the *test yourself* questions from *IB Prepared Business Management*. For direct access, click on the unit below.

Unit 2: Human resource management

Unit 3: Finance and accounts

Unit 5: Operations management

Unit 2: Human resource management

Test yourself (page 29)

Explain one example of offshoring that involves outsourcing.

Example of offshoring that involves outsourcing:

Offshoring means getting work done in a different country, usually to cut some of the manufacturing costs, especially labour costs. Facilitated by globalization, offshore outsourcing is common in many industries, such as manufacturing, IT and textiles. India, China and Russia are among the main countries that are “destinations” of offshore outsourcing. For example, US-based Apple uses offshore outsourcing with the Chinese manufacturing firm Foxconn.

Explain one example of offshoring that does not involve outsourcing.

Example of offshoring that does not involve outsourcing:

Offshoring does not necessarily involve outsourcing: the company (domiciliated in country X) may decide to base some of its operations (typically manufacturing or customer support) in country Y, yet not contract to a third party, instead using its own branch. For example, a Dell call center may be based in India to serve American clients. The call centre belongs to Dell, Dell controls its work and its quality, but the customer service employees are in another country. This is offshored, but not outsourced.

Test yourself (page 40)

Explain the main advantages and disadvantages of all the financial and non-financial rewards.

| Financial rewards | Main advantages | Main disadvantages |
|----------------------------|---|---|
| Salary | Employees receive a regular monthly income. | The salary may not reflect the quality or quantity of the work done by the employee. |
| Wages (time rates) | Employees receive an income that reflects how many hours they have worked, so the longer they work, the more they may earn. | Employees may work more slowly in order to complete their work over a longer period of time, thus earning more. |
| Wages (piece rates) | Employees may produce a larger output, as they will earn more, and this increased volume could benefit the company. | Employees may work fast, paying more attention to quantity than to quality, as more output means more income for them. |
| Commission | This can motivate employees, as they have a direct interest in the result, for example a percentage for each car sold will motivate a car seller to sell more cars. | This could lead some employees not to behave ethically, for example an estate agent who wants a higher commission may try to sell a house for a higher price, not in the interest of the buyer. |
| Profit-related pay | Employees will be interested in the success of the company. | This could become a demotivator if the company is not doing well because of reasons outside the control of the employees, i.e. external factors such as a negative economic climate. |

| | | |
|---|--|--|
| Performance-related pay (PRP) | The system of setting targets and bonuses (if these targets are reached) can motivate the employees and also benefit the company: it can be a “win-win”. | In some sectors, it can be difficult to measure the performance of a specific employee, for example if his/her work depends on others. |
| Employee share ownership schemes | As a reward, it is like a bonus, with payment not in cash, but in the shares of the business; this can also reinforce the employee's sense of belonging and loyalty to the organization. | If the company does not perform well, the share price may decrease, which means that the shareholder would have comparatively less wealth. |
| Fringe payments/benefits (perks) | Perks are usually appreciated by employees; their subjective value is often perceived as being above their real cost. | If it is not clear how perks are given to employees on a fair basis, this can create resentment in the workforce. |

| Non-financial rewards | Main advantages | Main disadvantages |
|--|---|--|
| Job enrichment | Many employees will value the opportunity to take on more responsibilities, and for example to mentor new, less experienced colleagues. | Some employees may feel that they should be paid for these extra responsibilities. |
| Job rotation | Many employees will welcome the change: to discover other parts of the organization and learn new skills. | At the start of each period, employees new to a new job may take some time to perform optimally, so there may be dips in productivity. |
| Job enlargement | Many employees will appreciate some variation, either in the same position (with more responsibilities: job enrichment) or in positions elsewhere in the organization (job rotation). | Some employees may resent the fact that they are simply asked to do more work, yet for the same pay. |
| Empowerment | Many employees will like the power to make decisions about their own work, with an amount of control which recognizes their professionalism. | Some employees may not make decisions that are beneficial for the organization itself. |
| Purpose or opportunity to make a difference | Some employees may be motivated by the knowledge that their work has a positive social or environmental impact. | For cultural, sociological or psychological reasons, some employees may not be motivated by this agenda. |
| Teamwork | In many organizations, employees work in teams and the success of the teams can contribute to the success of the organization. | Employees do not always choose with whom they work, and factors such as personal enmities may create tensions and problems. |

Unit 3: Finance and accounts

Test yourself (page 53)

State examples of costs that are:

- direct and variable
- direct and fixed
- indirect and variable
- indirect and fixed.

Example of a French restaurant:

| | |
|--------------------------------------|--|
| Costs that are direct and variable | Raw materials (such as vegetables and drinks) |
| Costs that are direct and fixed | Wages of the staff (chef, cooks, waiters, manager) |
| Costs that are indirect and variable | Utility bills (water, electricity) |
| Costs that are indirect and fixed | Insurance |

Example of an electric scooter rental:

| | |
|--------------------------------------|--|
| Costs that are direct and variable | Purchase of the scooters |
| Costs that are direct and fixed | Wages of the staff |
| Costs that are indirect and variable | Storage costs, depending on the number of scooters |
| Costs that are indirect and fixed | Advertising expenditure |

Unit 5: Operations management

Test yourself (page 108)

Explain why each **P** of the “triple bottom line” model of sustainability is important but also difficult to achieve.

The three pillars of **Profit**, **People** and **Planet** are all equally important:

- **Profit** refers to the economic sustainability of the business; it is “the traditional bottom line” in the financial statement (called “profit and loss account”): costing all the activities and operations, calculating sales revenue minus all expenses, to see whether the company made a financial profit or a loss. Companies now are also encouraged to consider other dimensions: not only the financial one (from the P&L account) but also the human and ecological dimensions, i.e. the impact on ecosystems and on communities. This is part of companies’ CSR, corporate social responsibility; it is difficult to achieve because it implies a shift of paradigm on the purpose and role of commercial organizations.
- **People** refers to both internal stakeholders (especially the employees) and external stakeholders (especially the local community). To what extent do they benefit from the presence and operations of the company? This “human bottom line” (sometimes called “social equity”) is concerned with the socio-cultural impact of the organization, both directly and indirectly. This social sustainability is difficult to achieve because, again, it is not always compatible with the company’s financial aim of maximizing profits for shareholders’ benefit.
- **Planet** refers to the organization’s ecological footprint and its impact on the natural environment. There are different ways to measure and manage the environmental sustainability of an organization, from controlling energy consumption and reducing waste (especially toxic waste) to recycling and using recycled materials. This ecological sustainability is difficult to achieve because it is not always compatible with the company’s financial aim of maximizing profits for shareholders’ benefit.

Test yourself (page 109)

Can you represent each method of production in the form of a diagram or a flow chart? This is not an exam question, but this creative challenge can help you check that you understand the differences between job production, batch production and mass production.

The three main production methods are:

1. Job production.
2. Batch production.
3. Mass production.

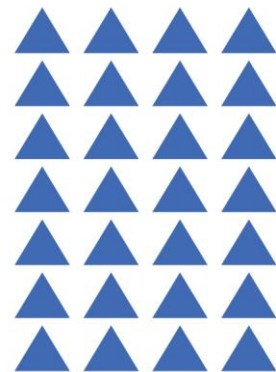
Example answers:



Job production



Batch production



Mass production



Job production

Batch production

Mass production

Test yourself (page 113)

Explain the difference between quality control and quality assurance.

| | Quality control | Quality assurance |
|------------------------|---|--|
| Focus | The quality of the products. | The quality of the process. |
| Aim | Correction of defects. | Prevention of defects. |
| Objective | Identify defects after the products are developed. | Improves processes so that defects do not develop. |
| Responsibility | A specific person or team is usually responsible for quality control. | The whole organization shares responsibility for quality assurance. |
| Simple scenario | In a factory, imagine a conveyor belt with all the products; one person inspects each one to make sure they have no defect. | Imagine a team composed of workers from different departments, having discussions to identify where defects usually occur, and putting in place systems to avoid this. |

IB Prepared Business Management

Answers to practice exam paper 2

Here are the answers to practice exam paper 2 from *IB Prepared Business Management*.

For direct access, click on the section below.

Section A

Section B

Section C

Section A

1. La Vaquita (LV)

- a) Advantages of LV being a cooperative include:
- A cooperative is based on the principles of sharing and welfare: If LV generates some surplus, it will be shared amongst the five farmers.
 - The farmers will elect a managing committee (which could be all of them, considering their small number); they will all have the right to vote and be involved in decision-making, which is different from the status of being employed by a company.
 - The members of a cooperative usually have limited liability, so if LV runs into financial problems, the five farmers would only be liable for the initial capital they had invested (\$8000).

Any other relevant advantage is valid.

[2] One mark awarded for identifying an appropriate advantage and one mark for an appropriate description up to a maximum of two marks.

- b) For LV, economies of scale refer to the fact that an increase in the level of production (i.e. more cheese being produced) will result in proportionate savings (as the cost of production per cheese will decrease). For example, they could share equipment or storage space. For the farmers, it is then beneficial because if they sell their cheese for the same price (\$4), their cost of production might go down from \$3 to \$2 per cheese, so a profit doubling from \$1 to \$2 per cheese.

[2] One mark awarded for an explanation of the notion of economies of scale and one mark for some application to LV and the farmers that goes beyond just mentioning the name LV.

- c) Cash flow forecast:

| | July | August | September | October | November | December |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Opening balance | 8000 | 1100 | 600 | 2100 | 3600 | 5100 |
| Cash inflows: | | | | | | |
| Cash sales | 6000 | 8000 | 8000 | 8000 | 8000 | 8000 |
| Credit sales | 0 | 6000 | 8000 | 8000 | 8000 | 8000 |
| Total inflows | 6000 | 14000 | 16000 | 16000 | 16000 | 16000 |
| Outflows: | | | | | | |
| Rent | 4500 | 4500 | 4500 | 4500 | 4500 | 4500 |
| Labour | 2500 | 2500 | 2500 | 2500 | 2500 | 2500 |
| Raw materials | 4800 | 6400 | 6400 | 6400 | 6400 | 6400 |
| Overheads | 1100 | 1100 | 1100 | 1100 | 1100 | 1100 |
| Total outflows | 12900 | 14500 | 14500 | 14500 | 14500 | 14500 |
| Net cash flow | (6900) | (500) | 1500 | 1500 | 1500 | 1500 |
| Closing balance | 1100 | 600 | 2100 | 3600 | 5100 | 6600 |

Note: Own Figure Rule (OFR). If there is an error in one row that carries forward through the remainder of the forecast, that counts as only one error. This provision includes both mathematical errors and conceptual errors (for example, if an answer includes the credit sales for January in this month, it is one error) and answers should only lose one mark for that error.

[1] One mark awarded if the answer conveys some understanding of what a cash flow forecast is, but otherwise the forecast is largely inaccurate, incomplete or illegible.

[2–3] Two to three marks awarded if a cash flow forecast is drawn, but either it is not in a generally accepted format, or it is untidy, and contains two or more errors, which could include in addition to number placement problems and mathematical errors, conceptual errors (i.e. using the word “profit” rather than “net cash flow”) or omissions, such as not having a line like “closing balance”.

[4–5] Four to five marks awarded if the cash flow forecast is drawn essentially correctly and neatly in a generally accepted format, but there is one error for five marks or two errors for four marks.

[6] Full marks awarded if the cash flow forecast is drawn accurately and neatly in a generally accepted format and is error free.

2. Abhinav Awasthi’s construction business

- a)** Fixed assets are long-term assets that last for more than 12 months (as opposed to current assets). Typical examples of fixed assets are buildings, furniture, equipment, machinery, vehicles.

[1] One mark awarded for a basic definition that conveys partial knowledge and understanding.

[2] Two marks awarded for a full, clear definition that conveys knowledge and understanding, similar to the answer above.

- b)** Advantages include:

- Abhinav would have limited liability, which means that, in case of financial problems, he would only be responsible (“liable”) for a certain amount (corresponding to his initial investment), for example if there is an accident in a building he had made.
- Access to finance is often easier for registered companies than for sole traders; as he works in the construction industry, he may need to borrow substantial amounts of money, which could be more difficult for a sole trader.

Any other relevant advantage accepted.

[1] One mark awarded for a basic explanation showing some understanding of what a private limited company is.

[2] Two marks awarded for a full, clear explanation that explains the advantage in the context of Abhinav’s company.

c) Balance sheet:

| | 000s | 000s |
|---|--------|------|
| Fixed assets | | |
| Net fixed assets | | 350 |
| Current assets | | |
| Cash | 55 | |
| Debtors | X = 55 | |
| Stock | 50 | |
| Total current assets | 160 | |
| Current liabilities | | |
| Creditors | 45 | |
| Short-term loan | 10 | |
| Total current liabilities | 55 | |
| Net current assets (working capital) | | 105 |
| Total assets less current liabilities | | 455 |
| Long-term liabilities (loan capital) | 40 | |
| Net assets | | 415 |
| Financed by: | | |
| Share capital | 200 | |
| Accumulated retained profit | 215 | |
| Equity | | 415 |

Note: If the IB prescribed format is not followed, there is a maximum of three marks.

Note: Answers should not lose marks for minor details such as writing “retained profit” and omitting the word “accumulated”.

The balance sheet itself is marked up to four marks, with the following breakdown:

- [1] One mark if the answer conveys some idea of what a balance sheet is.
- [2] Two marks if the answer constructs a largely recognizable balance sheet, but it does not balance, or it has two major problems of classification.
- [3] Three marks for a largely accurate balance sheet that balances. (There could be one misclassification.)
- [4] Four marks if the candidate constructs an accurate balance sheet (that balances) according to the IB prescribed format.

The calculation of X (debtors) is marked up to two marks, with the following breakdown:

- [1] One mark if the answer clearly understands how to calculate debtors (as one of the current assets) but makes some error in calculation.
- [2] Two marks if the answer correctly calculates X.

Note: A possible way to calculate X is the following:

Net assets = equity = $200 + 215 = 415$

Total assets less current liabilities = net assets + long-term liabilities
(loan capital) = $415 + 40 = 455$

Working capital = (total assets less current liabilities)
– net fixed assets = $455 - 350 = 105$

Total current assets = current liabilities + net current assets = $105 + 55$

X = debtors = total current assets – cash – stock = $160 - 55 - 50 = 55$

Section B

3. Barberia Checho

- a) Direct costs include: cost of shampoo, water.
Note: The four barbers are not paid by Sergio, so wages/salary is not an acceptable answer. Indirect costs include: insurance, cleaning supplies for the barbershop, advertising expenditure.

[2] One mark awarded for identifying an appropriate direct cost and one mark for an appropriate indirect cost up to a maximum of two marks.

- b) Advantages include:
- All the profits go to Sergio himself: every time there is a new customer in the barbershop, 50% of what they pay will go to Sergio. This is an advantage for him, because he can earn money even if he does not work himself, as he has his four employees.
 - Sergio is in charge of all the important decisions, for example he could change the opening hours, if he decides that 11am is too late, or he could decide to dismiss some his employees or to hire other barbers. This is an advantage for him as he has this power to decide.

Any other relevant advantage can be accepted.

[1] One mark awarded for a basic explanation showing some understanding of the status of sole trader.

[2] Two marks awarded for a full, clear explanation that explains the advantage in the context of Sergio's barbershop.

[4] Maximum four marks awarded for two full, clear explanations that explain the advantages in the context of Sergio's barbershop.

- c) The following pricing strategies may be appropriate:
- *Barberia Checho* may be using competitive pricing, meaning that they would charge the same as their competitors (other barbershops nearby) or a little less (if the customers are price-sensitive).
 - *Barberia Checho* may be using a strategy of price discrimination, which in this context means that, for example, children would be charged less for a haircut than adults.
 - *Barberia Checho* may be using psychological pricing, with prices such as \$9.99 or \$14.99, giving customers the impression that they are much cheaper than competitors that charge \$10 or \$15.

Any other valid strategy can be accepted.

Strategies such as cost-plus or price skimming do not seem appropriate for a barbershop, although it might be possible to justify them, by elaborating on the scenario, for example suggesting that *Barberia Checho* has just opened and needs to quickly develop its client base with high volumes and low pricing, so in this context penetration pricing could be a correct answer.

[4] Marked as [2+2]

For each valid pricing strategy, one mark awarded for a definition or description of the strategy and one mark for an application to *Barberia Checho*.

- d) The system of financial rewards is a simple model: each barber keeps half of the piece paid by the customer. This is a form of wages (piece rate): the barbers are paid according to the number of clients they have. It can be motivating for barbers, as the more clients they serve, the more they earn. In some situations, this could also lead to a lowering of the quality (meaning that employees could work very fast just in order to earn more), however this does not seem to be the case at *Barberia Checho*: according to the stimulus, Cesar and Fredy have the reputation of being excellent barbers.

Cesar and Fredy may leave if they do get more financial rewards elsewhere. This would be bad for Sergio for two reasons: firstly, he would lose 50% of his workforce (so a very high turnover), especially excellent barbers; secondly, they could go work for one of his competitors, and some customers may follow them (because they want to have their hair cut by Cesar or Fredy, no matter whether this is at *Barberia Checho* or somewhere else).

The current system is however beneficial for Sergio for several reasons: it is very comfortable for him, as a sole trader. He is keen to retain his workers, so he could adopt slightly different rewards systems. Instead of just wages (piece rates), the barbers could have a basic salary, plus commission, or a profit-related pay. Sergio could also consider non-financial rewards, for example job enrichment (if he employs a new apprentice, some of the current barbers could mentor the junior barber) or empowerment (so they are involved in decisions affecting them directly, for example refurbishing the barbershop or changing the opening times).

This answer is marked using the following markbands:

| Marks | Level descriptor |
|-------|---|
| 0 | The work does not reach a standard described by the descriptors below. |
| 1–2 | <ul style="list-style-type: none"> Little understanding of the demands of the question. Few business management tools (where applicable), techniques and theories are explained or applied, and business management terminology is lacking. Little reference to the stimulus material. |
| 3–4 | <ul style="list-style-type: none"> Some understanding of the demands of the question. Some relevant business management tools (where applicable), techniques and theories are explained or applied, and some appropriate terminology is used. Some reference to the stimulus material but often not going beyond the name of a person(s) and/or the name of the organization. |
| 5–6 | <ul style="list-style-type: none"> Understanding of most of the demands of the question. Relevant business management tools (where applicable), techniques and theories are explained and applied, and appropriate terminology is used most of the time. Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. Some evidence of a balanced response. Some judgments are relevant but not substantiated. |
| 7–8 | <ul style="list-style-type: none"> Good understanding of the demands of the question. Relevant business management tools (where applicable), techniques and theories are explained and applied well, and appropriate terminology is used. Good reference to the stimulus material. Good evidence of a balanced response. The judgments are relevant but not always well substantiated. |
| 9–10 | <ul style="list-style-type: none"> Good understanding of the demands of the question, including implications, where relevant. Relevant business management tools (where applicable), techniques and theories are explained clearly and applied purposefully, and appropriate terminology is used throughout the response. Effective use of the stimulus material in a way that significantly strengthens the response. Evidence of balance is consistent throughout the response. The judgments are relevant and well substantiated. |

Source: IB *business management guide*

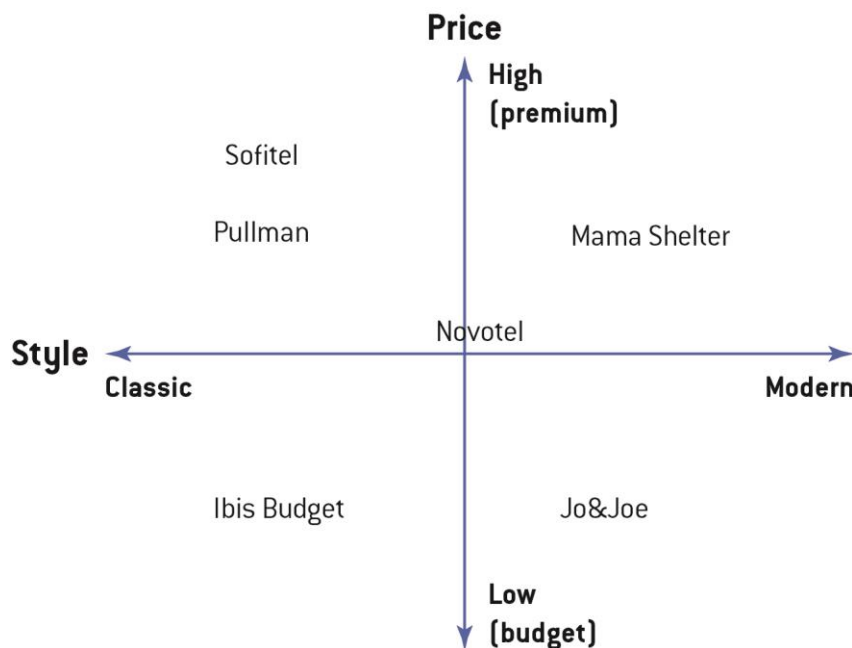
4. Accor

- a) As a form of external growth, a franchise is a contract between two businesses: the franchisor (the original business that has developed the business concept, product or brand name) and the franchisee (who buys the right to use that business concept, product or brand name – and also pay regular royalties to the franchisor).

[1] One mark awarded for a basic definition that conveys partial knowledge and understanding.

[2] Two marks awarded for a full, clear definition that conveys knowledge and understanding, similar to the answer above.

b)



Note: The order of the axes could be different (price horizontal, style vertical) and the terminology could vary slightly (for example with the word “luxury” instead of “premium”, or “traditional” instead of “classic”).

[1] One mark awarded if the answer conveys some idea of what a perception map is.

[2] Two marks awarded if the answer constructs a largely recognizable perception map, but with some misclassifications.

[3] Three marks awarded for a largely accurate perception map with one misclassification.

[4] Four marks awarded if the answer constructs an accurate perception map.

c) Examples of internal stakeholders:

- Shareholders must be happy with the CSR strategy, as it has a positive impact on the hotels' profitability, which means that they get higher dividends.
- Some employees may be particularly proud to work for an international company that takes its corporate social responsibility seriously; this may be the case for younger employees as research shows that many millennials are more aware of the importance of sustainability than previous generations.

Examples of external stakeholders:

- Customers clearly appreciate Accor's CSR strategy, as the *Accenture* report showed that it has an impact on their satisfaction, so they return (loyalty) or recommend the hotels to other people (word of mouth).

- Pressure groups and lobbies campaigning for sustainable development may applaud *Accor's* CSR strategy, especially as the stimulus states that it is an example of good practice, so it could be a model, inspiring other hotels. Other valid explanations for other stakeholders are accepted.

[4] Marked as [2+2]

For each properly identified stakeholder, one mark awarded for an explanation and one mark for an application to *Accor*.

Note:

- If one stakeholder is not properly classified (for example: shareholders called "external" or customers called "internal"), the maximum mark for this stakeholder is one.
- If the answer writes about two internal or two external stakeholders, the maximum mark overall is two.

- d)** The fact that *Accor* has so many brands shows that branding is a key aspect of the marketing strategy of the hotel group. Using several brands enables them to develop customers' awareness of names that become familiar and ideally the spontaneous choice when choosing a hotel. The loyalty scheme "Club *Accor* Hotels" is developed with the same aim: ensuring that customers come back; this is particularly important in the hospitality industry, which is very competitive, with many names of hotels offering comparable products.

It is however interesting to note that *Accor* does not have any hotel simply called "Accor" – this is different from brand names such as McDonald's or Apple, where the overall name is well known. This is closer to *Inditex's* approach: there is no *Inditex* shop, but brands such as *Zara*, *Berksha* and *Massimo Dutti*. One advantage is that if one brand has problems (*Sofitel* for *Accor*, or *Berksha* for *Inditex*) the whole group is not affected negatively. The danger however is cannibalization, with brands and hotels becoming competitors, however the stimulus and the perception map show that each brand targets a different market, with different styles and different pricing strategies.

This answer is marked using the following markbands:

| Marks | Level descriptor |
|-------|--|
| 0 | The work does not reach a standard described by the descriptors below. |
| 1–2 | <ul style="list-style-type: none"> Little understanding of the demands of the question. Few business management tools (where applicable), techniques and theories are explained or applied, and business management terminology is lacking. Little reference to the stimulus material. |
| 3–4 | <ul style="list-style-type: none"> Some understanding of the demands of the question. Some relevant business management tools (where applicable), techniques and theories are explained or applied, and some appropriate terminology is used. Some reference to the stimulus material but often not going beyond the name of a person(s) and/or the name of the organization. |
| 5–6 | <ul style="list-style-type: none"> Understanding of most of the demands of the question. Relevant business management tools (where applicable), techniques and theories are explained and applied, and appropriate terminology is used most of the time. Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. Some evidence of a balanced response. Some judgments are relevant but not substantiated. |

| | |
|------|---|
| 7–8 | <ul style="list-style-type: none"> • Good understanding of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied well, and appropriate terminology is used. • Good reference to the stimulus material. • Good evidence of a balanced response. • The judgments are relevant but not always well substantiated. |
| 9–10 | <ul style="list-style-type: none"> • Good understanding of the demands of the question, including implications, where relevant. • Relevant business management tools (where applicable), techniques and theories are explained clearly and applied purposefully, and appropriate terminology is used throughout the response. • Effective use of the stimulus material in a way that significantly strengthens the response. • Evidence of balance is consistent throughout the response. • The judgments are relevant and well substantiated. |

Source: IB *business management guide*

5. Anti-Slavery International (ASI)

- a)** The revenue is a measure of the money generated from the main activity of an organization, usually the sale of goods and services; some organizations can also have sources of revenue besides their main trading operation, for example interests (on their savings in a bank), grants (received from government), rental income or donations.

[1] One mark awarded for a basic definition that conveys partial knowledge and understanding.
 [2] Two marks awarded for a full, clear definition that conveys knowledge and understanding, similar to the answer above.

- b)** ASI is an NGO (a non-governmental organization), not a profit-making, commercial organization. At the end of their income statement (profit and loss statement) commercial organizations are expected to generate a profit (which may be distributed between shareholders, as dividends). In the case of NGOs, charities and some cooperatives, the retained profit is called “surplus”; it is not distributed to shareholders, but it is reinvested in the organization itself, to further help its future operations. For ASI, the surplus could be used for other activities in countries such as Nepal and Tanzania, where they are already very active, or it could be used to help set up new projects, which otherwise could not be funded.

[1] One mark awarded for a basic explanation that conveys partial knowledge and understanding of the notion of surplus.

[2] Two marks awarded for a full, clear explanation that conveys knowledge and understanding of the notion of surplus in the case of a charity or NGO.

[3] Three marks awarded for a full, clear explanation applied to ASI.

- c)** Commercial marketing refers to marketing activities that determine consumer needs and wants before using appropriate strategies to market the product, whereas social marketing is a marketing approach aimed at influencing a positive change in people’s behaviour and improvements in societal wellbeing. Put another way, commercial marketing aims at convincing people to buy a good or a service, whereas social marketing aims at changing society, for example public health campaigns with anti-smoking campaigns or information on the dangers of drink-driving.
 In the context of ASI, commercial marketing would refer to strategies to convince people to buy some products from the ASI website, for example mugs and other objects that say “Anti-Slavery International” or “Fight against modern slavery” – but more importantly for ASI, social marketing is about raising people’s awareness of the fact that slavery still exists nowadays, in modern forms, such as sexual exploitation and human trafficking. Social marketing is about a message and changes in society, not about consumption like commercial marketing.

[1] One mark awarded for a basic understanding of the difference between commercial marketing and social marketing.

[2–3] Two to three marks awarded for a full, clear explanation of the differences between commercial marketing and social marketing, yet without application to ASI.

[4–5] Four to five marks awarded for a full, clear explanation of the differences, with application to ASI.

- d)** Motivation theories (such as Maslow's pyramid, Herzberg's hygiene needs vs motivation needs, or Pink's three concepts of Purpose, Mastery and Autonomy) were developed from the perspective of commercial organizations and paid workers. For example, Taylor based his studies on the productivity of factory workers and Pink considers white-collar workers who may thrive at work, but are still paid for their work. In the case of Adams' equity theory, the outputs include salary as well as fringe benefits.

Many aspects of these theories can however also apply to volunteers – for example, Adams' outputs also include praise, reputation, thanks and sense of achievement – and many people's voluntary activities are led by the same extrinsic motivational factors. Likewise, the highest levels of Maslow's pyramid about esteem and self-actualization (self-esteem, creativity, respect by others) can apply to volunteers and help understand what motivates them.

This answer is marked using the following markbands:

| Marks | Level descriptor |
|-------|---|
| 0 | The work does not reach a standard described by the descriptors below. |
| 1–2 | <ul style="list-style-type: none"> Little understanding of the demands of the question. Few business management tools (where applicable), techniques and theories are explained or applied, and business management terminology is lacking. Little reference to the stimulus material. |
| 3–4 | <ul style="list-style-type: none"> Some understanding of the demands of the question. Some relevant business management tools (where applicable), techniques and theories are explained or applied, and some appropriate terminology is used. Some reference to the stimulus material but often not going beyond the name of a person(s) and/or the name of the organization. |
| 5–6 | <ul style="list-style-type: none"> Understanding of most of the demands of the question. Relevant business management tools (where applicable), techniques and theories are explained and applied, and appropriate terminology is used most of the time. Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. Some evidence of a balanced response. Some judgments are relevant but not substantiated. |
| 7–8 | <ul style="list-style-type: none"> Good understanding of the demands of the question. Relevant business management tools (where applicable), techniques and theories are explained and applied well, and appropriate terminology is used. Good reference to the stimulus material. Good evidence of a balanced response. The judgments are relevant but not always well substantiated. |
| 9–10 | <ul style="list-style-type: none"> Good understanding of the demands of the question, including implications, where relevant. Relevant business management tools (where applicable), techniques and theories are explained clearly and applied purposefully, and appropriate terminology is used throughout the response. Effective use of the stimulus material in a way that significantly strengthens the response. Evidence of balance is consistent throughout the response. The judgments are relevant and well substantiated. |

Source: IB *business management guide*

Section C

Additional guidance in relation to the assessment criteria

For each criterion, the aim is to find the descriptor that conveys most accurately the level attained by the answer, using the best-fit model. It is not necessary for every single aspect of a level descriptor to be met for that mark to be awarded.

The highest-level descriptors do not imply faultless performance and should be achievable by an answer.

An answer which attains a high level of achievement for one criterion will not necessarily reach high levels of achievement for the other criteria and vice versa.

If only **one** concept is addressed:

- Criteria A, B, C and E: up to a maximum [3].
- Criterion D: full marks can be given.

Assessment criteria

Criterion A: Knowledge and conceptual understanding

This criterion addresses the extent to which the student demonstrates knowledge and understanding of the given concepts and relevant business management content (theories, techniques or tools, depending on the requirements of the question).

| Marks | Level descriptor |
|-------|--|
| 0 | The work does not reach a standard described by the descriptors below. |
| 1 | Superficial knowledge of the given concepts is demonstrated. Business management content is not selected or the content selected is irrelevant. |
| 2 | Satisfactory understanding of one or both of the given concepts is demonstrated. Some business management content selected is relevant. The relevant content is satisfactorily explained. |
| 3 | Good understanding of one or both of the given concepts is demonstrated. The business management content selected is relevant, though it may not be sufficient. The relevant content is generally well explained, though the explanation may lack some depth or breadth. |
| 4 | Good understanding of both of the given concepts is demonstrated. The business management content selected is relevant, sufficient and well explained. |

Criterion B: Application

This criterion addresses the extent to which the student is able to apply the given concepts and the relevant business management content (theories, techniques or tools, depending on the requirements of the question) to his or her chosen real-world organization(s). **The real-world organization(s) must not be the organization featured in the prescribed case study for paper 1.**

| Marks | Level descriptor |
|-------|---|
| 0 | The work does not reach a standard described by the descriptors below. |
| 1 | The given concepts and/or any relevant business management content are connected to the real-world organization(s), but this connection is inappropriate or superficial. |
| 2 | The given concepts and/or relevant business management content are connected appropriately to the real-world organization(s), but this connection is not developed. |
| 3 | The given concepts and relevant business management content are generally well applied to explain the situation and issues of the real-world organization(s), though the explanation may lack some depth or breadth. Examples are provided. |
| 4 | The given concepts and relevant business management content are well applied to explain the situation and issues of the real-world organization(s). Examples are appropriate and illustrative. |

Criterion C: Reasoned arguments

This criterion assesses the extent to which the student makes reasoned arguments. This includes making relevant and balanced arguments by, for example, exploring different practices, weighing up their strengths and weaknesses, comparing and contrasting them or considering their implications, depending on the requirements of the question. It also includes justifying the arguments by presenting reasonable evidence or other support for the claims made.

| Marks | Level descriptor |
|-------|--|
| 0 | The work does not reach a standard described by the descriptors below. |
| 1 | Statements are made but these are superficial. |
| 2 | Relevant arguments are made but these are mostly unjustified. |
| 3 | Relevant arguments are made and these are mostly justified. |
| 4 | Relevant, balanced arguments are made and these are well justified. |

Criterion D: Structure

This criterion assesses the extent to which the student organizes his or her ideas with clarity, and presents a structured piece of writing comprised of:

- an introduction
- a body
- a conclusion
- fit-for-purpose paragraphs.

| Marks | Level descriptor |
|-------|---|
| 0 | The work does not reach a standard described by the descriptors below. |
| 1 | Two or fewer of the structural elements are present, and few ideas are clearly organized. |
| 2 | Three of the structural elements are present, or most ideas are clearly organized. |
| 3 | Three or four of the structural elements are present, and most ideas are clearly organized. |
| 4 | All of the structural elements are present, and ideas are clearly organized. |

Criterion E: Individuals and societies

This criterion assesses the extent to which the student is able to give balanced consideration to the perspectives of a range of relevant stakeholders, including individuals and groups internal and external to the organization.

| Marks | Level descriptor |
|-------|---|
| 0 | The work does not reach a standard described by the descriptors below. |
| 1 | One individual or group perspective is considered superficially or inappropriately. |
| 2 | One relevant individual or group perspective is considered appropriately, or two relevant individual or group perspectives are considered superficially or inappropriately. |
| 3 | At least two relevant individual or group perspectives are considered appropriately. |
| 4 | Balanced consideration is given to relevant individual and group perspectives. |

Source: IB *business management guide*