EXAM PAPERS PRACTICE

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IB Business Management SL

Question Paper

Fully in-lined with the First Assessment Examinations in 2024 & Beyond

Paper: 1 (All Topics)
Units:

- **1 - Introduction to Business Management**
- **2 - Human Resource Management**
- **3 - Finance and Accounts**
- **4 - Marketing**
- **5 - Operations Management**

Marks: 40

Total Marks: / 40

Suitable for HL Students sitting the 2025 exams onwards
However, SL students may also find these resources useful

Questions

17M.1.SL.TZ0.4

Paul's idea for 3D printing takes *Utopia* into a secondary sector activity that contrasts with its usual tertiary sector activities. In order to produce a sufficient number of souvenirs, *Utopia* would need to buy ten 3D printers at $1000 each. There would be material costs and significant operating costs, as well as time and additional labour. Paul has produced a net cash flow forecast for the project (Table 1) assuming a five year life for the printers. He likes the idea that each souvenir produced could be of a unique design and personalized. Some of the materials would be from recycled plastics obtained from waste at the resort. Recycling would reduce variable costs and it would be good for the resort's environment and for *Utopia*'s caring image.

Liza does not like the idea of 3D printing. She is concerned that the souvenirs may damage *Utopia*'s exclusive brand. She can see difficulties with recruiting someone with both the necessary IT skills and the ability to make decisions about which types of souvenirs to produce. She is particularly concerned about the impact on *Utopia*'s current suppliers of souvenirs. She thinks that 3D printing is more suited to larger organizations.

John believes that the 3D printing technology will bring other benefits to his businesses. He can imagine decorations and other useful items being produced for the resort and its offices.

Table 1: Net cash flow for the 3D printing project

Year	Net cash flow (excluding capital investment)
1	$2000
2	$3000
3	$4000
4	$4000
5	$4000

a. Define the term *variable cost*. [2]

b.

With reference to *Utopia*, explain the differences between secondary sector activities and tertiary sector activities.

[4]

c.

Using the information above, calculate the payback period and the average rate of return (ARR) for the 3D printing project *(show all your working)*.

[4]

d.

Using information from the case study, additional information above your results from part (c), recommend whether *Utopia* should proceed with the 3D printing project.

[10]

16N.1.SL.TZ0.4

The Indian manufacturer has made a test batch of 100 IBAT lenses and these are being checked by Falit.

Didi has further investigated costs and Emma has conducted market research to identify potential customers. Didi is concerned at how many IBATs *Medimatters* would need to sell for the venture to be worthwhile. He forecasts the following:

Fixed costs: $9000 per month.
Variable costs: $50 per IBAT.
Sales price: $80 per IBAT.

Ahmed considered his role as leader.

He has consulted widely on a draft business plan and has discussed and agreed the mission and vision statements because he wants to involve everyone.
The group are all very enthusiastic about IBAT, although some are anxious about the risks involved and have asked for more guidance.
He spends a lot of time keeping everyone informed of project developments in addition to coordinating all of their efforts.
Emma has many ideas about expanding into new markets, however, Didi does not agree and has argued with Emma.
He is prepared to make urgent decisions himself. For example, without consultation he decided that Medimatters should become a private limited company.

a. Define the term *vision statement*. *Refer to case study: Medimatters* [2]

b.i.

Calculate the forecasted break-even quantity per month for the IBAT (*show all your working*).

Refer to case study: Medimatters [2]

b.ii.

Calculate the forecasted monthly profit or loss if *Medimatters* sells 400 IBATs per month (*show all your working*).

Refer to case study: Medimatters [2]

c.

Explain relevant secondary market research methods (sources) that Emma could have used to identify potential customers.

Refer to case study: Medimatters [4]

d.

"Ahmed considered his role as leader." Recommend an appropriate leadership style for Ahmed.

Refer to case study: Medimatters [10]

18M.1.SL.TZ0.4

It is now mid-2019. Production of solar power systems has been going for over a year. Sales have exceeded forecasts and reached 5000 systems for the year. All profits have been reinvested into developing a portable biomass source of electricity* (PBS) as an alternative to solar power systems.

The PBS technology is now fully developed and tested. Su has data to help her decide whether to go into production. The new production facility will cost $1 million.

The costs and the price of the product once production has begun are estimated in **Table 3**.

Table 3: Estimated cost and price data for PBS

Fixed costs	$200 000 per year
Variable costs	$70 per PBS
Likely price	$90 per PBS

In a separate development, *Doorway Foundation* (*DF*), a multibillion-dollar charity established by the owners of one of the world's largest IT businesses, has approached Su. The foundation has a major IT initiative to bring IT to schools in Afghanistan, Myanmar and Bangladesh. By forming a joint venture, *DF* could use *AS*'s expertise and local knowledge to help solve some of the electricity supply and IT problems in Afghanistan. *DF* would have majority ownership in the joint venture, provide most of the senior managers, and is likely to expect changes in the way *AS* operates. *AS* would have to significantly increase the production of solar power systems and would have to restructure. Some managers may lose influence over decisions. Su is worried that her Afghanistan project (*AS*) would take second place. However, she sees this as a huge opportunity to make a real change in young people's lives.

[Source: © International Baccalaureate Organization 2018]

* portable biomass source of electricity: a means of generating electricity using the heat obtained from burning plant material and/or animal waste

a. *Refer to Afghan Sun case study SL/HL P1 May and Nov 2018.*

Define characteristics of a charity. [2]

b.i. *Refer to Afghan Sun case study SL/HL P1 May and Nov 2018.*

Using the information in , calculate the break-even output for portable biomass sources of electricity (*show all your working*).

[2]

b.ii. *Refer to Afghan Sun case study SL/HL P1 May and Nov 2018.*

Comment on the usefulness to *AS* of break-even analysis. [6]

c. *Refer to Afghan Sun case study SL/HL P1 May and Nov 2018.*

Recommend whether *AS* should enter into a joint venture with *DF*. [10]

18N.1.SL.TZ0.4

AFA was at a critical point. Sam and Finn had not fully resolved their disagreements. They seemed to be constantly arguing but Sam could also see that new issues were emerging. At their most recent meeting in early 2018, Finn provided the following financial information to illustrate the declining trend in gross profit margin.

Table 1: Selected financial information for *AFA*

Year	Gross profit	Sales revenue
2016	142888	2164486
2017	124211	2400625

In addition, the recruitment of new staff was becoming a problem, as the wages that *AFA* offered were much lower than fair trade competitors. In a meeting between Sam and Finn, they argued over the best way to financially reward and motivate newly recruited workers, given the lower wages paid by *AFA*.

Finn argued for a reward system based on fringe payments (perks), as this was being offered by *AFA*'s main competitors, the supermarkets. Sam countered that *AFA* should form a cooperative involving all physical stores. He argued that creating a worker cooperative could give all members a sense of community and fulfillment and motivate them so that all members of the cooperative would benefit. There would also be additional stakeholder benefits. Finn argued that a worker cooperative was too difficult to organize and operate and would not solve the problem of recruiting staff.

In the meantime, *AFA* was continuing to attract a good deal of publicity. Sam had appeared on a national television show about young, innovative entrepreneurs. After the television show ended, one very large international retailer with a strong online presence contacted Sam about the possibility of a takeover. Sam initially refused, but as the details of the takeover became clear he started to seriously consider the opportunity. By selling the business Sam would have enough fresh capital to start new,

innovative businesses and make some of his other visions and ideas into reality. In addition to the corporate social responsibility (CSR) *AFA* was generating, the takeover would give *AFA* access to other intangible assets. However, the international retailer had indicated that it could not guarantee keeping all existing and newly recruited employees and managers. Finn and Kim were both very worried that Sam would even contemplate the takeover, which they felt was an act of betrayal to all the stakeholders of *AFA*.

a. *Refer to the As Fair As case study (SL/HL paper 1 Nov 2018).*

Define the term *intangible asset*. [2]

b.i. *Refer to the As Fair As case study (SL/HL paper 1 Nov 2018).*

Calculate the gross profit margin of *AFA* for 2016 2017. [2]

b.ii. *Refer to the As Fair As case study (SL/HL paper 1 Nov 2018).*

Explain possible reason for the trend in gross profit margin for *AFA* between 2016 and 2017.

[2]

c. *Refer to the As Fair As case study (SL/HL paper 1 Nov 2018).*

Explain benefit cost to *AFA* of using fringe payments (perks) to financially reward staff.

[4]

d.

Refer to the As Fair As case study (SL/HL paper 1 Nov 2018) in the supplemental material.

Discuss whether Sam should accept the offer of a takeover. [10]

21M.1.SL.TZ0.4

Refer to the Multi Marketing (MM) case study (SL/HL paper 1 May 2021).

A friend of Aarvan owns a film studio, *Satvi Films* (*SF*), in Bengaluru. Aarvan has recommended that *MM* take over *SF*. *SF* has a reputation for making high-quality films that are very popular and it is accustomed to making full-length films for the Indian market. It has also made social marketing advertisements for Indian television. *SF* produces films to meet the precise demands of its customers, including producing them to customer specifications and tight deadlines. There are often pressures to get work done on time, especially as *SF* does not allow overtime working. Rachel is concerned that *SF*'s managers are autocratic and that many of its employees lack the freedom to be creative. Although the pay scales at *SF* are lower than average for India, its managers do receive financial rewards, such as bonuses.

To assess the possible takeover, Rachel is analysing financial information for *SF* (**Table 1**).

Table 1: Selected financial information for *SF* for 2019 and 2020

	2019	2020
Stocks ($ millions)	2	4
Cash ($ millions)	20	10
Debtors ($ millions)	18	16
Current liabilities ($ millions)	30	25
Gross profit margin (%)	8	7
Net profit margin (%)	4	2

Aarvan thinks that a takeover of *SF* will reduce *MM*'s production costs and that owning *SF* would make it easier for *MM* to produce the advertisements that customers want. Aarvan knows that the owner wants to sell, so *SF* would be cheap and easy to buy.

However, Javed thinks that *SF* does not have enough experience in making short, attention-grabbing advertisements: its main experience is in making full-length films for cinema release. He also thinks that it would be difficult to manage two very different businesses, each with different conditions of employment.

a. Define the term *social marketing*. [2]

b.i.

Using calculate the current ratio for *SF* for 2020 (*show all your working*).

[2]

b.ii. Using suggest reason why *SF* may have a liquidity problem. [2]

c. Explain factors that may influence the motivation of employees at *SF*. [4]

d. Recommend whether *MM* should take over *SF*. [10]

19N.1.SL.TZ0.4

Refer to the *Accord* case study (SL/HL paper 1 Nov 2019).

Aran and Kayla decided to launch Detox using batch production. It has now been on the market for six months. Detox is showing strong growth, although sales for the first six months were less than a quarter of Kayla's target of 160 000 bottles for the first year. The price of Detox is $2.50 per bottle. The cost of goods sold is $160 000 and the operating costs before interest and tax are $20 000 per year.

Enrich sales have not grown much and Aran is very disappointed. Customers, mainly athletes, do not use the product frequently and it is difficult to find new customers. However, research into customer perceptions indicates a very strong brand, resulting largely from *Accord*'s corporate social responsibility (CSR) and strong customer loyalty.

Aran does not like the way the business is organized by product and wants to change it so that it is organized by function instead.

Following the success of Detox, Kayla wants to produce a range of snack bars based on Enrich flavours and recipes. *Accord* would use the Enrich brand name for the snack bars. The market for healthy snack bars is very competitive and dominated by a few large companies who spend large amounts of money on advertising. The market is growing rapidly – some market researchers estimate by 34 % *per annum*. There are many examples of small businesses entering the market successfully on a small scale. Kayla estimates the proposal would involve an investment of $100 000, with forecast net returns of $80 000 for four years. Aran thinks that the money could be better spent on marketing Enrich drinks.

a. Define the term *batch production*. [2]

b.i.

Based on a target of 160 000 for the first year of production at Detox, calculate the gross profit generated by Detox.

[2]

b.ii.

Based on a target of 160 000 for the first year of production at Detox, calculate the net profit margin of Detox.

[2]

c.

With reference to *Accord*, explain advantage disadvantage of an organizational structure based on product.

[4]

d. Discuss Kayla's plan to produce a range of snack bars. [10]

21N.1.SL.TZ0.4

Refer to the Megamin Mining case study (SL/HL paper 1 Nov 2021).

MM is reviewing its hotel and mining operations.

To understand customer opinions about its hotels, *MM* will distribute questionnaires at two of its hotels and use a convenience sampling method. *MM* is also considering introducing flexitime for hotel employees.

For its gold mining operations, *MM* wants to increase its market share worldwide to 1 % by 2030. In 2020, MM produced 17 tonnes of the global production of 3200 tonnes.

In another development, *MM* wants to enter the rapidly growing lithium market. *MM* has rejected the idea of buying an existing lithium producer and is considering two options: opening its own lithium mine in Australia or entering a joint venture with a lithium mining company.

Option 1: Open a lithium mine in Australia

MM has identified a site in Australia, and the Australian government, which is keen to develop its country's lithium mining industry, will approve a mining license for it. Development of the mine would take three years and cost $100 million. **Table 2** shows the forecasted net returns for the first six years.

Table 2: Forecasted net returns for the lithium mine (in millions of $)

Year	Net returns
0	–70
1	–20
2	–10
3	30
4	60
5	100

MM will sell the lithium to battery manufacturers in China, a market familiar to the Australian mining industry. Transport costs would be high. Environmental pressure groups oppose the mine because of the water and air pollution they think it would create.

Option 2: A joint venture with *CanLith* (*CL*)

CL, a lithium mining company, is seeking expansion with a new mine and needs finance. A joint venture with *MM* would bring *MM*'s expertise and corporate values to the expansion. *MM* and *CL* would have equal ownership of the new mine and jointly manage it. *CL* would appoint a board of directors. However, *CL* has attracted bad publicity because of its poor environmental record, and local people oppose the new mine. Information on the joint venture is shown in **Table 3**.

Table 3: Information on setting up the joint venture

Cost to *MM*	$40 m
Time to complete	6 months
Expected average rate of return (ARR) on *MM*'s investment	15 %

a. Define the term *flexitime*. [2]

b.i.

Calculate for *MM*: its market share worldwide in gold in 2020 (*show all your working*).

[2]

b.ii.

Calculate for *MM*: the average rate of return (ARR) for the lithium mine (*show all your working*).

[2]

c.

Explain advantage disadvantage for *MM* of using convenience sampling for its market research.

[4]

d.

Using the case study and additional information from Section B, recommend whether *MM* should choose or .

[10]

20N.1.SL.TZ0.4

Refer to the *Ducal Aspirateurs* case study (*DA*) (SL/HL paper 1 Nov 2020).

DA's board must make two major decisions.

Decision 1: *DA* needs to reduce employment costs. A new system of pay and benefits is under consideration. This includes:

changing from an annual salary to low basic wages with profit-related bonuses
reducing social benefits for employees, such as paying market rents for the housing in Ville d'Ablet and having to pay for the use of the leisure facilities
offering generous compensation payments to employees who are prepared to leave the business.

Decision 2: The three options from *DA* directors (lines 105–143) must be considered.

Immediately prior to the board meeting, Mia withdrew her proposal (**Option C**).

There is now additional information available on the remaining options.

Option A: Louise's proposal – market development

Louise plans to target the mass market and proposes using the brand name DuLow for the redesigned products. She is planning for *DA* to outsource production to *Star Electrics* (*SE*). *SE* uses mass production together with some customization of products. *SE* keeps costs low by importing cheap raw materials and paying low wages.

Ben, the human resource management director, is concerned about the impact this change would have on *DA*'s employees.

Option B: Salah's proposal – product development

Salah's plan requires new production lines, one for each product. Salah proposes using cellular manufacturing. The investment cost is estimated to be €500 million. Salah estimates the following net cash inflows (excluding the initial investment cost).

Table 1: Forecast financial information for Option B (figures in € millions)

Year	Net cash inflow (excluding initial investment cost of €500 million)
1	50
2	150
3	200
4	300
5	400

Louise thinks the option is expensive. Dodi, the finance director, thinks that the investment is too large and he believes that some shareholders are also concerned about the size of future dividends. Salah believes that shareholders will be pleased about the revenues that this investment will generate. Mia is worried that the products would be expensive to produce and that demand might fall in five to seven years.

a. Define the term *retained profit*. [2]

b.i.

Using **Table 1**, calculate for **Option B** the average rate of return (ARR) (*show all your working*).

[3]

b.ii.

Using , calculate for the payback period (*no working required*).

[1]

c.

Explain advantage and disadvantage for *DA* of replacing the current pay system and benefits with the proposed employment package ( ).

[4]

d.

Using the *Ducal Aspirateurs* case study and additional information, recommend whether *DA* should choose or ( ).

[10]

22M.1.SL.TZ0.4

Refer to the Peacewick University case study (SL/HL paper 1 May 2022).

The trustees of *PU* have made proposals to introduce new working patterns for lecturers:

Compulsory training in IT use for teaching, including online teaching and creating libraries of online resources.
Contracts that require all lecturers to work at home three days a week. There would be a schedule of who is on site on each day.
Vacations reduced in length to enable sufficient face-to-face contact with all students.
Lecturers would receive a compensatory increase in basic pay.
Introduction of performance-related pay (PRP).

PU is considering a joint venture with Country B's government. Country B is performing well economically and is planning to expand its university sector. The trustees of *PU* believe that the university has a sufficiently strong reputation that the government of Country B will be
interested in *PU* opening a campus there.

Country B's government would provide the facilities and recruit local lecturers and other staff to work at the university. *PU* would be responsible for all the other costs that it incurs setting up the campus.

PU would:

design degree courses, syllabuses and course materials
train all staff
monitor the progress of each course to ensure that academic standards are good enough to award degrees.

In addition, *PU* would undertake all market research needed for planning and monitoring new courses, including primary research into the market for university courses.

PU would receive an annual payment from the government of Country B and a fee for each student that successfully completes a degree course.

a. Define the term *performance-related pay* (*PRP*). [2]

b.

Explain impact on *PU* impact on *PU*'s lecturers of the new working patterns.

[4]

c.

Explain methods of primary market research that *PU* could use to monitor the progress of each course.

[4]

d. Recommend whether *PU* should open a campus in Country B. [10]

17N.1.SL.TZ0.4

Some teachers have complained that Mrs K is too strict and treats them like students. These teachers want more freedom in choosing what to do in their lessons. However, other teachers like the certainty and clear instructions they receive at the weekly staff meetings and appreciate that Mrs K takes a close interest in everything they do. Mrs K makes all the day-to-day decisions at the school, and sometimes would like more guidance from Jacob, but she is pleased that he makes all the strategic decisions.

Jacob has delegated the day-to-day running of the school to Mrs K. Whenever he meets the staff at the school he likes to listen and he wants to learn about what challenges them in their work. The teachers and management want to help Jacob achieve his vision for the school. He is very effective at negotiating with external organizations and promoting the school, and is the main force for innovation and change.

Jacob has undertaken further market research into what families living in Dodoma want from a school. He used a convenience sampling method that involved talking to friends and relatives.

Jacob is concerned with cash flow. Although the school year starts in January, fees are not collected until April, the time when local people traditionally have higher incomes. At the moment all purchases are made in cash. **Table 1** shows the latest cash-flow forecast for the next six months.

Table 1: Cash-flow forecast for MSS for the next six months (figures in $000s)

	Jan	Feb	March	April	May	June
Opening balance	13	5	–3	–17	21	11
Plus:						
Fees received	0	0	0	50	5	0
Sales of surplus crops	2	4	3	1	0	0
Minus:						
Teachers' salaries	5	5	5	5	5	5
Cash purchases	3	4	8	3	**X**	3
Other expenses	2	3	4	5	4	5
Closing balance	5	–3	–17	21	11	**Y**

a. Define the term *economies of scale* (line 36). [2]

b.

Explain advantage and disadvantage for Jacob of using convenience sampling.

[4]

c.i. Calculate the value of and the value of in . [2]

c.ii.

With reference to , explain way in which *MSS* could improve cash flow.

[2]

d. Discuss the differences in leadership style between Jacob and Mrs K. [10]

19M.1.SL.TZ0.4

Refer to the Radeki de Dovnic Manufacturing (RDM) case study (SL/HL paper 1 May 2019).

While identifying a location for the new factory, *Zylstra Industries* (*ZI*), a large manufacturing company located not far from Location A, presented *RDM* with another possibility: a strategic alliance. Thus, *RDM* have two options to consider.

Option 1: Purchase land and build a new automated factory. The potential location is summarized in **Table 1**.

Table 1: Information on Location A

	Location A
Cost of land, construction, and $6 000 000 in equipment	$64 000 000
Skills of workforce	Low
Access to large markets	Centrally located near highly profitable markets
Expected 5-year profit	$80 000 000 ($16 000 000 per year for 5 years)
ARR	**X**
Payback	**Y**
Annual payments to mortgage lender if financed with debt	$2.6 million

Location A is in an economically depressed area of northwestern Europe, where land values nevertheless remain high. Location A has an old industrial tradition with a long tradition of poor industrial/employee relations.

Option 2: A ten-year strategic alliance with *ZI*. *ZI* has proposed that *RDM* uses some of its vacant
manufacturing space in exchange for assistance in transforming *ZI*'s manufacturing process into a
highly automated one using robots. Twenty *RDM* engineers and computer scientists would:

transform *ZI*'s current factory into an automated one
train *ZI* engineers
monitor the factory for the duration of the strategic alliance.

ZI would pay all capital expenditures and *RDM* would employ the twenty engineers and computer scientists. Average salary and other financial rewards of one highly skilled employee would be $150 000 per year. In exchange, *RDM* would get free usage of factory floor space. *RDM* would buy its own equipment at a cost of $6 000 000.

RDM estimates that leasing space similar to what *ZI* is offering would cost $3 000 000 a year.

[Source: © International Baccalaureate Organization 2019]

a. State reasons for selecting a specific location for production. [2]

b.i.

Using the information in , calculate for the payback period (*show all your working*).

[2]

b.ii.

Using the information in , calculate for the average rate of return (ARR) (*show all your working*).

[2]

c.

Explain types of financial rewards, salary, that *RDM* might offer its engineers and computer scientists.

[4]

d. Recommend whether RDM should choose or . [10]