

Mark Scheme
Mock Exam
Business Management
Standard Level
Paper 1
For May 2023 Examination

The mark bands and assessment criteria on pages 2-3 should be used where indicated in the mark scheme.

Section A			Level descriptor
Q1 (b)	Q2 (b)	Q3 (b)	
Marks			
0			The work does not reach a standard described by the descriptors below.
1–2			<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues and business management tools (where applicable), techniques and theories. • Little use of business management terminology. • Little reference to the stimulus material.
3–4			<ul style="list-style-type: none"> • A description or partial analysis of some relevant issues with some use of business management tools (where applicable), techniques and theories. • Some use of appropriate terminology. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • At the lower end of the markband, responses are mainly theoretical.
5–6			<ul style="list-style-type: none"> • An analysis of the relevant issues with good use of business management tools (where applicable), techniques and theories. • Use of appropriate terminology throughout the response. • Effective use of the stimulus material.

Source for markbands and assessment criteria: IBO

Section B Q4 (d)	Level descriptor
Marks	
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 theory 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 for markbands and assessment criteria: IBO

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Section A

1. (a). Describe **one advantage** and **one disadvantage** of SVT being a public limited company
[4]

Public limited company: A type of company that offers limited liability, or legal protection for its shareholders, with the legal right to sell shares to the public through the stock exchange market.

Advantages:

- Limited liability to shareholders (if SVT experiences a loss, the loss will not exceed the amount invested by the shareholders. In other words, investors' and owners' private assets are not at risk if the SVT fails)
- Often large businesses (SVT is a large company operating in over 20 countries)
- Huge amounts of money can be raised from the sale of shares to the public. The shares are quoted on the Stock Exchange or the Alternative Investment Market (AIM). (SVT can use the sales of shares on the stock market as a source of finance for growth and expansion)
- Production costs may be lower as firms gain economies of scale. (SVT already has gained economies of scale through its internal and external growth strategy)
- Because of their size, plc can often dominate the market. (SVT has a regional monopoly in each country in which it operates)
- It becomes easier to raise finance

Disadvantages:

- Legal formalities involved in setup
- High costs when creating a plc.
- Share prices can be subject to fluctuation (SVT's investors' might be affected)
- Final accounts must be shared with public
- Risk of takeover (SVT may be at risk of a takeover by a bigger company)
- Directors influenced by short-term objectives of major investors (this may affect SVT's long-term objectives and plan)

Accept any other relevant/ applicable advantage/ disadvantage.

Mark as 2 + 2.

Award [1] for each relevant advantage/disadvantage explained and [1] for appropriate application to SVT to a maximum of [2].

[2] can- not be awarded for each reason used if the response lacks either explanation and / or application.

For example:

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For an identification or a description of an advantage/ disadvantage with or without application [1].

For explanation of an advantage/ disadvantage with no application [1].

For explanation of an advantage/ disadvantage and application [2].

(b) Explain possible economies of scale that may apply to SVT.

[6]

Economies of scale: Reduction in the average costs of a business as the scale of production increases. In this context, “scale” means productive capacity (*ie*, the physical size of the business) rather than the actual level of production.

SVT is a large multinational so it can:

- Technical EOS: afford the best and most efficient equipment, for SVT further expansion in production capacity (e.g. wind turbines)
- Marketing EOS: direct effective marketing based on a whole range of products (SVT already offers a range of products)
- Managerial EOS: employ a range of professionals and managers, in the countries SCVT operates.
- Financial EOS: access to a wide range of sources of finance, hence cheaper finance for SVT, as a way of growth except mergers and acquisitions
- Purchasing EOS: SVT can buy raw materials from suppliers in large quantities decreasing the average cost per unit.
- economies of scale have already proven beneficial for SVT after reorganising and modernizing H4.

Accept any other reasonable explanation/application of EOS.

*Marks should be awarded according to the mark bands **on page 2**.*

Award a maximum of [2] if the discussion is only about SVT without theoretical content.

Award maximum [3] for a theoretical answer.

*Award maximum [5] if the analysis is mainly descriptive but in context. **N.B.** Some textbooks refer to average costs going down when production goes up (because of fixed costs being spread out more).*

Technically this is incorrect, as this is about production efficiency rather than scale so should not be allowed.

2. (a) With reference to SVT, explain **one advantage** and **one disadvantage** of using secondary market research (**line 134**)

[4]

Advantages of using secondary market research include:

- Efficient in terms of time – the data on spending patterns of low-income families in LEDCs, for example, has already been collected by someone else and is available. SVT needs it for the right promotional mix of WF 15.

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- Effective in terms of cost – often secondary research is free and, when it is not, is typically less expensive than the process of gathering primary research. As SVT is looking for launching WF 15 in LEDCs at an affordable price, it would be very time consuming and expensive to sample many countries. Often, sample secondary research already exists. It has allowed SVT to better understand the spending patterns in LEDCs where they have no previous experience.
- SVT directors can conduct a STEELPE analysis on different LEDCs to evaluate social, economic and legal factors before a decision is made.
- Low cost to gather various information/ opinions.
- SVT directors can conduct also secondary market research to choose the appropriate pricing strategy for WF 15
- SVT directors can conduct also secondary market research to choose the appropriate distribution channels for WF 15
- SVT directors can collect data about the trends of the markets they operate in for future expansions

Disadvantages of using secondary market research include:

- Lack of precise focus on the issue or problem concerning the business. The stimulus refers to LEDCs / Sudan. SVT may have to consider carrying out primary market research in LEDCs /Sudan to get specific responses to specific issues like the use of water purifiers or household filters.
- Lack of most up to date information– often secondary research is outdated. If SVT is going to target different markets they need to be confident that this secondary research is relevant and up-to-date. What if external factors have changed since the data was collected?
- Uncertainty about the quality of the data collection/research. Some information, may be inaccurate and biased.

Accept any other relevant/ applicable advantage/ disadvantage.

Mark as 2 + 2.

Award [1] for each relevant advantage/disadvantage explained and [1] for appropriate application to SVT to a maximum of [2].

[2] can- not be awarded for each reason used if the response lacks either explanation and / or application.

For example:

For an identification or a description of an advantage/ disadvantage with or without application [1].

For explanation of an advantage/ disadvantage with no application [1].

For explanation of an advantage/ disadvantage and application [2].

(b) With reference to Yannick and Ariadne, explain the differences between a situational and an autocratic leadership style **(line 19)**. **[6]**

An autocratic leader like Ariadne, retains control and takes all the decisions (centralized). There is little or no consultation with workers and subordinates are expected to follow instructions. In SVT's case, Ariadne's autocratic leadership style, may have led her division being one of the industry leaders in productivity per employee.

On the other side, a situational leadership style, like Yannick's leadership style, varies in styles, and a leadership style is chosen depending on the task, the skills and the situation. This has enabled Yannick and his division to respond quickly to unexpected changes in the external environment.

Accept any other relevant point

Accept any other relevant application to SVT, Ariadne or Yannick.

*Marks should be allocated according to the markbands **on page 2**.*

*Award a maximum of **[3]** for a theoretical answer.*

*Award a maximum of **[5]** if the explanation of the difference between the two leadership styles is mainly descriptive but in context.*

For full marks, the explanation needs to be developed and in context.

3. (a) With reference to SVT, explain **one** advantage **and one** disadvantage of an organizational structure based on product. **[4]**

SVT is organised into four divisions based on product.

Advantages

- Product divisions can work well because they allow a team to focus on a product, with an appropriate leadership structure. (SVT can develop new specialised products or enter new markets for each division)
- Having a senior executive – often a member of the Board of Directors – makes it more likely the division will receive the resources it needs from the company. (SVT has a director for each division)
- A product division's focus allows it to build a common culture that contributes both to higher morale and a better knowledge of the division's range of products (SVT has developed successful product and has entered more than 20 countries)

Disadvantages

- Product divisions may compete with each other for available financial resources and this might reduce cooperation between them. (There have been clashes between Yannick and Ariadne regarding the machinery needed to update water treatment plants)

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- Divisions can result in compartmentalisation that results in lack of coordination or even duplication of operations.

Mark as 2 + 2.

Award [1] for each relevant advantage/disadvantage explained and [1] for appropriate application to SVT to a maximum of [2].

[2] can- not be awarded for each reason used if the response lacks either explanation and / or application.

For example:

For an identification or a description of an advantage/ disadvantage with or without application [1].

For explanation of an advantage/ disadvantage with no application [1].

For explanation of an advantage/ disadvantage and application [2].

(b) Explain how internal and external growth have helped SVT to grow. **[6]**

Internal growth is the expansion of a business by means of opening new branches, shops or factories (also known as organic growth). In the case of SVT internal growth has been achieved by opening new factories or operations such as the desalination plants around the world. Internal growth has also supported the growth of the consumer products division.

External growth is the business expansion achieved by means of merging with or taking over another business, from either the same or a different industry. In the case of SVT, this is the main growth strategy SVT follows in order to enter new markets, new sectors or develop new products. As an example SVT acquired Geng PLC a major water supplier in the UK for expanding its fresh water provision, it has taken over H4 expanding its engineering division as well as it has taken over small filter manufacturers in order to increase market share in the water home filter industry.

Both types of growth have enabled SVT to expand effectively, to achieve economies of scale, to increase market share and its revenue streams.

Accept any other relevant point

Accept any other relevant application to SVT.

*Marks should be allocated according to the markbands **on page 2.***

Award a maximum of [3] for a theoretical answer.

Award a maximum of [5] if the explanation of internal and external growth is mainly descriptive but in context.

For full marks, the explanation needs to be developed and in context.

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SECTION B

(a) Define **two** characteristics of a not-for-profit organization. [2]

- any organization that has aims other than making and distributing profit and which is usually governed by a voluntary board.
- Organised on a local, national and international level
- Encourage participation of society's stakeholders in communities
- Objectives are focused on social, environmental or humanitarian issues

Candidates are not expected to word their definitions exactly as above.

Award [1] for each characteristic identified

(b) (i) Using the information in **Table 1**, calculate the break-even output for the portable water purifiers "WF15" (*show all your working*). [2]

Break-even output = FC/ price unit- variable cost per unit = \$30,000/ (\$2.5-\$2.1)= 75,000 units of WF15

Award [2] for 75 000 units per year.

Award [1] if either no units or no working.

(ii) Comment on the usefulness to SVT of break-even analysis. [6]

It gives a minimum target for sales. Is 75,000 WF15 per year achievable?

- It is useful for "what if".
- It could help in setting prices.
- It could help in production planning.
- However, is the data realistic?
- Will all units be sold?

Award a maximum of [4] for a theoretical answer.

(c) Recommend whether SVT should enter into a joint venture with SCW. [10]

Factors in favour:

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- It will enable SVT to solve the lack of experience if distributing consumer products in Sudan, an LEDC
- It will offer SVT the distribution channel needed in Sudan for WF 15 that does not exist
- It will support its CSR activities and ethical brand image
- SCW has volunteers nationwide so WF15 can reach even rural areas supporting the project and revenues
- It will take advantage of SCW knowledge of the Sudanese market

However,

- There could be clashes with SCW due to different type of organisation (for profit vs non-for-profit)
- There could be clashes with SCW due to corporate culture differences
- There could be loss of control of the joint venture and its success as SCW will have the majority ownership
- If there is an issue with the project or SCW, SVT's brand image might be damaged
- SVT will not be able to fully control the marketing mix of WF15
- If there are profits from the project there will be shared with SCW.

Accept any other relevant advantage/disadvantage.

Accept any other relevant explanation.

<i>One option, one argument for or against</i>	<i>Max award, 3 marks</i>
<i>One option, one argument for and one against Or Two arguments for or two arguments against</i>	<i>Max award, 4 marks</i>
<i>Two options, balanced (one argument for, one against) and second option, unbalanced</i>	<i>Max award, 5 marks</i>
<i>Two options, both balanced (an argument for and against each) But No conclusions or judgments</i>	<i>Max award, 6 marks</i>

*Marks should also be allocated according to the markbands on **page 3**.*

*Award a maximum of **[6]** if both sides are considered with balance, but lack a conclusion.*

*Award a maximum of **[7]** if both sides are considered with balance, and the conclusion is given nominally (without substantiation).*

*Award **8 marks**, or more, only if both sides are considered with balance, and the conclusion is given with substantiation.*

*For **full marks** a fully supported recommendation with good use of evidence, particularly from **section B**.*

[10]

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