

IB Business Management

CASE STUDY PACK – MAY 2018

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For May 2018 examination

How to use the Case Study Pack 2018

The 146-page Paper 1 Case Study Pack has been produced to help colleagues and students in their preparations for the May 2018 Paper 1 examination (*Afghan Sun*).

The comprehensive Case Study Pack for *Afghan Sun* includes:

1. **Definitions** of all the key terms in the case study. Some 97 key terms/phrases have been identified and clearly defined in the context of the AS case study. This includes an explanation of additional key words/phrases such as:

- Developed country and developing country
- Free market
- One-party state
- Trading agreement
- International forces
- Democracy

See pages 4 – 19

2. A **stakeholder profile** of all the people and various stakeholders featured in the case study, including Su, Arif Koomar, David, Salima, the managers at *HH*, the team of volunteers at *AS*, *AK Bank*, and customers.

See pages 20 – 23

3. **Fact Sheet** – Useful information about Afghanistan, covering its geography, society, economics, energy industry and government. The Fact Sheet helps students to gain deeper insight to the country in order to add context to the AS case study.

See pages 24 – 26

4. **Weekly comprehension quiz questions** – 10 short comprehension questions each week for 10 weeks to help test students' learning of the AS case study. The first page of each quiz contains a version for students and the second page comes with the answers (for teachers).

See pages 27 – 46

5. **True or False questions** – 10 questions each week for 10 weeks to test students' recall and understanding of the AS case study. The first page of each quiz contains a blank version of the True or False quiz for students, and the second page comes with the answers (for teachers)

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6. An **A-Z Quiz** – Use this activity as a plenary, starter or test to see how well your students know the *AS* study. A separate sheet with the answers can be used by the teacher to mark the quiz, and/or shared with students for revision purposes.

See pages 67 – 68

7. **Wordle quizzes** – A collection of 5 Wordle quizzes to test your student's understanding of the case study. These quizzes are similar to crosswords but contain the answers randomly in a word cloud. The Wordles can also be used as part of a classroom display to trigger students' memory of the *AS* case study.

See pages 69 – 83

8. An applied **SWOT analysis** of *AS*. A SWOT analysis is a useful tool for strategic analysis. A fully applied SWOT analysis has been included for the *AS* case study.

See pages 84 – 87

9. A **PEST analysis** for *AS*. Similarly, a PEST analysis also provides useful information for strategic analysis and for formulating business strategy. A PEST analysis has been included for *AS* with up-to-date data, including economic data for the Afghan economy.

See pages 88 – 89

10. **Exam-style questions** with mark allocations, using learning outcomes from the IB BM syllabus. Choose from 50 exam-style questions that can be used for independent or collaborative work, homework, assessments and/or practise tests. Each of these questions come with suggested answers, which can be shared with students as appropriate.

See pages 90 – 112

11. Separate **Paper 1 mock exams** for HL and SL, with accompanying mark schemes. The Paper 1 Case Study Pack includes two full mock exams – one for HL and one for SL, each with an accompanying detailed mark scheme. For the SL mock exam, additional information has been included for Section B. For the HL mock exam, additional information has been included in Sections B and C.

Note: whilst real data have been included where possible, the additional information in Sections B and C have been included only for the purpose of providing additional practise for the final examination.

SL mock exam paper - See pages 113 – 115

SL markscheme - See pages 116 – 124

HL mock exam paper - See pages 125 – 129

HL markscheme - See pages 130 – 145

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Top Tip!

It is strongly recommended that SL students also have a go at the HL mock examination questions in Sections A and B. Likewise, it is strongly recommended that HL students also attempt the SL mock examination.

12. **Resources** – The final section of this year's Case Study Pack includes links to free resources that teachers may wish to use in the classroom with their students. This includes:

- Ten fun facts about Afghanistan
- Microfinance and Kiva.org
- TED talk video with Muhammad Yunus, the pioneer behind microfinance
- CNBC news: Solar power in Afghanistan to get \$44.76 million boost
- The Express Tribune: Solar power plant to be built in S Afghan province:
- YouTube videos - *How are solar panels made?* and *How much do solar panels cost?*
- Quizlet puzzle.

See page 146

Best wishes with the preparations for the May 2018 examinations!

Paul Hoang
23rd February 2018

For more teaching ideas and resources for the *Afghan Sun* case study, follow the author on Twitter @paulhoang88 or use the hashtag #AfghanSun

Key Terms

Case Study: *Afghan Sun (AS)*

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Key terms in *italics* apply to *HL* students only

Business (1, 4, 41, 45, 62)

A business is a decision-making organization involved in the production of goods and/or services to satisfy the needs or wants of customers. It combines human, capital and financial resources to create such products. *High-end Holidays (HH)* is Su's business, which sells individually designed holidays to luxury destinations. She has recently started a new business called *Afghan Sun*, which will supply solar power systems to customers in Afghanistan.

Strategic decision making (4, 34)

Strategic decision making refers to the key decisions taken by a business in order to achieve its organizational objectives. It is part of a business' long-term plan. Businesses need to make strategic decisions to achieve long term success and to adapt to changes in the external environment in which they operate. Suchenlin is directly involved in the daily running of *High-end Holidays (HH)* but has input in the firm's strategic decision making.

For-profit (8-9)

A for-profit organization is one that aims to earn a profit (financial surplus) from its trading activities. Examples of for-profit organizations include microfinance providers (such as *AK Bank*) and private limited companies. *Note:* although *Afghan Sun* is a private limited company, it is not entirely clear from the case study whether it is a for-profit company or registered as a charity (which can also have the status of being a private limited company).

Microfinance (9, 26, 66, 67)

Microfinance is a way of providing loans and banking services to customer who are not catered for by traditional commercial banks, such as those on low incomes. It is primarily used in less economically developed countries, to help the poor and female entrepreneurs by providing small loans and deposit facilities.

Microfinance provider (9, 67)

A microfinance provider is a form of for-profit social enterprise that provides microfinance to its customers. These operate in over 150 countries around the world, providing small loans and deposit facilities to those on low incomes and people with a low or poor credit history. They help to raise living standards, encourage entrepreneurship and empower low-key entrepreneurs (females in particular).

Finance (10, 56, 67)

Finance refers to the monetary funds required either for business purposes, such as funding the start-up of a new business venture, the day-to-day running of business, or its expansion. Finance for a business can be either internal (such as retained profit), or external (such as share capital or mortgages). *AK Bank* has provided finance to over 3 million households in Bangladesh, to buy solar power systems.

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Opportunity (16, 32)

An opportunity refers to a set of circumstances in the external business environment that creates a chance or opening for further progress. Opportunities often arise from being able to fulfil the unmet needs of customers. Suchenlin sees an opportunity to make solar power systems for households in Afghanistan.

Manufacture (16, 45)

This is another term for production, which refers to the process of combining and transforming raw materials and/or components into final goods, ready for sale to customers. Essentially, it is the process of transforming factors of production (land, labour, capital and enterprise) into finished goods or services. Su wants to manufacture household-based solar power systems, similar to ones used in Bangladesh.

Social enterprise (18)

A social enterprise is a form business ownership, with the intention of improving social wellbeing. Social enterprises can be for-profit, such as: cooperatives, microfinance providers (such as *AK Bank*) and public-private partnerships. Social enterprises can also be non-profit organizations, such as charities and non-governmental organizations (NGOs). Although a social enterprise applies commercial practises, its purpose is to achieve social objectives and goals. Any profits earned are principally reinvested in the organization in order to pursue its social cause, instead of being distributed to its owners or shareholders. *Afghan Sun* was set up as a social enterprise.

Private limited company (18-19)

A private limited company is an incorporated business owned by shareholders who have limited liability. The shares of a private limited company cannot be bought by or sold to the general public. *Afghan Sun* was set up as a social enterprise, which operates as a private limited company.

Recruitment /recruited (19)

Recruitment is the process of hiring suitable workers. It starts with identifying the need for a new employee, followed by defining the job and the appropriate person for it, attracting a number of suitable candidates, interviewing them, and finally selecting the best person for the job. Su has recruited volunteers from *HH* who are keen to work at *AS*.

Team (19, 21, 23)

A team is a group of co-workers who work together to achieve a common goal. They have complementary skills that are needed to complete a job, task or project. Some teams are self-managed but most are overseen by a line manager. Su recruited a team of volunteers from *HH* to work at *Afghan Sun*.

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Employees (19, 31, 32, 33, 47)

A type of internal stakeholder, employees are the people who work for a business. They are hired to carry out specific tasks. They can have significant influence on the organization, such as their level of motivation and productivity. Employees are keen to work on the project at *Afghan Sun*.

Research (21)

Research is the process of gathering and interpreting information regarding customers. It involves collecting primary and/or secondary data, which may be of a quantitative or qualitative nature. The team of volunteers at *Afghan Sun* had carried out some detailed research, such as the product to be made (solar power systems).

Product (22)

A product is a good or service which is sold on the market to satisfy the needs and wants of customers. It can be a tangible good or an intangible service. In the case of *Afghan Sun*, the team of volunteer decided on the product to be made: solar power systems.

Cellular manufacturing (23)

This is a method of production that splits a task or project into a self-contained teams (or cells). Each cell is responsible for a significant part of the overall project with skilled team members taking on various job roles to complete their assigned task (unit of work). Each cell is responsible for the quality of output in their area. The solar power systems at *Afghan Sun* will be made using cellular manufacturing.

Raw materials (23)

Raw materials are natural resources used in the manufacturing process to produce finished goods. Examples include wood, metal ores, minerals, crude oil, meat, grains, fruits and vegetables. Raw materials are a type of factor of production, along with labour, capital and enterprise. The team of volunteers at *Afghan Sun* want to purchase cheap raw materials in order to charge a very low price (for the solar power systems).

Resources (23)

Resources refer to the assets of an organization, and can be classified into four components: land, labour, capital and enterprise. Hence, resources can be termed as the factors of production. These may include financial resources, human resources, and capital resources (such as production resources and information technology). The team of volunteers at *Afghan Sun* want to use resources efficiently and cut waste, in order to cut costs and be able to charge a very low price for its solar power systems.

Efficiency/Efficiently (24)

Efficiency is about doing things well and productively, without waste and inadequacies. Operating efficiently helps a business to cut its costs and to be more competitive.

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Waste (24)

Waste is a term for an activity that is wasteful (inefficient) and does not add value (unproductive) to the production process. Waste reduction, an element of lean production, is a useful way to reduce costs and hence to increase an organization's profitability. The team of volunteers at Afghan Sun want to use resources efficiently in order to cut waste.

Price (24)

Price refers to the value of a good or service that is paid by the customer. Price will usually cover the costs of production, allowing the business to earn a profit margin. The team at *Afghan Sun* want to charge a very low price, to make their solar power systems affordable to the poor in Afghanistan.

Suppliers (25)

Suppliers are an external stakeholder group that sell goods and services to other businesses. The team at *Afghan Sun* have identified suppliers (of raw materials for the solar power systems) who share Su's vision.

Vision (25)

The vision of a business or entrepreneur refers to where the organization aspires to be in the future; the vision is therefore the long term and ultimate aim of a business. Having a vision gives an organization a clear sense of purpose and direction. *Afghan Sun's* suppliers have been identified to share Su's vision for the organization.

Expand (26)

Expansion refers to an increase in the size of the organization or its operations. The team of volunteers at *Afghan Sun* have encouraged Arif Koomar to expand *AK Bank's* microfinance activities into Afghanistan.

Leadership (28, 38)

Leadership is the art of influencing, inspiring and motivating others to accomplish a common goal. Leadership plays a key role in an organization and involves setting a clear vision and direction for others to follow. There are various 'styles' of leadership, although all leaders take on a degree of risk and drive the strategic vision of their organization. Su maintains a leadership role at both *HH* and *AS*. She part of her leadership role, Su enjoys aspects of organizing, especially fundraising events for *AS*.

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Empowerment/Empowers (29, 31, 33)

Empowerment occurs when authority to carry out a task is passed to an employee or subordinate. Empowered staff have some decision-making power and can decide for themselves the best way to deal with a task or a problem. It is a form of non-financial motivation that entails delegating decision-making power to workers, helping to boost their overall morale. Su empowers her managers at *HH* (to make tactical decisions) and employees (to discuss working practices and quality issues). She intends to empower her staff in the same way at *Afghan Sun*.

Managers (29, 31, 33, 34, 36, 37, 45, 46)

Managers are the people responsible for the day-to-day running of the business or a department within the organization. Managers are generally accountable to Directors or senior executives, and responsible for the staff teams they supervise. Managers at *HH* are empowered to make tactical decisions. Su believes her managers are well motivated and committed to their work. Managers at both *HH* and *AS* are inspired by Su, and have a clear understanding of her mission. They also share this belief.

Day-to-day decisions (29)

This refers to routine decision-making in order to meet operational (or tactical) objectives of an organization, i.e. the short-term organizational goals. Unlike strategic decisions, day-to-day decisions carry relatively low risk. Managers at *HH* are empowered by Su to make day-to-day decisions.

Organizing (30)

Organizing is one of the functions of management. It refers to the process of forming and shaping business operations, ensuring that tasks are sufficiently resourced in order to meet production deadlines. Managers at *HH* make day-to-days decisions, such as organizing resources.

Directing (30)

Directing is one of the functions of management. It refers to the process of instructing and guiding workers in the production process in order to meet production targets and other organizational objectives. Managers at *HH* have responsibility for directing staff.

Coordinating (30)

Coordinating is one of the functions of management. It refers to the process of overseeing or managing aspects of the production process. This can include the management of human, capital and financial resources in order to meet organizational targets. Managers at *HH* are responsible for coordinating day-to-day tasks and activities.

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Tactical decisions (30)

Tactical decisions are choices made by managers to meet the short-term objectives of an organization. They are specific actions as part of the daily functions of an organization. Typically, tactical decisions have a time frame of less than a year. Managers at *HH* are empowered by Su to make tactical decisions.

Teamwork (32)

Teamwork is a form of non-financial reward, which occurs when employees work with fellow colleagues to achieve organizational goals. Teamwork can build a sense of belonging and reduce boredom (of working alone), thereby helping to meet the social needs of employees. It can also help to raise labour productivity as employees support each other in their work. Su encourages teamwork at *HH* by creating opportunities for workers to discuss work-related matters, such as working practices and quality issues.

Working practice (32)

Working practices are the various ways in which a business operates. Examples include working hours, rewards and sanctions, working conditions, and all aspects of company policies. As part of her attempt to encourage teamworking, Su creates opportunities for her employees at *HH* to discuss working practices.

Quality (32)

Quality refers to the extent to which a product is fit for its purpose, i.e. whether it meets (or exceeds) the needs and wants of the customer by conforming to a certain standard. Dimensions of quality include: durability, reliability, customer service, after-sales care and the physical appearance of the products.

Responsibility (34)

Responsibility occurs when a person is given a task to do which they are required to carry out and be accountable for their actions. Su, being the owner of *HH* and *AS*, is responsible for strategic decisions at the businesses.

Strategic decisions (34)

Strategic decisions are those taken by the business in order to achieve its organizational goals. They are part of a business' long-term plan. Firms need to make strategic decisions to achieve long-term success and to adapt to changes in the external environment in which they operate. Su retains responsibility for strategic decisions at *HH* and *AS*.

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Motivation/Motivated (35)

Motivation is the desire, effort and willingness to complete a task or to achieve something. It can be extrinsic (such as pay and financial rewards) or intrinsic (such as pride, self-esteem, or altruism - the desire to help others). Su believes that her managers at *HH* are so motivated and committed to their work that she does not usually need to interfere.

Conflict (36)

Conflict arises when two parties disagree over an issue due to incompatible ideas, beliefs or opinions, such as when employees disagree with the decisions made by senior management. At HH, there is rarely any conflict between managers. This is partly because they are inspired by Su, and believe in her cause.

Mission (38)

Mission refers to a declaration of an organization's overall goal and its purpose. It forms the foundation for setting the aims and objectives of an organization. The managers at both *HH* and *AS* have a clear understanding of Su's mission, and share it.

Governments (40, 72, Table 1)

This refers to the central (governing) authority of a country or state. It sets and administers policies to protect and uphold the interests of the general public and society as a whole. The government is an important stakeholder group for all businesses as it oversees the political and legal climate of the economy, including the use of corporate tax rates, employment legislation and competition laws. Su enjoys aspects of organizing, especially fundraising events for *AS* with governments and NGOs. In Country A (Table 1), an upcoming election could lead to a change in government.

Non-governmental organizations (NGOs) (40)

An NGO is a type of non-profit social enterprise that operates in the private sector but does not primarily aim to make a profit. NGOs are established to benefit others in society, such as to meet the needs of the poor. Su enjoys organizing meetings with governments and NGOs to promote *Afghan Sun's* mission.

Appointment/Appointed (42, 44)

This refers to the process of hiring/recruiting suitable workers. The appointment process helps decision makers to select the best person for the job vacancy. Su appointed both David (marketing) and Salima (production) to work at *Afghan Sun*.

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Marketing (43)

Marketing is the management process of identifying, anticipating and satisfying consumers' requirements in a profitable way. It involves meeting customers' needs and wants by focusing on ensuring the product, price, place and promotion are effective in encouraging sales of the good or service. David worked in the marketing department at *HH*, before joining *Afghan Sun* as the senior manager for marketing.

Production director (45)

The production director of an organization is the senior manager in charge of production (or operations management). The production director oversees the production process of using resources to generate the output of goods and/or services in a cost-effective and timely manner. Salima has experience as a production director, having worked in a large manufacturing business.

Senior managers (45)

Senior managers are those who have company-wide decision-making authority. These managers are highly experienced staff who take risks in leading the organization. Examples include the marketing director, finance executive and human resources director of a company. David and Salima have been appointed as senior managers at *Afghan Sun*.

Selection/Selecting (46)

Selection of an employee occurs when s/he is chosen from a pool of candidates, during the recruitment process, for a position within an organization. Su has yet to decide how to recruit and select two more senior managers – either selecting two experienced managers at *HH*, or to promote two junior employees from within *HH*.

Promotion/Promoting (46)

Promotion, in the context of human resources, refers to the career advancement of an employee, either within an organization or externally in another organization. It is usually the result of an individual's proactive attempts to get promoted (perhaps by gaining better qualifications, skills and experience) or as a reward for outstanding performance in the workplace. Su is considering promoting junior employees from within *HH* to the two vacant senior manager positions at *Afghan Sun*.

Outsource (48, 49)

Outsourcing refers to the practice of using an external firm to provide certain aspects of the organization's operations instead of doing these functions internally. Outsourcing is a way for the organization to reduce costs as well as to benefit from the specialist services of the third-party provider. Salima does not want to outsource the main production facility of the solar power systems, but does want to outsource the production of certain components.

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Production facility (48)

A production facility refers to the building or area where goods are manufactured, such as in an industrial site, commercial property or factory. Salima is not keen on outsourcing the main production facility of the solar power systems.

Location (line 51)

Location refers to the geographical position or site of an organization. Su has an important decision to make about the location of the main production facility for *Afghan Sun's* solar power systems, and has shortlisted two possible locations – either in Country A or Country B.

Unemployment (Table 1)

Unemployment refers to the non-use of a factor of production, such as labour. Technically, it exists when people who are willing and able to work at the going wage rate are unable to find a job. It tends to be high during an economic recession. Unemployment is part of the economic environment in a STEEPLE analysis. Table 1 shows that unemployment in Country A is low, but rising. Unemployment is high in Country B.

Investment (Table 1)

Investment refers to the capital expenditure of a business, i.e. the spending on acquiring, maintaining and/or upgrading of fixed assets, thereby broadening the firm's capital base. Examples include the purchase of equipment, machinery and buildings. Table 1 shows that the government in Country B encourages investments from overseas by providing grants.

Grants (Table 1)

Grants are a type of government financial assistance, which provides funds to support business activities. Unlike loans, grants do not have to be repaid. They are usually offered to small business start-ups or to support strategic sectors or industries of the economy that may be facing particular problems, such as high unemployment. For most businesses, however, government grants may be hard to obtain.

Wage (Table 1)

Wages are a time-based payment system frequently used to pay workers a fixed amount on an hourly basis. Workers receive this payment for the work or services provided. It is commonly used to pay manual or unskilled workers. The local wage costs in Country A (where Su is considering to outsource the main production facility) are high, due to there being a high level of skills, whereas they are low in Country B where there is a shortage of skills.

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Currency (Table 1)

Currency refers to the officially accepted form of money in a particular country, such as the dollar in the USA or the Afghani in Afghanistan. The currency in Country A is stable (which encourages international trade and exchange), whereas the currency in Country B is low (making exports more expensive, but imports more affordable).

Rent (Table 1)

Rent is payment for the use of an asset, such as property or premises, that belongs to someone else. Rent is a type of fixed cost or expense, i.e. it must be paid irrespective of the level of output. *Afghan Sun* would be charged high rents if it outsources the production facility to Country A. However, there are suitable production facilities at a low rent in Country B.

Political environment (Table 1)

The political environment is part of a STEEPLE analysis, specifically examining aspects of government operations and policies. For example, political stability helps to build business and consumer confidence levels. By contrast, political corruption is a major barrier to attracting investment expenditure. The political environment in Country A is stable, but an election could lead to a change in government. In Country B, there is a one-party state, i.e. a single political party rules the country.

International trade (Table 1)

International trade refers to the exchange of goods and services between households and firms in different countries. It involves the exports (sold to buyers in foreign countries) and imports (foreign goods and services bought by households and firms in the domestic economy) of goods and services.

Commercial marketing (53)

Commercial marketing refers to mainstream methods of marketing intended to sell goods and services to meet the needs of customers in order to earn a profit. Commercial marketing focuses on the benefits for the business. This contrasts with social marketing, which focuses on the benefits of others in society. David thinks that commercial marketing is more effective for *Afghan Sun* as he sees the solar power systems as being product orientated.

Social marketing (53)

Social marketing is the use of mainstream commercial marketing methods in order to achieve social change and the benefits to others in society. It is used to promote social well-being. An example is informing the general public about the benefits of using solar power systems. However, David thinks that commercial marketing is more likely to have an impact.

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Product orientated (54)

A business is product orientated if it focuses on the things that it can produce well, rather than focusing on the wants or needs of its customers. Product orientation places emphasis on building a high-quality product in an efficient way. David sees the solar power systems of *Afghan Sun* being product orientated.

Market orientated (54-55)

A business is market orientated if it focuses on the wants or needs of its customers. It places emphasis on producing fit-for-purpose products to satisfy customers, in a profitable way. However, David sees the solar power systems of *Afghan Sun* being product orientated, rather than being market orientated.

Customers (55, 58, 60, 62)

Customers are the individuals or organizations that purchase goods or services from a business. They are a key external stakeholder group of an organization. All businesses strive to meet the needs and wants of their customers. *Afghan Sun's* potential customers need to know the benefits that the solar power systems can bring to households, plus the means to finance the purchase of these.

Price/Pricing (57)

Price refers to the value of a good or service that is paid by the customer. Price will usually cover the costs of production, allowing the business to earn a profit margin. David is not sure which pricing methods would be appropriate for the solar power panels.

Pricing methods (57)

This refers to the pricing strategies that a business uses to sell its goods and/or services. Examples of pricing methods include cost-plus, penetration, psychological, loss leader, and price discrimination.

Promotion (57)

Promotion, in the context of marketing, refers to the methods of communicating marketing messages to potential customers, usually with the intention of selling a firm's products. As part of the marketing mix, promotion includes: advertising, trade fairs, sponsorship, sales promotion, publicity (raising awareness) and public relations. David is not sure which promotion methods would be appropriate for the solar power panels.

Distribution (60)

Distribution is related to place in the marketing mix and refers to the entire process of getting the right products to the right place at the right time where the customers want them, all in the most cost-effective way possible. Distribution of the solar power systems will be a problem due to the remote location customers are likely to live and because of Afghanistan's poor infrastructure.

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Infrastructure (61)

Infrastructure refers to the physical structures and facilities needed for the economic and social operations of a country. Examples include the network of telecommunications, electricity, roads, bridges, airports and transportation. Afghanistan, which is recovering from a long and damaging war, has poor infrastructure.

Agents (61)

An agent is an independent person or company appointed and authorised to act on behalf of another person in business and legal dealings. To help with the distribution of solar power systems, David is investigating the possibility of using local agents.

Share capital (64)

Share capital is a source of finance for public and private limited companies. It involves the company selling shares to shareholders. It is the most important source of finance for limited liability companies. To help fund the new production facilities, Su has decided to use \$200,000 of her own money as share capital.

Loans (64)

A loan is a type of external source of finance. It is an interest-bearing debt, i.e. the borrower must return the initial amount borrowed (the principal) with interest charges. The loan is typically paid back in regular instalments to the lender. To help fund the new production facilities, Su has decided to use \$50,000 worth of loan capital, borrowed from *HH*.

Stakeholders (65)

Stakeholders are the individuals and/or other organizations that have a direct interest in the operations and business affairs of the firm in question. They include internal stakeholders (such as employees, managers and shareholders) and external stakeholders (such as customers, suppliers, the local community, and the government).

Internal stakeholders (65)

These are individuals or other organizations that are part of the business, so have a direct interest in its operations and business affairs. Examples include employees, managers and shareholders. Su wondered whether internal stakeholders might be interested in supporting *Afghan Sun* by providing some financial assistance.

External stakeholders (65)

These are individuals or other organizations that are not part of the business but have a direct interest in its operations and business affairs. Examples include customers, suppliers, competitors, financiers, the local community, and the government. Su wondered whether external stakeholders might be interested in supporting *Afghan Sun* by providing some kind of financial assistance.

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Financial assistance (66)

This is a source of external finance for an organization, where an investor or sponsor gives financial backing to the business, often in return for a share of the organization and its future profits. In the case of *Afghan Sun*, financial assistance is in the form of grants from governments or donations from internal and external stakeholders who are willing to support the project.

Cash-flow forecast (68)

A cash-flow forecast is the financial document that gives detailed estimates of an organization's cash inflows and outflows for the near future. Su prepared a six-monthly cash-flow forecast for the first three years of *Afghan Sun's* operations. It shows the business is expected have a healthy closing balance of \$55,000 in the first half of 2021.

Opening balance (Table 2)

The opening balance figure in a cash-flow forecast refers to the amount of cash in a business at the beginning of a trading period. The opening balance is the same value as the closing balance in the preceding trading period. *Afghan Sun's* opening balance is negative in three of the time periods in Su's initial cash-flow forecast. This raises some liquidity concerns about the project in Afghanistan.

Sales (Table 2)

Sales (or sales revenue) refers to the income of a business from its daily trading operations. It is the total amount of income earned from the sales of a good or service, per time period. It is calculated using the formula: $\text{Price} \times \text{Quantity sold}$. In the cash-flow forecast prepared by Su, sales of solar power systems are expected to soar from \$20,000 in the first half of 2019 to \$160,000 in the first half of 2021.

Capital expenditure (Table 2)

Capital expenditure is a use of finance, referring to the spending of a business organization on acquiring, maintaining and/or upgrading its fixed assets. Capital expenditure broadens a firm's capital base. It represents a financial investment in the business, e.g. the purchase of equipment, machinery and buildings. Su expects a large amount of capital expenditure when setting up AS (initially \$200,000 in the second half of 2018), but the amount is forecast to fall to just \$10,000 by the second half of 2020.

Sales costs (Table 2)

The cost of sales (or sales costs) refers to the firm's direct costs of purchasing the stocks (inventories) for sale. The formula for calculating sales costs is: $\text{Cost of Sales} = \text{Opening stock} + \text{Purchases} - \text{Closing stock}$. As the sales at *Afghan Sun* increases, it is not surprising to see the company's sales costs also rise (from \$15,000 in the first half of 2019 to \$70,000 in the first half of 2021).

Key Terms

Case Study: *Afghan Sun (AS)*

For May 2018 examination



Key terms in *italics* apply to *HL* students only

Costs (Table 2)

Costs are items of expenditure by a business when producing its goods and/or services. Costs can be classified in numerous ways, such as: direct costs, indirect costs, fixed costs, variable costs, and semi-variable costs. Examples include the costs of wages, salaries, rent, raw materials, advertising and taxes. With the expected sales growth of *Afghan Sun*, it is not a surprise to see in the cash-flow forecast that other costs are also forecast to rise (from \$10,000 in the first half of 2019 to \$40,000 in the first half of 2021).

Closing balance (Table 2)

In a cash-flow forecast, the closing balance shows the amount of cash in an organization at the end of a particular trading period. The closing balance figure per time period is calculated using the formula: Closing balance = Opening balance + Net cash flow.

Risks (69)

A risk refers to a situation with unknown outcomes, which could damage the financial health and viability of a business. Some risks, with a high degree of uncertainty, can cause a financial loss and possibly threaten the survival of an organization. Su is aware that the *Afghan Sun* carries significant risks, especially as she is investing \$200,000 of her own money in a project targeted at families on low incomes in a country emerging from a long and damaging war.

Production (73)

Production (or **operations management**) is concerned with processing resources (land, labour, capital and enterprise) to provide the output of goods and/or services. It aims to provide the right quantity and quality of goods and/or services in a cost-effective and timely manner. The management of AS (Su, David and Salima) need to make decisions about production as soon as possible, in order to get the project started.

Plan (74)

*A plan is a written statement on intent. Su needs to create a plan to help when things go drastically wrong (such as a crisis) and to prepare for uncertainties. Such a **contingency plan** involves designing proactive policies and procedures to deal with possible crises and emergencies, in order to ensure the continuity of the business.*

Changes (75)

Change refers to the modification or transformation in the way that business is conducted as a response to internal factors or external influences. Change arises when factors that influence the operations of an organization do not stay the same. It can often be disruptive and unsettling, so the process must be managed carefully. Su needs to create a contingency plan to prepare for possible changes in the external business environment.

Key Terms

Case Study: *Afghan Sun (AS)*

For May 2018 examination



Key terms in *italics* apply to *HL* students only

External environment (75)

The external environment refers to the factors beyond the control of the organization, which have a direct impact on its business operations and performance. Examples include political, economic, social, technological, legal, ethical and environmental factors. Possible changes in the external environment mean that Su needs to prepare an effective contingency plan.

Marketing planning (76)

Marketing planning is the formal process of creating relevant marketing objectives and appropriate marketing strategies to achieve these targets. It requires the collection of market research data to make informed marketing decisions. Marketing planning at *Afghan Sun* will help David with decisions about appropriate pricing and promotion methods, which would be appropriate for the solar power systems.

Human resource planning (76)

Human resource planning (or **workforce planning**) is the management function of using and developing people within a business to meet its organizational goals. It is the management process of anticipating and meeting an organization's current and future staffing needs. *AS* has yet to carry out human resource planning.

Additional key terms from the case study:

There are several additional words/phrases that students might find useful, such as:

Developed economy (Table 1)

An economically developed economy is one that enjoys a relatively high national income (gross domestic product). Its citizens enjoy sustained economic growth, political stability, security and a high standard of living. Other common characteristics of developed economies include low birth rates, high life expectancy, high adult literacy rates, and a skilled labour force.

Developing economy (Table 1)

An economically developing economy is one that has a low national income (gross domestic product). The country struggles to achieve economic growth. There is likely to be political instability, insecurity, a high level of corruption, and a low standard of living for its citizens. Other common characteristics of developed economies include high birth rates, relatively low life expectancy, low adult literacy rates, and an unskilled labour force.

Key Terms

Case Study: *Afghan Sun (AS)*

For May 2018 examination



Key terms in *italics* apply to *HL* students only

Free market (Table 1)

A free market is an economic system in which private individuals and firms make production decisions about what, how and for whom production should take place. There is minimal government intervention in business activities.

One-party state (Table 1)

A one-party state is a political system whereby a single political party governs the country. Unlike in democracies where multiple political parties exist, a one-party state means that it is forbidden to have any opposition political parties. Examples include North Korea, Cuba, and China. Country B operates a one-party state system.

Trading agreement (Table 1)

A trading agreement refers to an international pledge (promise) between two or more countries. The countries that sign the trade agreement are committed to free or freer trade with one another. Country A is part of a trading bloc with other countries, so the trading agreement enables the member countries to trade without barriers such as tariffs (import taxes) and quotas (quantitative limits on imports).

International forces (71)

International forces are official personnel deployed to create and maintain the conditions for peace in post-conflict areas such as Afghanistan. This usually involves political leaders signing a peace agreement and peacekeepers monitoring and observing the peace process. They are crucial in contributing to international peace and security in countries, such as Afghanistan, which are recovering from war and political crises. For example, international forces could include the soldiers and peacekeepers in Afghanistan, who are there to help the country to rebuild their infrastructure, restore peace and reinforce democracy.

Democracy (72)

Democracy refers to a political system whereby the population elect their government representatives based on an open and transparent voting process. It is a system backed by laws, rather than by individuals or officials in one-party states. International forces are present in Afghanistan to help the country reinforce democracy since it is recovering from a long and damaging war.



For May 2018 examination

Suchenlin (Su)

- Has made her fortune from the success of her business, *High-end Holidays (HH)*
- Has made more than enough money to keep her comfortable for the rest of her life
- No longer takes part in the day-to-day running of *HH*
- Has input into strategic decision making at *HH*
- Provides the inspiration for *HH*
- Is called 'Su' by her friends
- Wants new challenges
- Looking for a completely new project that will allow her to give back to society
- Recently went to Bangladesh
- Discovered the work of Arif Koomar
- Made the decision after visiting Bangladesh to manufacture household-based solar power systems to bring benefits to communities in Afghanistan
- Set up *Afghan Sun*, a social enterprise operated as a private limited company
- Recruited a team of workers from *HH*, who are keen to work at *Afghan Sun*
- Thinks that it is very important for her to maintain a leadership role at both *HH* and *AS*
- Empowers her managers at *HH* to make day-to-day decisions
- Also empowers her employees and encourages teamwork
- Creates opportunities for employees to discuss working practices, quality issues and other work-related matters
- Intends to empower managers in the same way at *Afghan Sun*
- Will retain responsibility for strategic decisions at *Afghan Sun*, in the same way that she does at *HH*
- Believes that her managers are well motivated and committed to their work
- Therefore, she feels there is little need to interfere in their work
- Provides advice and guidance to managers on the rare occasions when there is conflict
- Enjoys some aspects of organizing, particularly when fundraising events for *Afghan Sun* are needed
- Arranges meetings with governments and non-governmental organizations (NGOs)
- Usually represents *HH* and *AS* at meetings and conferences with governments and NGOs
- Appointed David and Salima to help begin the project to make and sell solar power systems
- Needs to hire two more senior managers
- Needs to decide between selecting experienced *HH* managers or promoting junior employees from within *HH* for the two vacant senior manager positions at *AS*
- Needs to decide on the location of the main production facility for the solar power systems; considering the relative benefits of Country A and Country B
- Has decided that most of the finance for the production facilities at *AS* will come from share capital (provided by herself) and loans (from *HH*)
- Wondered whether other stakeholders in *HH* might want to support the project (through financial assistance)
- Prepared a six-monthly cash-flow forecast, for the first three years of *Afghan Sun's* operations
- Aware that the project carries significant risks
-



Suchenlin (Su) – Continued...

- Also aware of the need to create a (contingency) plan to help out when things go wrong, and to prepare for possible changes in the external environment and other uncertainties
- Will have to carry out very careful marketing planning and human resource planning.

Arif Koomar

- Founded a for-profit microfinance provider
- His business trades under the name of *AK Bank*
- Has been encouraged by the team of volunteers at *Afghan Sun* to expand microfinance activities of *AK Bank* into Afghanistan.

David

- Senior manager at *AS*, responsible for marketing
- Is an Afghan
- Appointed by *Su* to help begin the project to make and sell solar power systems,
- Worked in *HH's* marketing department before being asked to work at *AS*
- As a manager, says that he is inspired by *Su* and has a clear understanding of her mission and shares it
- Believes that commercial marketing would have more of an impact than social marketing
- Sees the solar power systems as being product orientated rather than market orientated
- Unsure about which pricing methods would be appropriate for the solar power systems
- Unsure about which promotion methods would be appropriate for the solar power systems
- Investigating the possibility of using local agents and local transport businesses to provide the link *Afghan Sun's* customers
- Along with *Salima* and *Su*, needs to make the decisions on production and distribution as soon as possible (to get the project into action).



For May 2018 examination

Salima

- Senior manager at *AS*, responsible for production (operations management)
- Is an Afghan
- Appointed by *Su* to help begin the project to make and sell solar power systems
- Has experience as a production director in a large manufacturing business
- As a manager, says that she is inspired by *Su* and has a clear understanding of her mission and shares it
- Does not want to outsource the main production facility of the solar power systems
- Wishes to outsource the production of certain components (of the solar power systems)
- Would prefer the outsourcing of the production of certain components to be in nearby countries
- Along with David and *Su*, needs to make the decisions on production and distribution as soon as possible (to get the project into action).

Managers at *High-end Holidays (HH)*

- Empowered by *Su* to make day-to-day decisions
- Organize resources, direct staff, coordinate tasks/jobs, and take tactical decisions
- Say that they are inspired by *Su*
- Have a clear understanding of *Su*'s mission, and share it.

Employees/Team of volunteers at *Afghan Sun*

- Empowered by *Su*
- Have opportunities to discuss working practices, quality issues and other work-related matters
- Recruited by *Su* from *HH*, as they are keen to work on the project
- Decided on the product: solar power systems, to be produced using cellular manufacturing
- Wish to purchase cheap raw materials, use resources efficiently, and cut waste in order to be able to charge a low price
- Have identified suppliers who share *Su*'s vision
- Have encouraged Arif Koomar to work with *Afghan Sun* and expand microfinance activities into Afghanistan.



For May 2018 examination

AK Bank

- A for-profit microfinance provider in Bangladesh
- Founded by Arif Koomar
- Is very successful
- Serves much of Bangladesh
- Provided finance to over 3 million households to buy solar power systems
- Encouraged by the team of volunteers at *Afghan Sun* to expand microfinance activities into Afghanistan.

Customers (of Afghan Sun)

- Need to know about the solar power systems and the benefits to households
 - Need to know the means of finance needed to buy the household-based solar power systems
 - May not have much money to spend (on household-based solar power systems) and may have other (spending) priorities
 - Likely to be from remote locations with poor infrastructure
 - Microfinance made available through *AK Bank* or other microfinance providers to purchase the solar power systems.
-



For May 2018 examination

The section helps to provide a country context to the case study, so that student responses in the examination are as appropriate as possible.

Geography

- The capital and largest city in Afghanistan is Kabul
- The country has 34 provinces
- Afghanistan is a mountainous and landlocked country (no coastline), sharing its borders with Iran, Turkmenistan, Uzbekistan, Tajikistan, China and Pakistan
- It is located within South Asia and Central Asia
- In the northern parts of Afghanistan, temperatures average over 35 °C (95 °F) in July
- Large parts of the country are dry
- Parts of north-eastern Afghanistan are in areas where deadly and destructive earthquakes may occur each year
- Afghanistan is the world's 41st largest country (slightly bigger than France and about the size of Texas in the USA)
- Kabul has a population of around 3.3 million
- The total population is above 34.6 million, with a population growth rate of 2.34%, so is expected to reach 82 million by 2050.

Society

- The people of Afghanistan are called Afghans
- The new year, called Nawroz, is celebrated on 21st March (the first day of spring)
- Poetry is a major aspect of the culture
- Afghanistan has two official languages: Dari (a variety of the Persian language) and Pashto (an Eastern Iranian language)
- Other languages spoken in Afghanistan include Persian, Uzbek and Turkmen
- The national game is Buzkashi (goat-grabbing on horseback), which has been played for centuries and now attracts corporate sponsors
- Other popular sports include basketball, football, volleyball, taekwondo, bodybuilding and cricket
- Afghanistan celebrates its National Day on 19th August, having gained independence from Britain in 1919
- Over 99% of the Afghan population is Muslim
- There are over 16,000 schools in Afghanistan
- The literacy rate of the population is 38.2% (males 52% and females 24.2%)
- Life expectancy is 63.3 years.



For May 2018 examination

Economics

- Afghanistan is classified as a low income country
- Its national income or gross domestic product (GDP) is \$64 billion, which equates to GDP per capita of less than \$2,000
- The main source of national income (GDP) comes from agricultural output (such as vegetables, fruits, rice and nuts)
- It is rich in natural resources such as: coal, copper, gemstones, gold, iron ore, lead, lithium, marble, natural gas, petroleum (oil), salt, uranium, and, zinc
- The official currency is the Afghani (AFN)
- The Afghani is divided into 100 puls
- 1 USD = 69 AFN
- Its main export markets are India, Pakistan, and Tajikistan
- Afghan handwoven rugs are one of the country's most popular exports
- Its imports mainly come from Pakistan, India, USA, Turkmenistan, China, Kazakhstan and Azerbaijan
- Trade deals have increased since the collapse of the Taliban government in 2001, with new trade relations emerging with the USA, the EU, Japan, and neighbouring countries
- There are over 16 different banking corporations that operate in Afghanistan
- Afghanistan is a member of the World Trade Organization, which promotes fairer and freer international trade
- Around 36% of the population live below the poverty line (\$1.25 per day)
- According to the World Bank Doing Business 2018 rankings, Afghanistan is ranked 183 out of 190 countries.

Energy

- Energy is primarily provided by hydropower; the 16-year war has badly damaged the country's power grids
- Around 33% of the population have access to electricity; in the capital Kabul, approximately 70% of the population have 24-hour access to electricity
- The use of solar power is becoming more common in Afghanistan; villagers in rural parts of Afghanistan are also buying/using solar power systems
- Solar-powered street lights are used in some cities, including Kabul
- In 2017, a solar power plant was opened in Herat, the second largest province with a population of about 1.78m, which is located in the western part of the country
- In November 2017, the Asian Development Bank (ADB) approved a \$44.76 million grant to finance the construction of a solar photovoltaic plant (solar power cells that convert sunlight directly into electricity) in Kabul
- The demand for power is rapidly growing across Afghanistan as the country develops.



For May 2018 examination

Government

- According to Transparency International (www.transparency.org) Afghanistan is one of the world's most corrupt countries (ranking 169 out of 176 in the annual list)
- The country's leader is President Ashraf Ghani, who came into power in September 2014
- The government provides incentives for private investments, including 3 to 7 year tax breaks to eligible companies.

Sources:

1. Ten fun facts about Afghanistan: <http://www.10-facts-about.com/Afghanistan/id/68>
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4. The World Bank Doing Business www.doingbusiness.org/data/exploreeconomies/afghanistan
5. Solar power in Afghanistan: www.cnn.com/2017/11/27/solar-power-in-afghanistan-to-get-44-point-76-million-boost.html
6. World Bank data: <https://data.worldbank.org/country/afghanistan>



Week 1 Quiz

Review the case study and then answer these questions (without referring to the case study).

1. How did Su make her fortunes?
2. Which country did Su recently visit?
3. Which country did Su identify would benefit from a microfinance scheme to enable households to purchase solar power systems?
4. Who organizes resources at *High-end Holidays (HH)*?
5. Does Su feel any need to interfere with the work of her managers at *High-end Holidays (HH)*?
6. Who worked in the marketing department at *High-end Holidays (HH)* before joining *Afghan Sun*?
7. Ideally, where would Salima like to outsource the production of certain components of the solar power systems?
8. Is David clear about the pricing method for the solar power systems?
9. What is the duration of the cash flow forecast produced by Su?
10. Does the predicted cash flow figure end in a positive or negative balance?



Week 1 Quiz (Answers)

Review the case study and then answer these questions (without referring to the case study).

1. How did Su make her fortunes? *From the success of her business, High-end Holidays (HH)*
2. Which country did Su recently visit? *Bangladesh*
3. Which country did Su identify would benefit from a microfinance scheme to enable households to purchase solar power systems? *Afghanistan*
4. Who organizes resources at *High-end Holidays (HH)*? *The empowered managers*
5. Does Su feel any need to interfere with the work of her managers at *High-end Holidays (HH)*? *She feels little need to do so*
6. Who worked in the marketing department at *High-end Holidays (HH)* before joining *Afghan Sun*? *David*
7. Ideally, where would Salima like to outsource the production of certain components of the solar power systems? *Nearby countries*
8. Is David clear about the pricing method for the solar power systems? *No*
9. What is the duration of the cash flow forecast produced by Su? *3 years*
10. Does the predicted cash flow figure end in a positive or negative balance? *Positive \$55,000*



Week 2 Quiz

Review the case study and then answer these questions (without referring to the case study).

1. What is the name of Su's business that made her a huge success?
2. What type of business did Arif Koomar start in Bangladesh?
3. What type of business is *Afghan Sun*?
4. Who makes tactical decisions at *High-end Holidays (HH)*?
5. Does Su feel that her managers at *High-end Holidays (HH)* are committed to their work?
6. What does Su enjoy as part of her leadership role?
7. How many more senior managers are needed at *Afghan Sun*?
8. Who is in charge of marketing at *Afghan Sun*?
9. Is distribution an anticipated problem for *Afghan Sun*?
10. Does the solar power systems project carry significant risks?



Week 2 Quiz (Answers)

Review the case study and then answer these questions (without referring to the case study).

1. What is the name of Su's business that made her a huge success? *High-end Holidays (HH)*
2. What type of business did Arif Koomar start in Bangladesh? *A for-profit microfinance provider*
3. What type of business is *Afghan Sun*? *Social enterprise, operated as private limited company*
4. Who makes tactical decisions at *High-end Holidays (HH)*? *The empowered managers*
5. Does Su feel that her managers at *High-end Holidays (HH)* are committed to their work? *Yes*
6. What does Su enjoy as part of her leadership role? *Aspects of organizing, particularly fundraising events*
7. How many more senior managers are needed at *Afghan Sun*? *Two*
8. Who is in charge of marketing at *Afghan Sun*? *David*
9. Is distribution an anticipated problem for *Afghan Sun*? *Yes*
10. Does the solar power systems project carry significant risks? *Yes*



Week 3 Quiz

Review the case study and then answer these questions (without referring to the case study).

1. What does *High-end Holidays (HH)* sell?
2. Is *AK Bank* successful?
3. How will the solar power systems at *Afghan Sun* be produced?
4. How does Su encourage teamwork at *High-end Holidays (HH)*?
5. Do the managers at *High-end Holidays (HH)* and *Afghan Sun* share the same mission as Su?
6. What nationality is Salima?
7. Who wants to outsource the production of certain components at *Afghan Sun*?
8. Who thinks solar power systems are product orientated?
9. Would the microfinance to *Afghan Sun* 's customers be with *AK Bank*?
10. What does *Afghan Sun* need to be prepared for?



Week 3 Quiz (Answers)

Review the case study and then answer these questions (without referring to the case study).

1. What does *High-end Holidays (HH)* sell? Individually designed holidays to luxury destinations in Africa, Asia and the Pacific islands
2. Is *AK Bank* successful? Yes, it is "very successful"
3. How will the solar power systems at *Afghan Sun* be produced? Cellular manufacturing
4. How does Su encourage teamwork at *High-end Holidays (HH)*? Creating opportunities for employees to discuss working practices, quality issues and matters concerning employees
5. Do the managers at *High-end Holidays (HH)* and *Afghan Sun* share the same mission as Su? Yes
6. What nationality is Salima? Afghan
7. Who wants to outsource the production of certain components at *Afghan Sun*? Salima
8. Who thinks solar power systems are product orientated? David
9. Would the microfinance to *Afghan Sun* 's customers be with *AK Bank*? No, it could be with any microfinance provider, under completely separate agreements
10. What does *Afghan Sun* need to be prepared for? Uncertainties and possible changes in the external environment



Week 4 Quiz

Review the case study and then answer these questions (without referring to the case study).

1. Who founded *AK Bank*?
2. Which locations does *High-end Holidays (HH)* sell its individually designed holidays?
3. Why do many parts of Afghanistan lack reliable supply of electricity?
4. Does Su think it is important for her to maintain a leadership role in both *HH* and *AS*?
5. Does Su feel that her managers at *High-end Holidays (HH)* are well motivated?
6. Meetings with which organizations have to be arranged for *Afghan Sun*?
7. An important decision to be made is the _____ of the main production facility for the solar power systems.
8. Apart from knowing about the solar power systems, what else do customers need to know?
9. Does Su know if other stakeholders would be interested in providing financial assistance to support *Afghan Sun*?
10. Why does Su feel she needs to produce a “plan”?



Week 4 Quiz (Answers)

Review the case study and then answer these questions (without referring to the case study).

1. Who founded *AK Bank*? *Arif Koomar*
2. Which locations does *High-end Holidays (HH)* sell its individually designed holidays? *Africa, Asia and the Pacific islands*
3. Why do many parts of Afghanistan lack reliable supply of electricity? *Years of war*
4. Does Su think it is important for her to maintain a leadership role in both *HH* and *AS*? *Yes*
5. Does Su feel that her managers at *High-end Holidays (HH)* are well motivated? *Yes*
6. Meetings with which organizations have to be arranged for *Afghan Sun*? *Governments and NGOs*
7. An important decision to be made is the _____ of the main production facility for the solar power systems. *Location*
8. Apart from knowing about the solar power systems, what else do customers need to know? *The means to provide finance to buy them*
9. Does Su know if other stakeholders would be interested in providing financial assistance to support *Afghan Sun*? *She is not sure*
10. Why does Su feel she needs to produce a “plan”? *To help out when things go wrong and to prepare for possible changes in the external environment*



Week 5 Quiz

Review the case study and then answer these questions (without referring to the case study).

1. Does Su take part in the day-to-day running of *High-end Holidays (HH)*?
2. Why does *AK Bank* provide microfinance to households in Bangladesh?
3. What has Arif Koomar agreed to do with *Afghan Sun*?
4. What does Su encourage with her employees at *High-end Holidays (HH)*?
5. Do the managers at *High-end Holidays (HH)* and *Afghan Sun* understand Su's mission?
6. What experience does Salima have?
7. How many different locations is Su considering for the main production facility for the solar power systems?
8. Does David think solar power systems are product or market orientated?
9. Who produced 6-monthly cash flow forecasts for *Afghan Sun*?
10. What decisions do the management of *Afghan Sun* need to make in order to get the project into action as soon as possible?



Week 5 Quiz (Answers)

Review the case study and then answer these questions (without referring to the case study).

1. Does Su take part in the day-to-day running of *High-end Holidays (HH)*? **Not any more**
2. Why does *AK Bank* provide microfinance to households in Bangladesh? **So they can buy solar power systems (specifically commissioned by AK Bank)**
3. What has Arif Koomar agreed to do with *Afghan Sun*? **Expand the microfinance activities of AK Bank into Afghanistan**
4. What does Su encourage with her employees at *High-end Holidays (HH)*? **Teamwork**
5. Do the managers at *High-end Holidays (HH)* and *Afghan Sun* understand Su's mission? **Yes**
6. What experience does Salima have? **She has experience with a large manufacturing business as a production director.**
7. How many different locations is Su considering for the main production facility for the solar power systems? **Two**
8. Does David think solar power systems are product or market orientated? **Product orientated**
9. Who produced 6-monthly cash flow forecasts for *Afghan Sun*? **Su**
10. What decisions do the management of *Afghan Sun* need to make in order to get the project into action as soon as possible? **Decisions on production and distribution**



Week 6 Quiz

Review the case study and then answer these questions (without referring to the case study).

1. What is Su's current involvement with *High-end Holidays (HH)*?
2. What is the approximate population of Afghanistan?
3. Who directs the staff at *High-end Holidays (HH)*?
4. Su empowers her managers and employees at *High-end Holidays (HH)*. But what does she retain?
5. Who did Su appoint to help begin the project to build and sell solar power systems?
6. Which employee at *Afghan Sun* has experience with a large manufacturing business as a production director?
7. Which country is part of a major trading agreement, Country A or Country B?
8. Who is in charge of production (operations management) at *Afghan Sun*?
9. Why is distribution an anticipated problem for *Afghan Sun*?
10. What remains in Afghanistan to help rebuild its infrastructure and help the Afghan government restore peace and reinforce democracy?



Week 6 Quiz (Answers)

Review the case study and then answer these questions (without referring to the case study).

1. What is Su's current involvement with *High-end Holidays (HH)*? **She is involved in strategic decision making and provides the inspiration for the business**
2. What is the approximate population of Afghanistan? **34 million**
3. Who directs the staff at *High-end Holidays (HH)*? **The empowered managers**
4. Su empowers her managers and employees at *High-end Holidays (HH)*. But what does she retain? **Retains responsibility for strategic decisions**
5. Who did Su appoint to help begin the project to build and sell solar power systems? **David (and Salima)**
6. Which employee at *Afghan Sun* has experience with a large manufacturing business as a production director? **Salima**
7. Which country is part of a major trading agreement, Country A or Country B? **Country A**
8. Who is in charge of production (operations management) at *Afghan Sun*? **Salima**
9. Why is distribution an anticipated problem for *Afghan Sun*? **It is likely that customers live in remote areas, with poor infrastructure**
10. What remains in Afghanistan to help rebuild its infrastructure and help the Afghan government restore peace and reinforce democracy? **International forces**



Week 7 Quiz

Review the case study and then answer these questions (without referring to the case study).

1. Who provides the inspiration for *High-end Holidays (HH)*?
2. Which company provides microfinance to households in much of Bangladesh?
3. What type of decisions are made by the empowered managers at *High-end Holidays (HH)*?
4. What does Su empower her managers at *HH* to do?
5. Who appointed Salima?
6. Which country has a one-party state, Country A or Country B?
7. Why is David unclear about the pricing method for the solar power system?
8. What is the purpose of international forces in Afghanistan?
9. Does Salima want to outsource the main production facility of the solar power systems?
10. Who represents *Afghan Sun* at meetings and conferences with governments and NGOs?



Week 7 Quiz (Answers)

Review the case study and then answer these questions (without referring to the case study).

1. Who provides the inspiration for *High-end Holidays (HH)*? **Su**
2. Which company provides microfinance to households in much of Bangladesh? **AK Bank**
3. What type of decisions are made by the empowered managers at *High-end Holidays (HH)*? **Tactical (or day-to-day) decisions**
4. What does Su empower her managers at *HH* to do? **Make day-to-day decisions**
5. Who appointed Salima? **Su**
6. Which country has a one-party state, Country A or Country B? **Country B**
7. Why is David unclear about the pricing method for the solar power system? **Customers may not have much money to spend (and may have other priorities)**
8. What is the purpose of international forces in Afghanistan? **To help rebuild its infrastructure and help the Afghan government restore peace and reinforce democracy**
9. Does Salima want to outsource the main production facility of the solar power systems? **No**
10. Who represents *Afghan Sun* at meetings and conferences with governments and NGOs? **Usually, it is Su**



Week 8 Quiz

Review the case study and then answer these questions (without referring to the case study).

1. How do we know Su is wealthy?
2. How many households has *AK Bank* provided finance to?
3. Who set up *Afghan Sun*?
4. Are managers at *High-end Holidays (HH)* and *Afghan Sun* inspired by Su?
5. Is there conflict between the managers at *High-end Holidays (HH)*?
6. What nationality is David?
7. Does David think commercial or social marketing is more appropriate for *Afghan Sun*?
8. What is David investigating to resolve the anticipated problem of distributing solar power systems to customers?
9. Is it politically stable in Afghanistan?
10. What is Afghanistan as a country emerging from?



Week 8 Quiz (Answers)

Review the case study and then answer these questions (without referring to the case study).

1. How do we know Su is wealthy? *She has “more than enough money to keep her comfortable for the rest of her life”*
2. How many households has *AK Bank* provided finance to? *Over 3 million households*
3. Who set up *Afghan Sun*? *Su*
4. Are managers at *High-end Holidays (HH)* and *Afghan Sun* inspired by Su? *Yes*
5. Is there conflict between the managers at *High-end Holidays (HH)*? *Not really (seldom)*
6. What nationality is David? *Afghan*
7. Does David think commercial or social marketing is more appropriate for *Afghan Sun*? *Commercial*
8. What is David investigating to resolve the anticipated problem of distributing solar power systems to customers? *The possibility of using local agents and local transport businesses (to provide the link with customers)*
9. Is it politically stable in Afghanistan? *Not in some parts of the country (not all areas of the country are peaceful)*
10. What is Afghanistan as a country emerging from? *A long and damaging war*



Week 9 Quiz

Review the case study and then answer these questions (without referring to the case study).

1. Despite Su being very wealthy, why does she continue to work?
2. Whose work did Su discover whilst on a recent trip to Bangladesh?
3. How much electricity is generated from each solar power system (commissioned by *AK Bank*)?
4. Where did Su recruit volunteers for *Afghan Sun*?
5. Has the team at *Afghan Sun* identified suppliers who share Su's vision?
6. What do the workers at *High-end Holidays (HH)* discuss as part of teamworking?
7. Who are the two senior managers already hired at *Afghan Sun*?
8. Has Su decided whether to use internal or external recruitment to hire the additional senior managers needed at *Afghan Sun*?
9. Who decided that most of the finance for the production facilities at *Afghan Sun* would come from share capital and loans?
10. What types of planning does *Afghan Sun* need to carry out?



Week 9 Quiz (Answers)

Review the case study and then answer these questions (without referring to the case study).

1. Despite Su being very wealthy, why does she continue to work? *She wants "new challenges"*
2. Whose work did Su discover whilst on a recent trip to Bangladesh? *Arif Koomar*
3. How much electricity is generated from each solar power system (commissioned by *AK Bank*)? *Enough electricity for a household*
4. Where did Su recruit volunteers for *Afghan Sun*? *From High-end Holidays (HH)*
5. Has the team at *Afghan Sun* identified suppliers who share Su's vision? *Yes*
6. What do the workers at *High-end Holidays (HH)* discuss as part of teamworking? *Working practices, quality issues and matters concerning employees*
7. Who are the two senior managers already hired at *Afghan Sun*? *David and Salima*
8. Has Su decided whether to use internal or external recruitment to hire the additional senior managers needed at *Afghan Sun*? *Yes, internal recruitment (but undecided whether to promote junior employees or experienced managers from HH)*
9. Who decided that most of the finance for the production facilities at *Afghan Sun* would come from share capital and loans? *Su*
10. What types of planning does *Afghan Sun* need to carry out? *Marketing planning and human resource planning*



Week 10 Quiz

Review the case study and then answer these questions (without referring to the case study).

1. What does Su want, ultimately, from being involved in a completely new project?
2. What is the name of the finance company founded by Arif Koomar?
3. What is the name of the social enterprise set up by Su?
4. How does the team at *Afghan Sun* intend to be able to charge very low prices?
5. Does Su believe in empowering employees at *High-end Holidays (HH)*?
6. How does Su get involved on the seldom occasions when there is conflict between her managers at *High-end Holidays (HH)*?
7. Where did David work before he joined *Afghan Sun*?
8. Is David clear about the methods of promoting the solar power systems?
9. According to David, why might customers in Afghanistan not buy the solar power systems?
10. Where would most of the finance for the production facilities at *Afghan Sun* come from?



Week 10 Quiz (Answers)

Review the case study and then answer these questions (without referring to the case study).

1. What does Su want, ultimately, from being involved in a completely new project? *To give back to society*
2. What is the name of the finance company founded by Arif Koomar? *AK Bank*
3. What is the name of the social enterprise set up by Su? *Afghan Sun*
4. How does the team at *Afghan Sun* intend to be able to charge very low prices? *By purchasing cheap raw materials and using resources efficiently (to cut waste)*
5. Does Su believe in empowering employees at *High-end Holidays (HH)*? *Yes*
6. How does Su get involved on the seldom occasions when there is conflict between her managers at *High-end Holidays (HH)*? *She provides advice and guidance*
7. Where did David work before he joined *Afghan Sun*? *The marketing department at High-end Holidays (HH)*
8. Is David clear about the methods of promoting the solar power systems? *No*
9. According to David, why might customers in Afghanistan not buy the solar power systems? *Customers may not have much money to spend or they may have other (spending) priorities*
10. Where would most of the finance for the production facilities at *Afghan Sun* come from? *From share capital (provided by Su) and loans from High-end Holidays (HH)*



True or False – Quiz 1

	True / False
1. Su made her fortune from the success of her business, <i>High-end Holidays (HH)</i> .	
2. Su recently went to Bangladesh.	
3. <i>AK Bank</i> is a microfinance provider.	
4. Many areas of Afghanistan lack electricity supply.	
5. <i>Afghan Sun</i> is established as a charity.	
6. <i>Afghan Sun</i> has identified suppliers who share Su's vision.	
7. Managers at <i>HH</i> are in charge of organizing, coordinating and directing.	
8. Managers at <i>Afghan Sun</i> are empowered to make strategic decisions.	
9. David is the marketing manager at <i>Afghan Sun</i> .	
10. Su is undecided about using internal or external recruitment to hire two more senior managers.	



True or False – Quiz 1 (Answers)

	True / False
1. Su made her fortune from the success of her business, <i>High-end Holidays (HH)</i> .	T
2. Su recently went to Bangladesh.	T
3. <i>AK Bank</i> is a microfinance provider.	T
4. Many areas of Afghanistan lack electricity supply.	T
5. <i>Afghan Sun</i> is established as a charity. It is a social enterprise, set up as a private limited company	F
6. <i>Afghan Sun</i> has identified suppliers who share Su's vision.	T
7. Managers at <i>HH</i> are in charge of organizing, coordinating and directing.	T
8. Managers at <i>Afghan Sun</i> are empowered to make strategic decisions. Su has responsibility for strategic making	F
9. David is the marketing manager at <i>Afghan Sun</i> .	T
10. Su is undecided about using internal or external recruitment to hire two more senior managers. She will hire them from <i>HH</i>	F



True or False – Quiz 2

	True / False
1. Su made her fortune from the success of her business, <i>Afghan Sun (AS)</i> .	
2. Su recently discovered the work of Arif Koomar.	
3. <i>Afghan Sun</i> intends to use cheap raw materials in order to be able to charge a low price.	
4. Su intends to empower her managers at <i>Afghan Sun</i> .	
5. Su provides advice and guidance in the rare case of conflict between her managers.	
6. <i>Afghan Sun</i> will make and sell solar power systems for households in Afghanistan.	
7. <i>Afghan Sun</i> has yet to decide on a location for the main production facility.	
8. Su will provide some of the finance for the new production facility.	
9. International forces remain in Afghanistan to help the country recover from the long and damaging war.	
10. Country A operates a one party state.	



True or False – Quiz 2 (Answers)

	True / False
1. Su made her fortune from the success of her business, <i>Afghan Sun (AS)</i> . It was from her other business <i>High-end Holidays (HH)</i>	F
2. Su recently discovered the work of Arif Koomar.	T
3. <i>Afghan Sun</i> intends to use cheap raw materials in order to be able to charge a low price.	T
4. Su intends to empower her managers at <i>Afghan Sun</i> .	T
5. Su provides advice and guidance in the rare case of conflict between her managers.	T
6. <i>Afghan Sun</i> will make and sell solar power systems for households in Afghanistan.	T
7. <i>Afghan Sun</i> has yet to decide on a location for the main production facility.	T
8. Su will provide some of the finance for the new production facility.	T
9. International forces remain in Afghanistan to help the country recover from the long and damaging war.	T
10. Country A operates a one party state. Country B does	F



For May 2018 examination

True or False – Quiz 3

	True / False
1. <i>High-end Holidays (HH)</i> sells individually designed holidays to luxury destinations.	
2. Arif Koomar founded <i>AK Bank</i> .	
3. Su has no direct involvement in <i>Afghan Sun</i> .	
4. Managers at HH are inspired by Su.	
5. Salima is an Afghan.	
6. The currency in Country B is stable.	
7. Distribution will be a problem for <i>Afghan Sun</i> due to the remote location of many potential customers.	
8. Capital expenditure for <i>Afghan Sun</i> is expected to be \$200,000 in the first six months.	
9. Afghanistan is emerging from a long and damaging war.	
10. <i>Afghan Sun</i> needs to carry out very careful human resource planning.	



True or False – Quiz 3 (Answers)

	True / False
1. <i>High-end Holidays (HH)</i> sells individually designed holidays to luxury destinations.	T
2. Arif Koomar founded <i>AK Bank</i> .	T
3. Su has no direct involvement in <i>Afghan Sun</i> . She maintains a leadership role in both <i>HH</i> and <i>AS</i>	F
4. Managers at <i>HH</i> are inspired by Su.	T
5. Salima is an Afghan.	T
6. The currency in Country B is stable. No, it is falling	F
7. Distribution will be a problem for <i>Afghan Sun</i> due to the remote location of many potential customers.	T
8. Capital expenditure for <i>Afghan Sun</i> is expected to be \$200,000 in the first six months.	T
9. Afghanistan is emerging from a long and damaging war.	T
10. <i>Afghan Sun</i> needs to carry out very careful human resource planning.	T



For May 2018 examination

True or False – Quiz 4

	True / False
1. <i>High-end Holidays (HH)</i> sells holidays to luxury destinations in Africa, Asia and the Pacific islands.	
2. Microfinance provided by <i>AK Bank</i> helps households to purchase solar power systems.	
3. Su recruited a team of volunteers from <i>HH</i> to work at <i>Afghan Sun</i> .	
4. Workers at <i>HH</i> do not have opportunities to discuss quality issues.	
5. Managers at <i>AS</i> understand her mission but do not share it.	
6. David is an Afghan.	
7. Su has identified two possible locations for the main production facility.	
8. David fears that customers may not have much money to spend on solar power systems.	
9. Su is expecting to borrow \$200,000 from <i>HH</i> to start <i>Afghan Sun</i> .	
10. The management team of <i>Afghan Sun</i> needs to make decisions on production and distribution.	



For May 2018 examination

True or False – Quiz 4 (Answers)

	True / False
1. <i>High-end Holidays (HH)</i> sells holidays to luxury destinations in Africa, Asia and the Pacific islands.	T
2. Microfinance provided by <i>AK Bank</i> helps households to purchase solar power systems.	T
3. Su recruited a team of volunteers from <i>HH</i> to work at <i>Afghan Sun</i> .	T
4. Workers at <i>HH</i> do not have opportunities to discuss quality issues.	F
5. Managers at <i>AS</i> understand her mission but do not share it. They understand and share Su's mission	F
6. David is an Afghan.	T
7. Su has identified two possible locations for the main production facility.	T
8. David fears that customers may not have much money to spend on solar power systems.	T
9. Su is expecting to borrow \$200,000 from <i>HH</i> to start <i>Afghan Sun</i> . \$50,000 in loans (\$200,000 is her share capital)	F
10. The management team of <i>Afghan Sun</i> needs to make decisions on production and distribution.	T



True or False – Quiz 5

	True / False
1. Su no longer takes part in the day-to-day running of <i>High-end Holidays (HH)</i> .	
2. Su recently went to Pakistan.	
3. <i>Afghan Sun</i> is established as a private limited company.	
4. There is seldom conflict between the managers at <i>HH</i> .	
5. David was born in Bangladesh.	
6. Local wage costs are high in Country A.	
7. The main sources of finance for the new production facility are share capital and loans from <i>HH</i> .	
8. International forces remain in Afghanistan to help restore peace in the country.	
9. Afghanistan has a population of approximately 34 million.	
10. Su already has a contingency plan that she has prepared for <i>Afghan Sun</i> .	



True or False – Quiz 5 (Answers)

	True / False
1. Su no longer takes part in the day-to-day running of <i>High-end Holidays (HH)</i> .	T
2. Su recently went to Pakistan. <i>It was Bangladesh</i>	F
3. <i>Afghan Sun</i> is established as a private limited company.	T
4. There is seldom conflict between the managers at <i>HH</i> .	T
5. David was born in Bangladesh. <i>He is an Afghan</i>	F
6. Local wage costs are high in Country A.	T
7. The main sources of finance for the new production facility are share capital and loans from <i>HH</i> .	T
8. International forces remain in Afghanistan to help restore peace in the country.	T
9. Afghanistan has a population of approximately 34 million.	T
10. Su already has a contingency plan that she has prepared for <i>Afghan Sun</i> . <i>She needs to prepare one</i>	F



True or False – Quiz 6

	True / False
1. Su takes part in the day-to-day running of <i>High-end Holidays (HH)</i> .	
2. <i>AK Bank</i> is yet to be very successful.	
3. Su feels little need to interfere with the work of her managers.	
4. Su usually represents <i>HH</i> and <i>AS</i> at meetings and conferences.	
5. Salima wants to outsource the main production facility.	
6. David sees the products from <i>Afghan Sun</i> being more product orientated than market orientated.	
7. Su knows the project (<i>Afghan Sun</i>) carries considerable risks.	
8. <i>Afghan Sun</i> needs to be prepared for uncertainties.	
9. David and Salima are senior managers at <i>Afghan Sun</i> .	
10. Teamwork is encouraged at <i>HH</i> .	



True or False – Quiz 6 (Answers)

	True / False
1. Su takes part in the day-to-day running of <i>High-end Holidays (HH)</i> . Not any more	F
2. <i>AK Bank</i> is yet to be very successful. It already is	F
3. Su feels little need to interfere with the work of her managers.	T
4. Su usually represents <i>HH</i> and <i>AS</i> at meetings and conferences.	T
5. Salima wants to outsource the main production facility. She does not	F
6. David sees the products from <i>Afghan Sun</i> being more product orientated than market orientated.	T
7. Su knows the project (<i>Afghan Sun</i>) carries considerable risks.	T
8. <i>Afghan Sun</i> needs to be prepared for uncertainties.	T
9. David and Salima are senior managers at <i>Afghan Sun</i> .	T
10. Teamwork is encouraged at <i>HH</i> .	T



True or False – Quiz 7

	True / False
1. Su provides inspiration for employees and managers at <i>High-end Holidays (HH)</i> .	
2. The population of Afghanistan is 30 million.	
3. Su has a leadership role at <i>Afghan Sun</i> .	
4. Su thinks her managers are well motivated.	
5. Su particularly enjoys organizing fundraising events.	
6. David used to work in the production department at <i>HH</i> .	
7. David is unclear about which pricing methods to use for the solar power systems.	
8. Su is expecting to invest \$200,000 of her own money into <i>Afghan Sun</i> .	
9. <i>Afghan Sun</i> needs to carry out very careful marketing planning.	
10. David is unclear about which promotion methods to use for the solar power systems.	



True or False – Quiz 7 (Answers)

	True / False
1. Su provides inspiration for employees and managers <i>High-end Holidays (HH)</i> .	T
2. The population of Afghanistan is 30 million. 34 million	F
3. Su has a leadership role at <i>Afghan Sun</i> .	T
4. Su thinks her managers are well motivated.	T
5. Su particularly enjoys organizing fundraising events.	T
6. David used to work in the production department at <i>HH</i> . Marketing department	F
7. David is unclear about which pricing methods to use for the solar power systems.	T
8. Su is expecting to invest \$200,000 of her own money into <i>Afghan Sun</i> .	T
9. <i>Afghan Sun</i> needs to carry out very careful marketing planning.	T
10. David is unclear about which promotion methods to use for the solar power systems.	T



True or False – Quiz 8

	True / False
1. Suchenlin's friends call her "Su"	
2. Su want to give back to the society.	
3. Cellular manufacturing is the proposed method of production for the solar power systems at <i>Afghan Sun</i> .	
4. Managers at <i>HH</i> are empowered to make tactical decisions.	
5. Managers at <i>AS</i> are yet to be inspired by Su.	
6. Salima is an experienced production manager.	
7. David prefers to use commercial marketing over social marketing for <i>Afghan Sun</i> .	
8. Some parts of Afghanistan remain politically unstable.	
9. Su is aware that she may have to create a contingency plan.	
10. Su needs to recruit one more senior manager.	



True or False – Quiz 8 (Answers)

	True / False
1. Suchenlin's friends call her "Su"	T
2. Su want to give back to the society.	T
3. Cellular manufacturing is the proposed method of production for the solar power systems at <i>Afghan Sun</i> .	T
4. Managers at <i>HH</i> are empowered to make tactical decisions.	T
5. Managers at <i>AS</i> are yet to be inspired by Su. <i>They are already</i>	F
6. Salima is an experienced production manager.	T
7. David prefers to use commercial marketing over social marketing for <i>Afghan Sun</i> .	T
8. Some parts of Afghanistan remain politically unstable.	T
9. Su is aware that she may have to create a contingency plan.	T
10. Su needs to recruit one more senior manager. <i>Two</i>	F



True or False – Quiz 9

	True / False
1. Su has enough money to keep her comfortable for the rest of her life.	
2. <i>AK Bank</i> provides finance to a million households.	
3. Managers at <i>HH</i> are empowered to make strategic decisions.	
4. Su thinks her managers are highly committed to their work.	
5. Salima has worked in a large manufacturing business.	
6. Su is investigating the possibility of using local agents and local transportation businesses to help with distribution.	
7. International forces remain in Afghanistan to help the country reinforce democracy.	
8. Transportation links to Afghanistan from Country A are complex.	
9. Su enjoys aspects of her leadership role, such as organizing.	
10. Su intends to retain responsibility for strategic decision-making at <i>Afghan Sun</i> .	



For May 2018 examination

True or False – Quiz 9 (Answers)

	True / False
1. Su has enough money to keep her comfortable for the rest of her life.	T
2. <i>AK Bank</i> provides finance to a million households. Over 3 million	F
3. Managers at <i>HH</i> are empowered to make strategic decisions. They make day-to-day, tactical decisions	F
4. Su thinks her managers are highly committed to their work.	T
5. Salima has worked in a large manufacturing business.	T
6. Su is investigating the possibility of using local agents and local transportation businesses to help with distribution. David is	F
7. International forces remain in Afghanistan to help the country reinforce democracy.	T
8. Transportation links to Afghanistan from Country A are complex.	T
9. Su enjoys aspects of her leadership role, such as organizing.	T
10. Su intends to retain responsibility for strategic decision-making at <i>Afghan Sun</i> .	T



True or False – Quiz 10

	True / False
1. Su seeks new challenges after the success of <i>High-end Holidays (HH)</i> .	
2. Each solar power system commissioned by <i>AK Bank</i> can generate enough electricity for one household.	
3. Su's team at <i>Afghan Sun</i> have encouraged Arif Koomar to expand microfinance activities into Afghanistan.	
4. There are opportunities for <i>HH</i> employees to discuss working practices.	
5. Su organizes and arranges meetings with governments and non-governmental organizations (NGOs).	
6. Salima wants to outsource the production of certain components of the solar power systems.	
7. The main sources of finance for the new production facility are share capital and loans from <i>AK Bank</i> .	
8. Su is considering alternative sources of finance to provide financial assistance for the project (<i>Afghan Sun</i>).	
9. Su prepared a six-month cash flow forecast for <i>Afghan Sun</i> .	
10. Su needs to prepare a plan for possible changes in the external business environment.	



True or False – Quiz 10 (Answers)

	True / False
1. Su seeks new challenges after the success of <i>High-end Holidays (HH)</i> .	T
2. Each solar power system commissioned by <i>AK Bank</i> can generate enough electricity for one household.	T
3. Su's team at <i>Afghan Sun</i> have encouraged Arif Koomar to expand microfinance activities into Afghanistan.	T
4. There are opportunities for <i>HH</i> employees to discuss working practices.	T
5. Su organizes and arranges meetings with governments and non-governmental organizations (NGOs).	T
6. Salima wants to outsource the production of certain components of the solar power systems.	T
7. The main sources of finance for the new production facility are share capital and loans from <i>AK Bank</i> . <i>From share capital and loans from HH</i>	F
8. Su is considering alternative sources of finance to provide financial assistance for the project (<i>Afghan Sun</i>).	T
9. Su prepared a six-month cash flow forecast for <i>Afghan Sun</i> . <i>Six-monthly forecasts for 3 years</i>	F
10. Su needs to prepare a plan for possible changes in the external business environment.	T

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK

A-Z Quiz

Case Study: Afghan Sun (AS)

For May 2018 examination



	Clue	Answer
A	Country where Su wants to start her new project.	
B	Country that Su recently visited.	
C	Method of production to make the solar power systems.	
D	Name of person Su hired from <i>HH's</i> marketing department.	
E	The solar power systems are used to generate this.	
F	An organization that strives to earn a profit.	
G	Su has meetings with these, along with NGOs.	
H	Name of business that Su made her wealth from.	
I	International forces are helping Afghanistan to rebuild this.	
J	Su is considering promoting two of these to join <i>AS</i> .	
K	Surname of Arif who founded <i>AK Bank</i> .	
L	Su is using \$50,000 worth of from <i>HH</i> to fund <i>AS</i> .	
M	Stakeholder group who organize, direct and coordinate.	
N	Non-profit social enterprise operating in the private sector.	
O	Amount of cash in a firm at the start of a trading period.	
P	Firms with shares that cannot be bought by / sold to the general public.	
Q	Describes a product that is fit for its purpose.	
R	Payment for the use of a fixed asset, e.g. property or premises.	
S	Name of person with experience as production director.	
T	Formal trade arrangement between two or more countries.	
U	Situation arising from people who are willing and able to work at the going wage rate but are unable to find a job.	
V	Staff who are willing to work without being paid.	
W	Time-based payment system often paid to low-skilled staff.	
X	Category of stakeholders who have no direct involvement in the affairs of a business.	_ X _ _ _ _ _
Y	The officially accepted form of money in a country.	_ _ _ _ _ Y
Z	A key function of management.	_ _ _ _ _ Z _ _ _

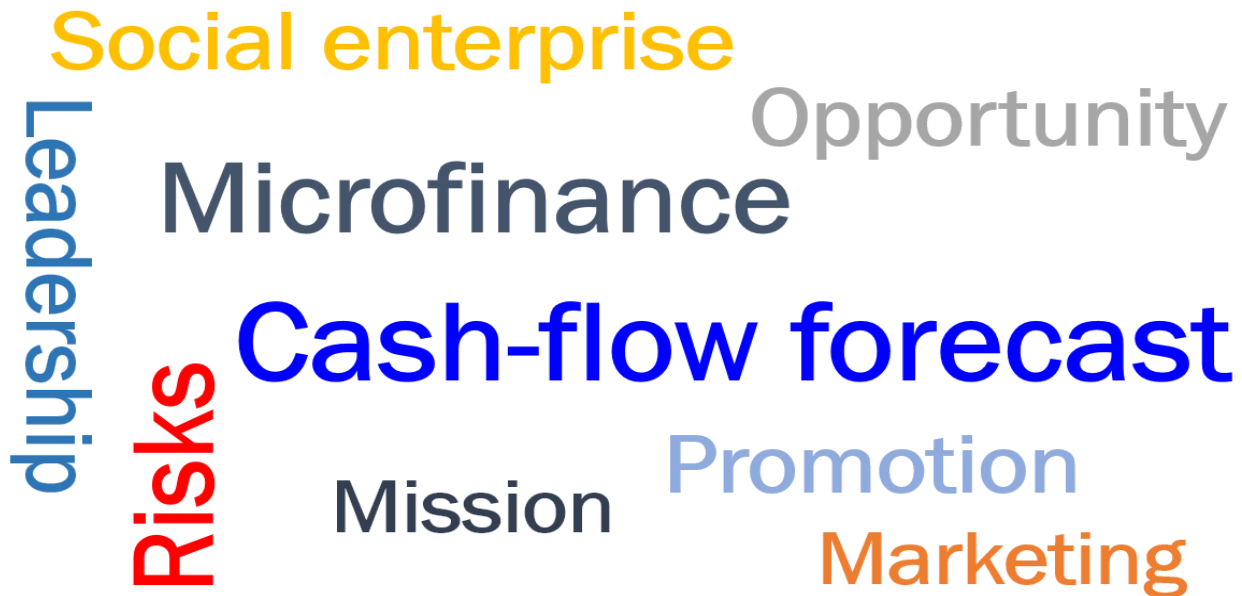


Answers

	Clue	Answer
A	Country where Su wants to start her new project.	Afghanistan
B	Country that Su recently visited.	Bangladesh
C	Method of production to make the solar power systems.	Cellular manufacturing
D	Name of person Su hired from <i>HH's</i> marketing department.	David
E	The solar power systems are used to generate this.	Electricity
F	An organization that strives to earn a profit.	For-profit
G	Su has meetings with these, along with NGOs.	Governments
H	Name of business that Su made her wealth from.	High-end Holidays
I	International forces are helping Afghanistan to rebuild this.	Infrastructure
J	Su is considering promoting two of these to join <i>AS</i> .	Junior employees
K	Surname of Arif who founded <i>AK Bank</i> .	Koomar
L	Su is using \$50,000 worth of from <i>HH</i> to fund <i>AS</i> .	Loans
M	Stakeholder group who organize, direct and coordinate.	Managers
N	Non-profit social enterprise operating in the private sector.	Non-governmental organization (NGO)
O	Amount of cash in a firm at the start of a trading period.	Opening balance
P	Firms with shares that cannot be bought by / sold to the general public.	Private limited company
Q	Describes a product that is fit for its purpose.	Quality
R	Payment for the use of a fixed asset, e.g. property or premises.	Rent
S	Name of person with experience as production director.	Salima
T	Formal trade arrangement between two or more countries.	Trading agreement
U	Situation arising from people who are willing and able to work at the going wage rate but are unable to find a job.	Unemployment
V	Staff who are willing to work without being paid.	Volunteers
W	Time-based payment system often paid to low-skilled staff.	Wage
X	Category of stakeholders who have no direct involvement in the affairs of a business.	eXternal
Y	The officially accepted form of money in a country.	currencY
Z	A key function of management.	organiziNg



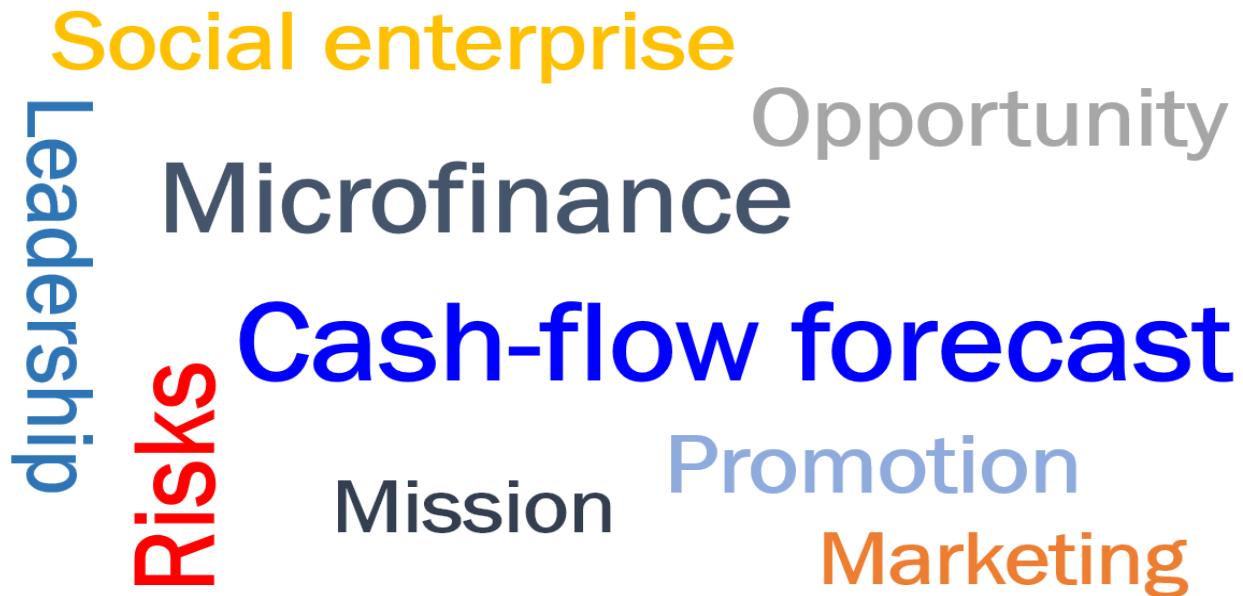
Wordle Quiz 1



1. A declaration of an organization's overall goal and its purpose.
2. A way of providing loans and banking services to customer who are not catered for by traditional commercial banks, such as those on low incomes.
3. A situation with unknown outcomes, which could damage the financial health and viability of an organization.
4. A set of circumstances in the external business environment that creates a chance or opening for further progress.
5. The management process of identifying, anticipating and satisfying consumers' requirements in a profitable way.
6. The art of influencing, inspiring and motivating others to accomplish a common goal.
7. The financial document that gives detailed estimates of an organization's cash inflows and outflows for the near future.
8. A form of for-profit organization, but with the intention of improving social wellbeing.
9. The methods of communicating marketing messages to potential customers, usually with the intention of selling a firm's products.



Wordle Quiz 1 – Answers



1. A declaration of an organization's overall goal and its purpose. [Mission](#)
2. A way of providing loans and banking services to customer who are not catered for by traditional commercial banks, such as those on low incomes. [Microfinance](#)
3. A situation with unknown outcomes, which could damage the financial health and viability of an organization. [Risks](#)
4. A set of circumstances in the external business environment that creates a chance or opening for further progress. [Opportunity](#)
5. The management process of identifying, anticipating and satisfying consumers' requirements in a profitable way. [Marketing](#)
6. The art of influencing, inspiring and motivating others to accomplish a common goal. [Leadership](#)
7. The financial document that gives detailed estimates of an organization's cash inflows and outflows for the near future. [Cash-flow forecast](#)
8. A form of for-profit organization, but with the intention of improving social wellbeing. [Social enterprise](#)
9. The methods of communicating marketing messages to potential customers, usually with the intention of selling a firm's products. [Promotion](#)



Wordle Quiz 2

Quality
Social marketing
Outsource Business
Capital expenditure
Cellular manufacturing Suppliers
Customers Stakeholders

1. The individuals and/or other organizations that have a direct interest in the operations and business affairs of a firm.
2. A decision-making organization involved in the production of goods and/or services to satisfy a need or a want of customers.
3. Method of production that splits a task or project into a self-contained teams, with each team being responsible for a significant part of the overall project.
4. An external stakeholder group that sell goods and services to other businesses.
5. The practice of using an external firm to provide certain aspects of the organization's operations instead of doing these functions internally.
6. Refers to the use of finance in order to acquire, maintain and/or upgrade a firm's fixed assets.
7. The use of mainstream commercial marketing methods in order to achieve social change and the benefits to others in society.
8. A key external stakeholder group, these are individuals or organizations that purchase goods and/or services from a business.
9. A product being fit for its purpose, i.e. it meets/exceeds the needs of the customer.



Wordle Quiz 2 – Answers

Quality
Social marketing
Outsource Business
Capital expenditure
Cellular manufacturing Suppliers
Customers Stakeholders

1. The individuals and/or other organizations that have a direct interest in the operations and business affairs of a firm. **Stakeholders**
2. A decision-making organization involved in the production of goods and/or services to satisfy a need or a want of customers. **Business**
3. Method of production that splits a task or project into a self-contained teams, with each team being responsible for a significant part of the overall project. **Cellular manufacturing**
4. An external stakeholder group that sell goods and services to other businesses. **Suppliers**
5. The practice of using an external firm to provide certain aspects of the organization's operations instead of doing these functions internally. **Outsource**
6. Refers to the use of finance in order to acquire, maintain and/or upgrade a firm's fixed assets. **Capital expenditure**
7. The use of mainstream commercial marketing methods in order to achieve social change and the benefits to others in society. **Social marketing**
8. A key external stakeholder group, these are individuals or organizations that purchase goods and/or services from a business. **Customers**
9. A product being fit for its purpose, i.e. it meets/exceeds the needs of the customer. **Quality**



Wordle Quiz 3

Opening balance
Teamwork *Strategic decisions*
Mission
Unemployment *Tactical decisions*
Conflict *Commercial marketing*
Non-governmental organizations

1. Choices made by managers to meet the short-term objectives of an organization.
2. A form of non-financial reward, which occurs when employees work with fellow colleagues to achieve organizational goals.
3. This arises when two parties disagree over an issue, due to incompatible in their ideas, beliefs or opinions.
4. A declaration of an organization's overall goal and its purpose.
5. The key decisions taken by a business in order to achieve its organizational objectives.
6. A type of non-profit social enterprise that operates in the private sector but does not primarily aim to make a profit.
7. This exists when people who are willing and able to work at the going wage rate are unable to find a job.
8. Mainstream methods of marketing intended to sell goods and services to meet the needs of customers in order to earn a profit.
9. This figure in a cash-flow forecast shows the amount of cash in a business at the beginning of a trading period.



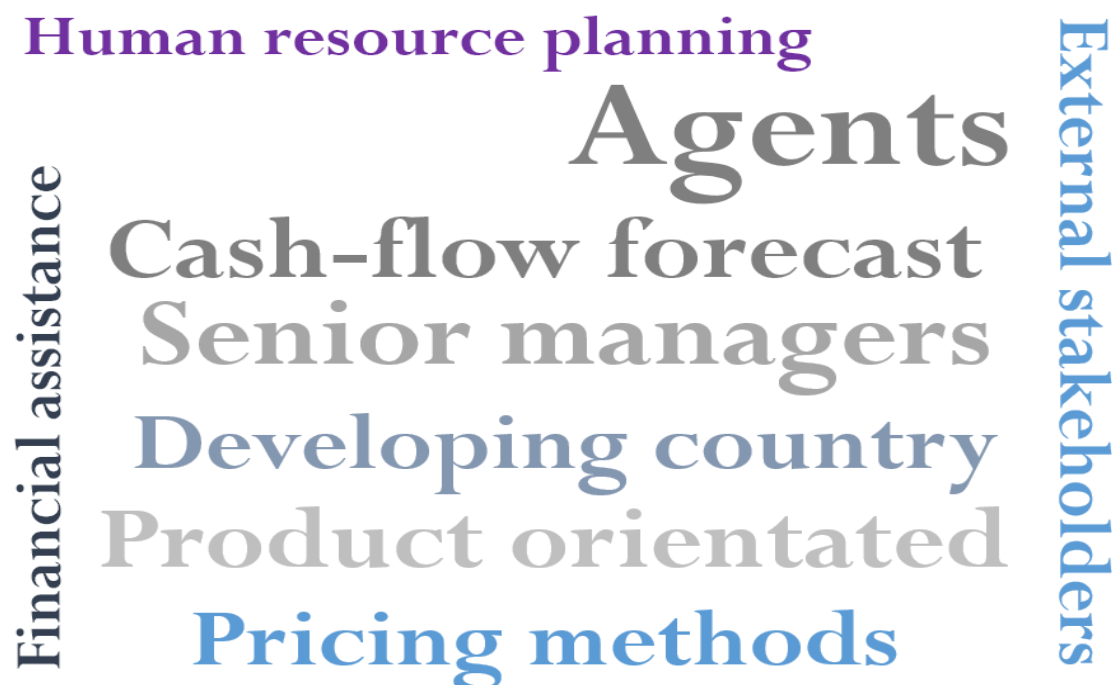
Wordle Quiz 3 – Answers

Opening balance
Teamwork *Strategic decisions*
Mission
Unemployment *Tactical decisions*
Conflict *Commercial marketing*
Non-governmental organizations

1. Choices made by managers to meet the short-term objectives of an organization. **Tactical decisions**
2. A form of non-financial reward, which occurs when employees work with fellow colleagues to achieve organizational goals. **Teamwork**
3. This arises when two parties disagree over an issue, due to incompatible in their ideas, beliefs or opinions. **Conflict**
4. A declaration of an organization's overall goal and its purpose. **Mission**
5. The key decisions taken by a business in order to achieve its organizational objectives. **Strategic decisions**
6. A type of non-profit social enterprise that operates in the private sector but does not primarily aim to make a profit. **Non-governmental organizations (NGOs)**
7. This exists when people who are willing and able to work at the going wage rate are unable to find a job. **Unemployment**
8. Mainstream methods of marketing intended to sell goods and services to meet the needs of customers in order to earn a profit. **Commercial marketing**
9. This figure in a cash-flow forecast shows the amount of cash in a business at the beginning of a trading period. **Opening balance**



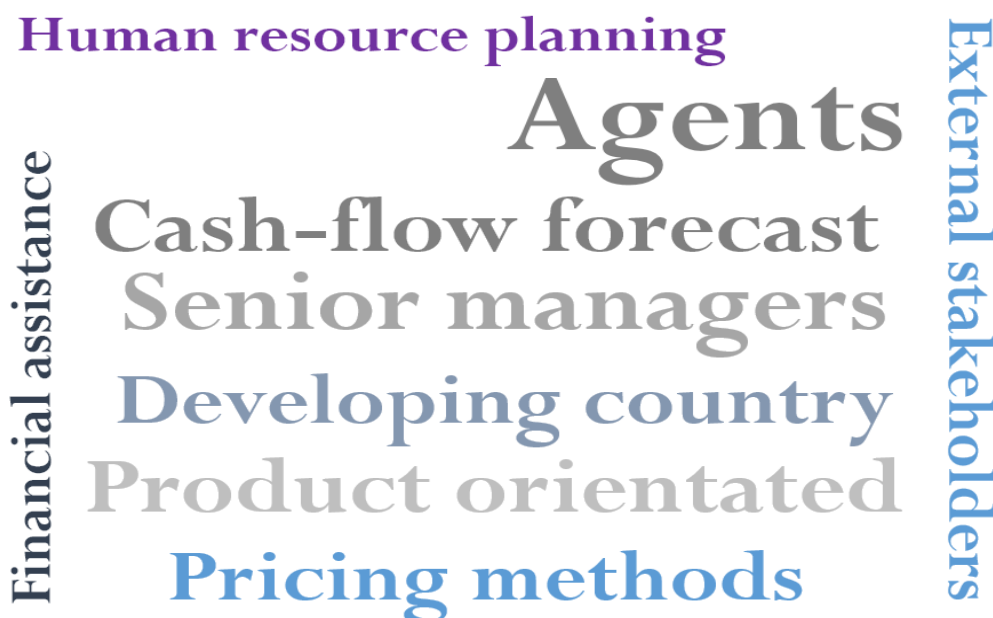
Wordle Quiz 4



1. Highly experienced staff who take risks in leading an organization who have company-wide decision-making authority.
2. A business that focuses on the things that it can produce well, rather than focusing on the wants or needs of its customers.
3. A source of external finance, where an investor, sponsor or donor gives the financial backing to the business.
4. Independent persons or organizations appointed and authorised to act on behalf of another person/party in business and legal dealings.
5. Individuals or other organizations that are not part of the business but have a direct interest in its operations and business affairs.
6. Describes an economy that has low national income.
7. The financial document that gives detailed estimates of an organization's cash inflows and outflows for the near future.
8. The pricing strategies that a business uses to sell its goods and/or services.
9. The management function of using and developing people within a business to meet its organizational objectives.



Wordle Quiz 4 – Answers



1. Highly experienced staff who take risks in leading an organization who have company-wide decision-making authority. **Senior managers**
2. A business that focuses on the things that it can produce well, rather than focusing on the wants or needs of its customers. **Product orientated**
3. A source of external finance, where an investor, sponsor or donor gives the financial backing to the business. **Financial assistance**
4. Independent persons or organizations appointed and authorised to act on behalf of another person/party in business and legal dealings. **Agents**
5. Individuals or other organizations that are not part of the business but have a direct interest in its operations and business affairs. **External stakeholders**
6. Describes an economy that has low national income. **Developing country**
7. The financial document that gives detailed estimates of an organization's cash inflows and outflows for the near future. **Cash-flow forecast**
8. The pricing strategies that a business uses to sell its goods and/or services. **Pricing methods**
9. The management function of using and developing people within a business to meet its organizational objectives. **Human resource planning**



Wordle Quiz 5



1. An activity that is uneconomical and inefficient, so does not add value to the production process.
2. The central authority of a country or state that sets and administers policies to protect and uphold the interests of the general public.
3. Refers to where the organization aspires to be in the future, i.e. the long term and ultimate aim of a business.
4. When authority to carry out a task is passed to an employee or subordinate.
5. The senior manager in charge of production (or operations management).
6. Occurs when a person is given a task to do and be accountable for his/her actions.
7. The process of gathering and interpreting information regarding customers. It involves collecting primary and/or secondary data.
8. One of the functions of management, this refers to the process of overseeing or managing aspects of the production process.
9. The desire, effort and willingness to complete a task or to achieve something.



Wordle Quiz 5 – Answers



1. An activity that is uneconomical and inefficient, so does not add value to the production process. [Waste](#)
2. The central authority of a country or state that sets and administers policies to protect and uphold the interests of the general public. [Government](#)
3. Refers to where the organization aspires to be in the future, i.e. the long term and ultimate aim of a business. [Vision](#)
4. When authority to carry out a task is passed to an employee or subordinate. [Empowerment](#)
5. The senior manager in charge of production (or operations management). [Production director](#)
6. Occurs when a person is given a task to do and be accountable for his/her actions. [Responsibility](#)
7. The process of gathering and interpreting information regarding customers. It involves collecting primary and/or secondary data. [Research](#)
8. One of the functions of management, this refers to the process of overseeing or managing aspects of the production process. [Coordinating](#)
9. The desire, effort and willingness to complete a task or to achieve something. [Motivation](#)



For May 2018 examination

SWOT Analysis for *Afghan Sun*

SWOT analysis provides a framework for decision makers to consider factors in both the internal and the external business environment that affect their operations. The internal factors can be classified as either strengths or weaknesses within the organization. The external factors can be classified into opportunities or threats, as outlined in the case study.

Strengths

- Su is experienced and very successful as an entrepreneur, having gained her fortunes with *High-end Holidays* (line 1)
- Su provides the inspiration for *HH* (line 4), which suggests there is strong leadership at *Afghan Sun* (line 37)
- The owners are protected by limited liability, because *AS* is a private limited company (lines 18-19)
- The team at *AS* are volunteers who used to work at *HH* (line 19), suggesting they are intrinsically motivated to work at the company, i.e. they are keen to work on the project (lines 19-20)
- The team at *AS* have carried out detailed research (line 21), which helps to minimise the risks of the project
- Cellular manufacturing of the solar power systems (line 23) empowers skilled and productive workers to create quality products for the market
- Using cheap raw materials (line 23) in an efficient way (line 24) helps *AS* to be able to charge a very low price (line 24), possibly giving *AS* a unique selling proposition in the industry
- Managers are empowered to make day-to-day decisions (line 29), making the most of their skills
- Employees are also empowered, and teamwork is encouraged (lines 31-32), resulting in positive impacts on the level of staff motivation and morale
- There are opportunities for employees to discuss work practices and quality issues (line 32)
- Managers are well motivated and committed to their work (lines 34-35)
- There is rarely any conflict between the managers (lines 35-36)
- Managers have a clear understanding of Su's mission and share it (lines 37-38), suggesting unity at *Afghan Sun*
- Senior managers David and Salima, both being Afghans, have local knowledge and expertise (lines 42-45)
- Salima has experience as a production director with a large manufacturing business (lines 44-45)
- Su is willing to invest \$200,000 of her own money (Table 2) as share capital (line 64) into the project, suggesting she is fully committed to making *Afghan Sun* a success
- Su is able to use \$50,000 (Table 2) as a loan from *HH* to fund *Afghan Sun*.



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Weaknesses

- Customers are not currently aware of the solar power systems (line 55) or the benefits of their use
- David is unsure about the pricing methods to use to sell the solar power systems (line 57)
- David is also unsure about the most appropriate methods of promotion to use (line 57)
- The project carries significant risks (line 69)
- The management at AS are unsure about decisions on production and distribution (line 73), so the project has yet to start (line 74)
- The management at AS have yet to carry out marketing planning and human resource planning (line 76).

Opportunities

- Su wants new challenges (line 6), so *Afghan Sun* provides such an opportunity to give back to the society (line 7)
- There are opportunities for a new business project in Afghanistan (lines 13-14), producing household-based solar power systems (lines 16-17)
- The team at AS have identified suppliers (of raw materials) who share Su's vision, so this creates opportunities to work with like-minded firms
- Afghanistan's population of 34 million (line 15) creates a potentially large market for *Afghan Sun's* solar power systems
- After years of war, Afghanistan lacks a reliable supply of electricity (lines 15-16); thus creates the potential for greater use of solar power systems
- Being a social enterprise (line 18), *Afghan Sun* may be able to attract government assistance in the form of grants (Table 1) and subsidies; stakeholders may also want to provide some financial assistance (lines 65-66)
- The possibility of *AK Bank* expanding its microfinance to Afghanistan (lines 26-27) enables a lot more households to purchase the solar power systems
- Outsourcing the production of certain components (line 49) can help keep the costs of production down to a minimum
- There are opportunities to locate the main production facility in Country A (Table 1), with its merits:
 - Developed economy
 - Low unemployment
 - High skills level
 - Free market, freeing up business activities with minimal government interference in business affairs
 - Stable currency
 - Stable political environment
 - Part of a trading agreement



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- There are opportunities to locate the main production facility in Country B (Table 1), with its merits, which include:
 - Government assistance to encourage investment from overseas, e.g. grants
 - Low labour costs
 - Low rents, despite suitable facilities being available
 - Straightforward transport links to Afghanistan
- Using local agents and local transport businesses may help to provide the necessary transportation links with customers (line 61-62)
- Other internal and external stakeholders may be able to support the project by some form of financial assistance (line 65-66)
- Sales of the solar power systems are expected to rise from \$20,000 to \$160,000 in less than 3 years (Table 2), suggesting huge growth opportunities for *Afghan Sun*
- Afghanistan is emerging from a long and damaging war, so there are further opportunities for growth (lines 69-70) as the economy develops
- International forces remain in Afghanistan to help rebuild the country's infrastructure (lines 71-72), which could help with the distribution problems that are anticipated
- International forces are also present in the country to help the Afghan government restore peace and reinforce democracy (line 72)
- The demand for power is rapidly growing across Afghanistan as the country develops (Fact Sheet: Afghanistan), and the use of solar power is becoming more common in Afghanistan - villagers in rural parts of Afghanistan are also buying/using solar power systems.

Threats

- The products are aimed at poor families (lines 17-18), who might not be able to afford solar power systems or have other spending priorities (lines 58-59)
- Distribution will be a problem (line 60), as customers are likely to live in remote locations (line 60), with poor infrastructure (lines 60-61)
- Threats of locating the main production facility in Country A (Table 1), with its demerits include:
 - Rising unemployment, despite the rate being low at the moment
 - Limited government assistance
 - High local wages
 - High rents
 - New facilities would be required
 - Complex transportation links to Afghanistan
 - The potential change in government, which can be destabilising
- Threats of locating the main production facility in Country B (Table 1), with its demerits include:
 - Developing country, so national income is low
 - High unemployment, so there is a shortage of skills
 - A falling exchange rate (which makes buying raw materials and components from overseas more expensive for locally-based firms, including AS should it choose to locate in Country B)

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK

SWOT Analysis

Case Study: *Afghan Sun (AS)*



For May 2018 examination

- The one-party state, i.e. there is no opposition political party, which can be politically destabilising
 - Does not have any major trading agreements, so doing in business in Country B may be more problematic than in Country A
 - The cash outflow of \$200,000 for capital expenditure (Table 2) increases the risks of the project
 - The cash flow closing balance is negative for three consecutive periods (18 months), so this presents threats for *Afghan Sun* (Table 2)
 - Afghanistan is emerging from a long and damaging war, and some parts of the country remain politically unstable (lines 69-70), making it more difficult for *AS* to conduct its business
 - Not all areas of Afghanistan are peaceful (lines 70-71)
 - Possible changes in the external environment (line 75) can create uncertainties (line 77)
 - Afghanistan is classified as a low income country, with GDP per capita of less than \$2,000, and around 36% of the population live below the poverty line (\$1.25 per day)
 - According to the World Bank's *Doing Business* 2018 rankings, Afghanistan is ranked 183 out of 190 countries.
-

PEST Analysis

Case Study: *Afghan Sun (AS)*

For May 2018 examination

PEST analysis for *Afghan Sun*

The Business Management syllabus refers to STEEPLE analysis (social, technological, economic, environmental, political, legal and ethical). In this analysis, 'environmental' and 'ethical' factors are covered under the section on 'social' factors, and the 'legal' issues are covered under the section on 'political' factors.

PEST analysis provides a framework for decision makers to consider factors in the external business environment that affect business operations. These factors can be categorized as political, economic, social and technological factors that can present opportunities and threats, as outlined in the case study.

Political (including legal factors)

- Country A profile:
 - Free market economy
 - Limited government involvement in business activity
 - Has a stable political environment
 - General election may lead to a change in government
- Country B profile:
 - Government provides assistance to encourage investment from overseas, e.g. grants
 - One-party state
- Afghanistan is emerging from a long and damaging war, so there are opportunities for growth (lines 69-70)
- International forces remain in Afghanistan to help rebuild the country's infrastructure (lines 71-72)
- International forces are helping the Afghan government to restore peace and reinforce democracy (line 72)
- In some parts of the country, it remains politically unstable (lines 69-70)
- Not all areas of Afghanistan are peaceful (lines 70-71).

Economic

- Su wants new challenges (line 6)
- There are opportunities for a new business project in Afghanistan (lines 13-14), producing household-based solar power systems (lines 16-17)
- The possibility of expanding *AK Bank's* microfinance to Afghanistan (lines 26-27) enables a lot more households to purchase the solar power systems
- Outsourcing the production of certain components (line 49) can help to improve efficiency and reduce costs
- Afghanistan is classified as a low income country (Fact sheet: Afghanistan)

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Economic (continued)...

- Country A profile:
 - Developed economy
 - Low unemployment
 - High skills level
 - Free market, freeing up business activities with minimal government interference in business affairs
 - Stable currency
 - Part of a trading agreement
- Country B profile:
 - Developing country
 - Low labour costs
 - High unemployment
 - Shortage of skills
 - Falling currency
 - Low rents, despite suitable facilities being available
 - Does not have any major trading agreements.

Social (including environmental and ethical factors)

- Afghanistan's population of 34 million (line 15) creates a potentially large market for *Afghan Sun's* solar power systems; the population is expected to reach 82 million by 2050 (Fact sheet: Afghanistan)
- The products are aimed at poor families (lines 17-18), who might not be able to afford solar power systems or have other spending priorities (lines 58-59)
- Afghanistan is a mountainous and landlocked country, so has no coastline (Fact sheet: Afghanistan), so this creates potential distribution problems (line 60)
- In the northern parts of Afghanistan, temperatures average over 35 °C (95 °F) in July – perfect for solar power systems (Fact sheet: Afghanistan)

Technological

- After years of war, Afghanistan lacks a reliable supply of electricity (lines 15-16); this creates the potential for greater use of solar power systems
- In Country B, there are straightforward transport links to Afghanistan
- Distribution will be a problem (line 60), as customers are likely to live in remote locations (line 60), with poor infrastructure (lines 60-61).



Exam-style questions – Worksheet 1

1. Explain how being empowered can positively affect job satisfaction at *Afghan Sun*. [4]

2. Explain **two** key functions of management. [4]

3. Explain **two** reasons why Su might have set up her businesses, *HH* and *AS*. [4]

4. Managers have a clear understanding of *Afghan Sun's* mission statement (line 38). Explain **two** roles of a mission statement. [4]

5. Describe the importance of monitoring the cash flow at *Afghan Sun* (Table 2). [4]



For May 2018 examination

Exam-style questions – Worksheet 1 (Answers)

1. Explain how being empowered can positively affect job satisfaction at *Afghan Sun*. [4]
Empowerment refers to giving employees a degree of autonomy and responsibility to complete their work. Being empowered by Su can have positive impacts on job satisfaction at AS, including:
 - Being able to make autonomous decisions and in a faster manner can boost employee morale
 - It can raise job satisfaction as workers feel they are trusted
 - Similarly, job enrichment and job enlargement (forms of non-financial motivation) can improve job satisfaction
 - Empowering workers also removes the need to micromanage staff (which can be demoralizing) and reduce bureaucracy, thereby positively affecting job satisfaction.

2. Explain **two** key functions of management. [4]
Functions of management include an explanation of any two of the following:
 - setting organizational objectives
 - organizational planning
 - managing human and physical resources to meet organizational objectives
 - directing and motivating staff
 - coordinating operational activities
 - controlling and measuring performance.

3. Explain **two** reasons why Su might have set up her businesses, *HH* and *AS*. [4]
Reasons include an explanation of any two of the following:
 - To be more self-reliant, from an economic perspective
 - To gain economic security due to the potential to earn high profits
 - Possibility of earning more than working for someone else
 - Desire to be independent (to be your own boss)
 - To pursue personal interests and skills / to put own creative ideas into practice
 - To achieve a greater sense of purpose and achievement.

4. Managers have a clear understanding of *Afghan Sun's* mission statement (line 38). Explain **two** roles of a mission statement. [4]
Reasons include an explanation of any two of the following:
 - Communicate to stakeholders the purpose of *Afghan Sun's* existence
 - Guide the organization's aims and objectives
 - Provide a sense of drive (motivation) and direction to employees at AS.

5. Describe the importance of monitoring the cash flow at *Afghan Sun* (Table 2). [4]
Possible responses could include:
 - Cash flow refers to the movement of money (cash) in and out of an organization
 - Monitoring cash flow is important to avoid having a lack of cash, which could cause liquidity problems
 - It is useful to help a firm manage its expenditure and the timing of its spending
 - It can also be a useful decision-making tool
 - *As with all answers, accept any other relevant description.*



Exam-style questions – Worksheet 2

1. Describe the purpose of a vision (line 25). [2]

2. Describe one way in which a problem with quality (line 32) could affect *Afghan Sun*. [2]

3. Explain the importance of human resource planning (line 76) for *Afghan Sun*. [4]

4. Describe the link between *Afghan Sun's* "opening balance" and its "closing balance" in the cash-flow forecast (Table 2). [4]

5. In the context of *Afghan Sun*, distinguish between capital expenditure (Table 2) and revenue expenditure. [4]



For May 2018 examination

Exam-style questions – Worksheet 2 (Answers)

1. Describe the purpose of a vision (line 25).
The vision of a business is a written declaration of where the organization aspires to be in the future, i.e. it is the overall long-term goal of the business. Having a vision gives the organization and its internal stakeholders a clear sense of purpose.
2. Describe one way in which a problem with quality (line 32) could affect *Afghan Sun*. [2]
Quality ensures the solar power systems are manufactured to an acceptable standard, so that they are fit for purpose. A problem with quality (poor quality or problems with quality issues) can lead to:
 - Dissatisfied/disgruntled customers
 - Refunds, compensations and possibly law suits for poor quality solar power systems
 - Loss of future sales
 - Negative impacts on the firm's reputation and its brand image.
3. Explain the importance of human resource planning (line 76) for *Afghan Sun*. [4]
Possible reasons could include:
 - Human resource planning refers to the forecasting of an organization's future human resources needs
 - It enables the organization to plan for future needs, such as the required skills and knowledge of the labour force, in order to help the business to meet its strategic objectives
 - It also involves planning recruitment and training needs.
4. Describe the link between *Afghan Sun's* "opening balance" and its "closing balance" in the cash-flow forecast (Table 2). [4]
 - The opening balance refers to the cash in an organization at the start of a time period, such as the first day of the month
 - The closing balance is the value of cash in an organization at the end of a time period, such as the last day of the month
 - The closing balance = Opening balance + Net cash flow
 - Hence, the closing balance for a particular time period is the opening balance in the next time period.
5. In the context of *Afghan Sun*, distinguish between capital expenditure (Table 2) and revenue expenditure. [4]
 - Capital expenditure refers to spending by a business on acquiring, maintaining and/or upgrading fixed assets. It represents a financial investment in the business, e.g. investment in the main production facility to manufacture the solar power systems. Other examples include machinery, equipment and commercial vehicles.
 - Revenue expenditure refers to the money needed for the day-to-day running of a business, e.g. finance for electricity bills and managerial salaries at *Afghan Sun*.



Exam-style questions – Worksheet 3

1. Describe the purpose of a mission (line 38). [2]

2. With reference to *Afghan Sun*, describe one reason for identifying target markets. [2]

3. In the context of *Afghan Sun*, distinguish between management and leadership. [4]

4. Explain the importance of human resource planning for *Afghan Sun*. [4]

5. Explain why *Afghan Sun*, as a start-up business, might struggle to attract external sources of finance. [4]



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Exam-style questions – Worksheet 3

1. Describe the purpose of a mission (line 38). [2]
Possible answers include:
 - To show/state *Afghan Sun's* core values/aims
 - To direct/guide and motivate the managers and employees at *Afghan Sun*
 - To attract the interest of external stakeholders, such as investors and financiers.

2. With reference to *Afghan Sun*, describe one reason for identifying target markets. [2]
The target market refers to the market segment(s) that a particular product is aimed at. It is important for a business to know its target market because:
 - It gives the business a clear idea of customer profiles (shared characteristics), e.g. age, gender, income levels, and social class.
 - It helps the business to create a better marketing mix in order to better meet the needs of the market
 - It leads to less wastage of resources as marketing (and its impact on human resources and finance) becomes more focused.

3. In the context of *Afghan Sun*, distinguish between management and leadership. [4]
 - Leadership is about inspiring others to achieve a common goal, but management is about dealing with others in the organization to ensure organizational goals are met
 - Leaders (such as Su) set/shape the culture of the organization, whereas managers (such as David and Salima) follow the established culture of the organization
 - Leaders focus on the vision and mission of the organization, whereas managers focus on operational objectives, such as investigating the most appropriate pricing and promotional methods to use at *Afghan Sun*
 - Leaders handle and encourage change, whereas managers plan and organize operations according to set rules and parameters (policies and procedures) of the business
 - Leaders focus on the future of *Afghan Sun*, whereas managers focus on the current priorities of the business
 - Leadership is mainly concerned with people, whereas management is concerned with processes
 - Leaders deal with strategic decisions whereas managers deal with operational decisions.

4. Explain the importance of human resource planning for *Afghan Sun*. [4]
Human resource planning refers to the forecasting of *Afghan Sun's* future human resource needs, especially as a new business. It enables the organization to plan ahead, such as the identifying the required skills and knowledge of the labour force, in order to help the business to meet its strategic goals. It also involves planning *Afghan Sun's* recruitment and training needs.

5. Explain why *Afghan Sun*, as a start-up business, might struggle to attract external sources of finance. [4]
 - Poor market research – for example, David still doesn't know what pricing and promotional methods to use (line 57), so this gives little confidence to financiers
 - Limited market size – Building a production facility may be difficult and ownership of solar power systems may be limited to people of a higher socio-economic status
 - Unknown brand name - a lack of brand recognition means that external providers of finance will worry about *Afghan Sun* gaining customer recognition and market share
 - Inexperience of the solar power industry means that Su may lack the necessary skills needed in strategic decision-making, despite her wealth of experience with *HH*.



Exam-style questions – Worksheet 4

1. In the context of *Afghan Sun*, define the term costs (Table 1). [2]

2. Salima wants to outsource the production of certain components (line 49). Describe one benefit of outsourcing production. [2]

3. Describe the role of an entrepreneur such as Su. [2]

4. Outline **two** features of a private limited company (lines 18-19) as a form of business ownership. [4]

5. Explain **two** advantages and **one** disadvantage of contingency planning (lines 74-75) for *Afghan Sun*. [6]



For May 2018 examination

Exam-style questions – Worksheet 4 (Answers)

1. In the context of *Afghan Sun*, define the term costs (Table 1). [2]

Costs are items of expenditure borne by *Afghan Sun*. Costs can be classified several ways, including direct costs (such as the production costs of the solar power systems) and indirect costs (such as salaries for the senior managers at *AS*).

2. Salima wants to outsource the production of certain components (line 49). Describe one benefit of outsourcing production. [2]

Possible benefits could include:

- Cheaper raw material costs for *Afghan Sun*, thus making the project more financially feasible
- Lower wage costs from the outsourced firm
- Higher productivity from an established and specialist third-party provider
- Helps *Afghan Sun* to spread risks, especially as it is new to the industry.

3. Describe the role of an entrepreneur such as Su. [2]

- An entrepreneur is someone who bears the financial risks of starting and managing a business or a commercial venture
- The entrepreneur can develop new ideas or find a new way of offering an existing product to the market
- The entrepreneur assumes the financial risks and rewards of running the business
- The entrepreneur has responsibility for strategic decision making in the organization (lines 4 and 34).

4. Outline two features of a private limited company (lines 18-19) as a form of business ownership. [4]

- Shares in a private limited company such as *Afghan Sun* cannot be bought by the general public, i.e. shares can only be sold with the approval of existing shareholders such as Su
- In theory, the company should be able to raise more capital than a sole trader or partnership should, as it has greater access to capital markets and investors
- Shareholders have limited liability, i.e. they cannot lose more than the value of their investment in the company, if it defaults
- As co-owners of the company, shareholders have voting rights based on the number of shares they own in *Afghan Sun*
- The private limited company needs to prepare and publish its final accounts – this is a legal requirement and the accounts need to be checked and audited (approved) by an independent chartered accountant
- The company must have at least one shareholder and director (who can be the same person), plus a company secretary (who does not have to be a shareholder).



Exam-style questions – Worksheet 4 (Answers cont'd)

5. Explain **two** advantages and **one** disadvantage of contingency planning (lines 74-75) for *Afghan Sun*. [6]

Contingency plans are the proactive policies and procedures designed to deal with a crisis (emergency) to ensure the continuity of the business. Advantages of contingency planning include the following:

- Establishes procedures to deal with a crisis, should it occur, by anticipating 'what if' scenarios and planning accordingly to deal with these uncertainties
- Helps *Afghan Sun* to be better prepared should the crisis occur for real, such as a major product recall of faulty solar power systems.
- Having well thought out plans can help *AS* to avoid potentially high costs of dealing with a crisis, such as lawsuits or bad publicity that comes with a case of defective solar panels, for example.
- It is based on the notion that the safety of people (such as employees, customers and managers) must come as the top priority.

Disadvantages of contingency planning include:

- It can be costly to an organization, as it requires management time and money to train staff to handle a range of different emergency scenarios
- The opportunity cost of spending time and money preparing for an event (such as a natural disaster) that may never materialise can be rather significant
- Similarly, contingency plans may not cover all possible scenarios, as they are unforeseeable and unpredictable.



Exam-style questions – Worksheet 5

1. Explain **one** advantage and **one** disadvantage of *Afghan Sun*'s low-price strategy (line 24). [4]

2. *Afghan Sun* is a private limited company (lines 18-19). Distinguish between privately and publicly owned companies. [4]

3. Explain the role of cash flow forecasts (Table 2). [4]

4. With reference to *Afghan Sun* and Table 2, explain the difference between internal and external sources of finance. [4]

5. In the context of *Afghan Sun*, explain the role of promotion (line 57). [4]



For May 2018 examination

Exam-style questions – Worksheet 5 (Answers)

1. Explain **one** advantage and **one** disadvantage of *Afghan Sun's* low-price strategy (line 24). [4]

Possible advantages could include:

- Lower prices can give *Afghan Sun* a major competitive advantage over its local and global rivals
- Low prices can encourage word-of-mouth recommendations by customers, especially as the products are aimed at poor families (line 17)
- It forces *Afghan Sun* to focus on cutting production costs (lines 23-24), thereby cutting waste and raising productivity and/or improving its efficiency
- *Afghan Sun's* low price strategy can discourage potential rivals from entering the solar power industry, especially because of the low profit margins.

Possible disadvantages could include:

- Whilst low prices might benefit customers, it also means lower profit margins for *Afghan Sun*, so the business has to sell more units of output (solar power systems) to reach break-even, and may need to operate at a higher level of output
- *Afghan Sun's* employees may be overburdened and more stressed having to work at higher levels of output, especially if the main production facility is not outsourced (line 48)
- Due to the brand association with low prices, *Afghan Sun* may lose some quality-conscious customers, which could have a negative impact on the demand for its goods and services in the future
- Customers may come to expect low prices from *Afghan Sun*, making it difficult for the company to raise prices at a future date if production costs rise.

2. *Afghan Sun* is a private limited company (lines 18-19). Distinguish between privately and publicly owned companies. [4]

- A privately owned company (Ltd.) is a limited liability corporation that cannot raise share capital from the general public via a stock exchange. Instead, shares in *Afghan Sun* can only be sold to private family members and friends. The shares of *Afghan Sun* cannot be traded without the prior agreement from the existing shareholders, such as Su. This enables her to maintain overall control of the company by owning the majority of the shares in the private limited company.
- By contrast, a publicly owned company (PLC) is a limited liability company that is able to advertise and sell its shares to the general public via a stock exchange. In general, there is a greater divorce of ownership and control in publicly owned companies.

3. Explain the role of cash flow forecasts (Table 2). [4]

- Cash flow forecasts shows the anticipated movement of cash into and out of a business over a period of time
- For *Afghan Sun*, cash flow forecasts help the firm to predict its future liquidity position in order to be better prepared for any cash flow problems
- Banks and other investors or financiers are particularly interested in looking at *Afghan Sun's* cash flow forecasts to assess its financial health before lending any money or investing funds in the business – especially as it is run as a social enterprise (line 18).



For May 2018 examination

Exam-style questions – Worksheet 5 (Answers cont'd)

4. With reference to *Afghan Sun* and Table 2, explain the difference between internal and external sources of finance. [4]

Internal sources of finance are the ways in which a business raises finance from within its own organization using its own resources. By contrast, external sources of finance refer to funds that come from outside the business using third party providers.

Possible internal sources of finance for *Afghan Sun* include:

- Revenue from the sale of solar panel systems
- Share capital from Su (line 64) or personal funds used by Su to set up the business
- Retained profits from *Afghan Sun* (although this is not a current source, as AS is a new business start-up).

External sources of finance for *Afghan Sun* may include:

- Overdrafts during times of cash flow problems (first half of 2019 until the first half of 2020, as these periods have a negative closing balance)
- Bank loans for medium term projects, such as the main production facility
- Sponsorships or donations (financial assistance) for *Afghan Sun* (lines 65-66).

5. In the context of *Afghan Sun*, explain the role of promotion (line 57). [4]

- To provide product information; potential customers will want to know about the uses, features and benefits of the household solar power systems
- To persuade customers to purchase the product, e.g. through commercial marketing (line 53), or through word-of-mouth promotion to attract new customers
- Alternative answers could include:
 - To create, maintain, and reinforce customer interest in AS and its products.
 - To remind customers about *Afghan Sun's* solar power systems.



Exam-style questions – Worksheet 6

1. Describe one way in which a problem with quality (line 32) could affect *Afghan Sun*. [2]

2. With reference to *Afghan Sun*, describe **two** benefits of having a marketing plan (line 76). [4]

3. With reference to *Afghan Sun*, describe the importance of **two** external stakeholders. [4]

4. Describe two methods of recruitment that Su may have used to appoint Salima (line 44). [4]

5. Explain the interests of *Afghan Sun*'s employees. [4]



For May 2018 examination

Exam-style questions – Worksheet 6 (Answers)

1. Describe one way in which a problem with quality (line 32) could affect *Afghan Sun*. [2]

- Quality ensures *Afghan Sun's* products are manufactured to an acceptable standard, so that they are fit for purpose, i.e. generate electricity for households
- A problem with quality (poor quality or problems with quality issues) can lead to:
 - Dissatisfied/disgruntled customers
 - Loss of future sales for *Afghan Sun*
 - Negative impacts on the *Afghan Sun's* reputation and its brand image.

2. With reference to *Afghan Sun*, describe **two** benefits of having a marketing plan (line 76). [4]

A marketing plan is a document outlining an organization's marketing objectives and the strategies to achieve these objectives. Possible benefits of having a marketing plan include:

- Providing a framework for the introduction of a new product to the market, such as solar power systems for *Afghan Sun*; this is particularly important for new/unestablished businesses
- Helping to develop appropriate marketing objectives/targets, which can be particularly beneficial as *Su* lacks experience in the solar power systems industry
- Helping with marketing budgets, which is particularly important if the business has very limited finance or if it is likely to face a liquidity problem (as indicated in Table 2)
- Helping with decision-making about *Afghan Sun's* marketing strategies
- Keeps shareholders and other stakeholders informed about *Afghan Sun's* marketing plans and strategies.

3. With reference to *Afghan Sun*, describe the importance of **two** external stakeholders. [4]

- Suppliers – the businesses supplying components and materials for the production of the solar power systems; *Afghan Sun* relies on the quality of these products for the manufacturing of its solar power systems
- Customers – customers are vital for all businesses, including social enterprises such as *Afghan Sun*; for instance, word-of-mouth promotion is particularly important in the solar power industry in Afghanistan
- Banks and microfinance providers – likely to be important as *Afghan Sun* is hoping *AK Bank* and other financiers can expand their microfinance activities in Afghanistan
- The government – a very important stakeholder as it regulates business activity in Afghanistan, such as employment laws, health and safety regulations, and administers taxes in the country
- Local community – *Afghan Sun* can provide employment opportunities for people in the local community, such as distribution and repairs of the solar power systems
- Competitors who supply the same or similar products (solar power systems) are also external stakeholders, who compete with *AS* for customers.

Note: shareholders are internal stakeholders, so do not reward answers that refer to shareholders as external stakeholders. Do not reward answers that mention stakeholders in general – instead, specific stakeholders need to be referred to.



Exam-style questions – Worksheet 6 (Answers cont'd)

4. Describe two methods of recruitment that Su may have used to appoint Salima (line 44). [4]
- External recruitment through job advertisements nationally or even internationally
 - External recruitment through a recruitment agency, for example using one that specializes in the manufacturing industry
 - Personal recommendations, i.e. word-of-mouth from a trusted senior manager or production director
 - Headhunting individuals such as Salima who have the desired skills and experiences (as a production director).
5. Explain the interests of *Afghan Sun's* employees. [4]
- Competitive wages and salaries; not all workers at AS are volunteers and some/most will be motivated by financial rewards
 - Improved fringe benefits
 - Better working conditions
 - Improved non-financial aspects of the job, e.g. empowerment
 - Job security (such as employment contracts)
 - Input into decision-making at ASs
 - The right to belong to a labour union.



Exam-style questions – Worksheet 7

1. With reference to Table 2, calculate *Afghan Sun's* forecasted profit for the first half of 2020. [2]

2. With reference to Table 2, calculate *Afghan Sun's* forecasted closing balance in the second half of 2018 if Su is unable to get the \$50,000 loan from *HH*. [2]

3. With reference to Su, David and Salima, explain two differences between a manager and a leader. [4]

4. With reference to Daniel H. Pink's motivation theory, explain how autonomy can motivate the managers at *Afghan Sun*. [4]

5. Explain **two** reasons why branding of the new solar power systems will be important for *Afghan Sun*. [4]



For May 2018 examination

Exam-style questions – Worksheet 7 (Answers)

1. With reference to Table 2, calculate *Afghan Sun's* forecasted profit for the first half of 2020. [2]
 - Profit = Sales revenue – Total costs
 - For the first half of 2020, forecasted profit = $\$120,000 - (\$60,000 + \$20,000) = \$40,000$
2. With reference to Table 2, calculate *Afghan Sun's* forecasted closing balance in the second half of 2018 if Su is unable to get the \$50,000 loan from HH. [2]
 - Closing balance = Opening balance + Cash inflow – Cash outflow
 - Closing balance (second half of 2018) = $0 + \$200K - \$200K - \$20K = -\$20,000$
3. With reference to Su, David and Salima, explain two differences between a manager and a leader. [4]
 - A leader, such as Su, takes responsibility for the overall strategic direction of the organization (line 4)
 - A leader determines the vision and mission for the business
 - The leader sets the strategic direction of the organization, inspiring others to pursue the same goals
 - Additional traits of leaders include to align, motivate and mentor others, such as employees and managers, to achieve organizational aims
 - A manager's main role is to achieve specific organizational goals through others, i.e. employees
 - Managers, such as David and Salima, are responsible for daily operations and practices, focusing on shorter term goals
 - Managers make day-to-day decisions, e.g. budgeting and monitoring employee performance.
4. With reference to Daniel H. Pink's motivation theory, explain how autonomy can motivate the managers at *Afghan Sun*. [4]
 - Pink's motivation theory identifies three drivers that affect a person's level of motivation: autonomy, mastery and purpose
 - Autonomy means that Su empowers individual managers (such as David and Salima) to work independently on their projects, with no or minimal interference from Su herself
 - Autonomy allows the empowered managers (David and Salima) to make their own decisions
 - It can motivate the managers, as they feel empowered and trusted by Su.
5. Explain **two** reasons why branding of the new solar power systems will be important for *Afghan Sun*. [4]
 - Branding has an important role in creating awareness of *Afghan Sun* and its product (solar power systems)
 - Having a strong brand can give *Afghan Sun* improved brand recognition and customer loyalty in the medium to long run
 - It helps to differentiate *Afghan Sun* from other rivals in the industry
 - Successful branding can increase *Afghan Sun's* sales revenue, market share and profitability
 - Successful branding can create barriers to entry for other producers, thus benefiting *Afghan Sun* in the long term.



Exam-style questions – Worksheet 8

1. With reference to Table 2, calculate *Afghan Sun's* forecasted cost of sales as a percentage of its sales in the first half of 2021. [2]

2. With reference to Table 2, calculate *Afghan Sun's* forecasted cost of sales as a percentage of its sales in the second half of 2018. [2]

3. Comment on your findings from Questions 1 and 2 above. [2]

4. Explain **two** advantages of *Afghan Sun* being a private limited company (lines 18-19). [4]

5. Explain why fixed assets are important to *Afghan Sun*. [4]



For May 2018 examination

Exam-style questions – Worksheet 8 (Answers)

1. With reference to Table 2, calculate *Afghan Sun's* forecasted cost of sales as a percentage of its sales in the first half of 2021. [2]
 - Sales costs in first half of 2021 = \$70,000
 - Sales revenue in first half of 2021 = \$160,000
 - Cost of sales as a percentage of sales revenue = $\$70K/\$160K = 43.75\%$

2. With reference to Table 2, calculate *Afghan Sun's* forecasted cost of sales as a percentage of its sales in the second half of 2018. [2]
 - Sales costs in second half of 2018 = \$15,000
 - Sales revenue in second half of 2018 = \$20,000
 - Cost of sales as a percentage of sales revenue = $\$15K/\$20K = 75.0\%$

3. Comment on your findings from Questions 1 and 2 above. [2]
 - Cost of sales as a percentage of sales revenue is expected to fall from 75% to 43.75%
 - This suggests that *Afghan Sun* will become more profitable in the future as it will benefit from higher profit margins due to economies of scale.

4. Explain **two** advantages of *Afghan Sun* being a private limited company (lines 18-19). [4]
 - Su, as the owner of the business, has limited liability, so cannot lose more than she has invested in the company if the business fails
 - Selling shares to friends and family can raise additional funds at a later date for the expansion of the firm
 - Su will not lose control of the company as shares can only be sold (to friends and family) with her prior approval as the owner
 - It is typically less costly and quicker to set up than a public limited company (PLC), which requires its shares to be publicly listed on a stock exchange.

5. Explain why fixed assets are important to *Afghan Sun*. [4]
 - Fixed assets are long-term assets owned by a business, i.e. they are expected to last for more than twelve months, e.g. premises (land and buildings), capital equipment, tools, machinery and commercial vehicles
 - They are vital in order for AS to produce the solar power systems that it intends to sell, e.g. production facilities, capital equipment and machinery are necessary for AS to produce its solar power systems.



Exam-style questions – Worksheet 9

1. Identify **two** possible fixed costs of production that *Afghan Sun* might face. [2]

2. With reference to Table 2, describe the meaning of a liquidity problem. [2]

3. With reference to *Afghan Sun*, explain the difference between strategic decision-making (line 4) and tactical decisions (line 30). [4]

4. Explain **two** disadvantages of *Afghan Sun* being a private limited company. [4]

5. Describe **two** possible influences on *Afghan Sun's* organizational culture. [4]



For May 2018 examination

Exam-style questions – Worksheet 9 (Answers)

1. Identify **two** possible fixed costs of production that *Afghan Sun* might face. [2]
Possible answers include:
 - Rent for the premises (land and building) for the main production facility
 - Leasing costs (of capital equipment and vehicles for distributing the solar power systems)
 - Salaries for senior managers, including David and Salima
 - Insurance costs for their premises and inventory (e.g. stocks of solar power panels)
 - Advertising costs to promote the solar power systems
 - Fixed-price contracted services (for cleaning, maintenance or security, for example)

2. With reference to Table 2, describe the meaning of a liquidity problem. [2]
 - It is a situation where the business does not have enough money to pay its debtors or outstanding bills
 - *Afghan Sun* is expected to face a liquidity problem for 18 months, from the first half of 2019 to the first half of 2020, as the firm's closing balance is negative.

3. With reference to *Afghan Sun*, explain the difference between strategic decision-making (line 4) and tactical decisions (line 30). [4]
 - A strategic decision is concerned with how *Afghan Sun* is going to reach its long-term aims or mission. It involves using a broad plan of action (business strategy) to achieve its aims and strategic goals. It usually involves decision-making by senior executives, such as Su.
 - Tactical decisions are concerned with short-term decisions on a smaller-scale. They are routine, involving actions aimed at reaching SMART objectives. Tactical decisions are made by managers, such as David and Salima. Tactical decisions implemented to facilitate strategic decision-making.

4. Explain **two** disadvantages of *Afghan Sun* being a private limited company. [4]
 - The legal process of setting up *Afghan Sun* as a private limited company takes more time and money to set up compared with a sole trader or partnership
 - Private limited companies (Ltd.) cannot sell their shares on a stock exchange, so this can limit *Afghan Sun's* ability to raise share capital compared with being a public limited company (PLC)
 - If the organization is profitable, dividends need to be distributed to shareholders, so this may reduce the company's retained profit (*Afghan Sun* is set up as a social enterprise, although there are both for-profit and not-for-profit social enterprises)
 - External stakeholders can gain access to financial information of all limited liability companies, so *Afghan Sun's* business affairs are not private.

5. Describe **two** possible influences on *Afghan Sun's* organizational culture. [4]
 - The leadership style of the organization, e.g. Su likes to empower her staff whilst maintaining overall control
 - The organizational structure at *Afghan Sun*, e.g. a tall structure or flat organization
 - The decision-making process, e.g. centralized decision-making by Su, and managers such as David and Salima who have some decision-making authority
 - The personalities, attitudes, outlook and beliefs of the employees at *Afghan Sun*, who seem content and are inspired by Su
 - The history and background of the organization
 - The national culture of Afghanistan may also influence the organizational culture at *Afghan Sun*.



Exam-style questions – Worksheet 10

1. Explain **one** benefit for *Afghan Sun* of meeting quality standards (line 32). [2]

2. In the context of *Afghan Sun*, describe the purpose of social marketing (line 53). [2]

3. Describe **two** problems faced by *Afghan Sun* as a new business start-up. [4]

4. Describe **two** benefits for *Afghan Sun* of using cellular manufacturing (line 23). [4]

5. Explain how empowerment (lines 29 and 31) is a form of non-financial motivation at *Afghan Sun*. [4]



For May 2018 examination

Exam-style questions – Worksheet 10

1. Explain **one** benefit for *Afghan Sun* of meeting quality standards (line 32). [2]
 - Customers are more willing to accept *Afghan Sun*'s products, which helps to attract new customers; which is particularly important for a new start-up business
 - Compliance with quality standards shows that *Afghan Sun* produces products that are fit for purpose and are approved by national and even international authorities
 - Customers regard quality as important as sub-standard solar power systems can be damaging/destructive
 - It makes *Afghan Sun* more competitive and able to compete in new markets
 - It can even act as a unique selling proposition (USP) for *Afghan Sun*
 - It can improve the motivation and morale of employees, especially if they are included in the quality assurance process at *Afghan Sun*.

2. In the context of *Afghan Sun*, describe the purpose of social marketing (line 53). [2]

Social marketing refers to marketing activities that seek to change or influence social behaviour, in order to improve the community's well-being. In the case of AS, Su is trying to inform and persuade more families to use energy-efficient solar power systems. Unlike commercial marketing, the primary aim is not to sell a good or service for profit, but to promote a social cause.

3. Describe **two** problems faced by *Afghan Sun* as a new business start-up. [4]
 - The time-consuming and costly legal process of setting up *Afghan Sun* as a social enterprise
 - The lack of funds, even though Su is prepared to use share capital from her own money
 - The lack of familiarity of operating in the solar power systems industry
 - The lack of product differentiation or a unique selling proposition
 - Difficulties in recruiting suitably skilled and experienced managers and employees
 - Not having an established relationship with reliable suppliers
 - Not having an established customer base, especially in a country with many poor families.

4. Describe **two** benefits for *Afghan Sun* of using cellular manufacturing (line 23). [4]
 - Employees are involved in the production process of the solar power systems from beginning till the end, so have a sense of ownership, purpose and value
 - Teamworking is integral to cellular manufacturing, so can be motivational for the workers, thereby improving labour productivity at *Afghan Sun*
 - It creates empowerment for *Afghan Sun*'s employees, hence improves staff morale, which can improve employee retention and reduce costs for the company
 - There is improved communication in the cells, thus this helps to avoid confusion and misunderstandings in the production process
 - Employees at *Afghan Sun* become multi-skilled and more adaptable (key features of cellular manufacturing) to the future needs of the organization.

5. Explain how empowerment (lines 29 and 31) is a form of non-financial motivation at *Afghan Sun*. [4]
 - Empowerment is the process of enabling or allowing individuals (such as David and Salima) to have decision-making authority
 - It involves giving workers autonomy (which Daniel H. Pink argues is a driver of motivation) and the power to make decisions independently
 - Empowerment also shows respect and trust from Su, which helps to boost the morale and job satisfaction of managers and employee at *Afghan Sun*.

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK

Standard Level Mock Examination

Paper 1

Case Study: *Afghan Sun (AS)*

For May 2018 examination

1 hour 15 minutes

INSTRUCTIONS

- Do not open this examination paper until you have been instructed to do so
- You will need a clean copy of the *Afghan Sun* case study for this examination paper
- A clean copy of the Business Management formulae sheet is required
- Answer any **two** questions from Section A
- Answer **the** compulsory question from Section B
- You are permitted to use a calculator for this examination paper
- Total marks available: 40 marks

SECTION A

Answer **two** questions from this section.

1. (a) With reference to Su, outline **two** reasons for setting up a business. [4 marks]
- (b) With reference to Su, explain the importance of leadership in business organizations. [6 marks]

2. (a) Describe the relationship between *Afghan Sun's* opening balance and its closing balance in a cash flow forecast (Table 2). [4 marks]
- (b) Using a SWOT analysis framework, explain the strengths and weaknesses of *Afghan Sun*. [6 marks]

3. (a) Define the following terms:
 - (i) *vision* (line 25) [2 marks]
 - (ii) *human resource planning* (line 76). [2 marks]
- (b) With reference to Table 2, explain the forecasted cash flow position of *Afghan Sun*. [6 marks]

There is no additional information in this mock exam paper for Section A.

SECTION B

Answer *the following question*.

4. Su has decided that Country B should be the location of the main production facility. She believes that *Afghan Sun* would stand a greater chance of success by locating in Country B, and that it better suits the company's mission. Su and her team have carried out further research about Country B (see below). They have not been able to find a suitable local supplier in Country B for the raw materials needed for cellular production of the solar power systems.

Country B profile – additional research findings:

- The country's population is 5.66 million
- It is one of the world's fastest-growing economies
- It is largely a desert country
- The government has provided its citizens with free electricity, water and natural gas since 1993
- The government also subsidises a wide variety of commodities and services
- It is one of the world's most authoritarian countries
- GDP per capita is \$7,645
- The unemployment rate has remained at around 11% for the past three years
- Country B's sales tax rate fell from 20% to 15% in 2016
- It is a member of only one international organization – the Organization of Islamic Cooperation, which aims to preserve Islamic social and economic values, and promote solidarity amongst its 57 member states (Afghanistan is also a member state of the OIC)
- According to Transparency International, Afghanistan is ranked 169 out of 176 countries for corruption; by comparison, Country B is ranked 154 out of 176.

However, David has managed to find a suitable local agent and transport businesses to help with the distribution of the solar power systems. Both David and Salima would prefer the location of the main production facility to be in Country A.

- (a) Define the term *location*. [2 marks]
- (b) With reference to Table 2, calculate the forecasted profit for *Afghan Sun* during the second half of 2018 and first half of 2021. [4 marks]
- (c) With reference to *Afghan Sun*, describe **two** features of cellular manufacturing (line 23). [4 marks]
- (d) With reference to the case study and the information above, discuss the **opportunities** and **threats** of locating *Afghan Sun's* main production facility in Country B, rather than in Country A. [10 marks]

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK

Standard Level Mock Examination – Mark scheme

Paper 1

Case Study: *Afghan Sun (AS)*

For May 2018 examination

TEACHERS' NOTES

- These are **suggested answers** only.
- Teachers should use their professional judgment in awarding answers that may not be included in this mark scheme.
- For the definition questions, application to the case study has been included in the mark scheme, although this does not seem to be a formal requirement by the IBO. Nevertheless, the application helps students to have a better understanding of the purpose of the questions.
- The additional information in Section B has been included for illustrative purposes only, to give students practice for the final examination in May 2018. The data in Section B are correct at the time of writing.

SECTION A

1. (a) With reference to Su, outline two reasons for setting up a business. [4 marks]

Reasons for Su setting up a business include:

- To be more self-reliant, from an economic perspective, e.g. Su has become very wealthy from her business *High-end Holidays*
- Desire to be independent (to be your own boss)
- To gain economic security due to the potential of earning high profits
- Possibility of earning more than working for someone else
- To pursue personal interests and skills / to put own creative ideas into practice, e.g. Su wants new challenges that will allow her to give back to society, having already been highly successful with *HH*
- To achieve a greater sense of purpose and achievement, e.g. Su provides the inspiration for managers and employees at *HH*.
- *Accept any other relevant reason why Su might have set up HH and/or AS.*

Mark as 2 + 2.

Award [1 mark] for each valid reason that is identified, and [1 mark] for the development of each of the answer, written in the context of the case study, up to a maximum of [2 marks].

- (b) With reference to Su, explain the importance of leadership in business organizations. [6 marks]

Leadership is the art of influencing, inspiring and motivating others to accomplish a common goal. It plays a key role in an organization and involves setting a clear vision and direction for others to follow. Strong leadership is important for several reasons, including:

- *To inspire and influence others to achieve organizational goals* – In order to get the best out of her managers and employees, strong leadership is needed to motivate them and earn their respect, trust and loyalty; weak leadership can harm productivity and jeopardise the business
- *To create a sense of purpose and strategic direction* – Without effective leadership, *Afghan Sun* cannot achieve its aims, especially when faced with changes (such as new projects or outsourcing of production facilities) and challenges (such as changes in the external environment); it is vital that Su plans effectively and initiates action to achieve *Afghan Sun's* goals
- *To coordinate business operations* – Although Su is not involved in the day-to-day decisions at *AS*, as a leader she coordinates the strategic direction and drives the purpose of the business, including delegating responsibilities to senior managers, such as David and Salima
- *To shape the organizational culture* – Su's leadership style will ultimately determine the organizational culture at *Afghan Sun*, thereby affecting its daily operations, productivity and corporate image.

- *Improved communication* – This helps employees to be clear about the purpose of strategic and tactical decisions made at AS, rather than being confused and uncertain about work-related matters
- *To achieve corporate success* – Ultimately, strong leadership builds employee morale, raises productivity, and helps to improve staff retention, all of which have a favourable impact on the success and longevity of AS.
- *Accept any other relevant reason explained in the context of Su and/or Afghan Sun.*

Award [1-2 marks] for an answer that shows little knowledge and understanding of the importance of leadership in business organizations and/or an answer that has little, if any, reference to the stimulus material.

Award [3-4 marks] for a partial explanation of the importance of leadership in business organizations, with some appropriate use of business management tools, techniques, theories and/or terminology. There is some reference made to the stimulus material. Award a maximum of [3 marks] for a theoretical answer.

Award [5-6 marks] for a full explanation of the importance of leadership in business organizations, with appropriate use of business management tools, techniques, theories and/or terminology throughout the response. There is effective use of the stimulus material. Award a maximum of [5 marks] if the explanation is mainly descriptive, but written in the context of the case study.

2. (a) Describe the relationship between *Afghan Sun's* opening balance and its closing balance in a cash flow forecast (Table 2). **[4 marks]**

- The opening balance refers to the cash in an organization at the start of a time period, such as the first day of the month
- The closing balance is the value of cash in an organization at the end of a time period, such as the last day of the month
- The closing balance = Opening balance + Net cash flow
- Hence, the closing balance for a particular time period is the opening balance in the next time period
- A numerical example may be provided from Table 2 to show this relationship
- *Accept any other relevant description.*

Award [1 mark] for a basic answer that shows some knowledge of the concept of cash flow forecasts, but lacks clarity and/or shows some confusion.

Award [2 marks] for an answer that shows knowledge and understanding of opening and closing balances, but with no reference to Afghan Sun.

Award [3 marks] for an answer which clearly explains the relationship between the opening and closing balances, with limited application to Afghan Sun.

Award [4 marks] for an answer that clearly explains the relationship between the opening and closing balances, with good application to Afghan Sun, using the data in Table 2.

- (b) Using a SWOT analysis framework, explain the strengths and weaknesses of *Afghan Sun*. [6 marks]

Internal strengths of *Afghan Sun* include:

- Su is experienced and very successful as an entrepreneur, having gained her fortunes with *High-end Holidays* (line 1), so this helps improve the chances of success at *Afghan Sun*
- Su provides the inspiration for *HH* (line 4), which suggests there is strong leadership at *Afghan Sun* (line 37)
- The team at *AS* are volunteers who used to work at *HH* (line 19), suggesting they are intrinsically motivated to work at the company, i.e. they are keen to work on the project (lines 19-20)
- The team at *AS* have carried out detailed research (line 21), which helps to minimise the risks of the project
- Su empowers her managers to make day-to-day decisions (line 29) and her employees, so this helps to improve morale and productivity
- Managers are well motivated and committed to their work (lines 34-35)
- There is seldom conflict between the managers (lines 35-36)
- Managers have a clear understanding of Su's mission and share it (lines 37-38)
- Senior managers David and Salima, both being Afghans, have local knowledge and expertise (lines 42-45)
- Su is willing to invest \$200,000 of her own money (Table 2) as share capital (line 64) into the project, which shows her belief in and support for *AS*
- *Accept any other relevant strength that is explained in the context of AS.*

Internal weaknesses of *Afghan Sun* include:

- Customers are not currently aware of the solar power systems (line 55)
- David is unsure about the pricing methods to use to sell the solar power systems (line 57)
- David is also unsure about the most appropriate promotion methods to use (line 57)
- The project carries significant risks (line 69)
- The management at *AS* are unsure about decisions on production and distribution (line 73), so the project has yet to start (line 74)
- The management at *AS* have yet to carry out marketing planning and human resource planning (line 76), which also heightens the risks of the project/business
- *Accept any other relevant weakness that is explained in the context of AS.*

Award [1-2 marks] if only strengths or weaknesses are explained, or if the answer lacks clear application to Afghan Sun.

Award [3-4 marks] if the SWOT framework lacks depth in the explanation, but there is some attempt at applying the strengths and weaknesses to Afghan Sun.

Award [5-6 marks] for a full explanation of both strengths and weaknesses, with good application to Afghan Sun.

3. (a) Define the following terms:

(i) **vision (line 25)** [2 marks]

The vision of a business or entrepreneur refers to where the organization aspires to be in the future; the vision is therefore the long term and ultimate aim of a business. Having a vision gives an organization a clear sense of purpose and direction. *Afghan Sun's* suppliers have been identified to share Su's vision for the organization.

Note: Candidates are not expected to phrase their answer exactly as above.

Award [1 mark] for a basic definition that shows partial knowledge of the term 'vision'.

Award [2 marks] for a full and clear definition that shows knowledge and understanding of the term 'vision', similar to the answer above.

(ii) **human resource planning (line 76)** [2 marks]

Human resource planning is the management function of using and developing people within a business to meet its organizational objectives. It is the management process of anticipating and meeting the current and future staffing needs of the business. *Afghan Sun* has yet to carry out human resource planning.

Note: Candidates are not expected to phrase their answer exactly as above.

Award [1 mark] for a basic definition that shows partial knowledge of the term 'human resource planning'.

Award [2 marks] for a full and clear definition that shows knowledge and understanding of the term 'human resource planning', similar to the answer above.

(b) **With reference to Table 2, explain the forecasted cash flow position of *Afghan Sun*.** [6 marks]

Possible explanations could include:

- On the whole, the cash flow position of AS is good, with a closing balance of +\$55,000 expected in the first half of 2021
- Sales are optimistically predicted to rise from \$20,000 in the first half of 2019 to \$160,000 in the first half of 2021 (a rise of 700%), so this suggests a health cash flow position for AS
- During the same time, the sales costs are only expected to rise from \$15,000 to \$70,000 (a rise of around 367%); hence, AS is able to benefit from some economies of scale
- However, a major problem is revealed in the CFF, as it shows total sales revenue of \$500,000 but total costs of \$695,000 – a shortfall of \$195,000 (almost the entire amount of Su's share capital)

- In the first half of 2019, AS is expected to have a net cash flow (NCF) balance of -\$55,000; which has a direct impact of its closing balance being -\$25,000 during that time
- There are 3 consecutive periods with a negative closing balance (spanning 18 months), so AS faces some liquidity problems during this time
- It should be noted that without the \$55,000 loan from HH, Afghan Sun would really struggle, with a closing balance of -\$20,000 in the 2nd half of 2018, and 5 consecutive periods of a negative closing balance*
- *Accept any other well-explained response, written in the context of the AS case study.*

* The CFF, without securing a loan from HH, has been included here for illustrative purposes only:

(Figures in \$'000)	2018	2019		2020		2021
	2nd half	1st half	2nd half	1st half	2nd half	1st half
Opening balance	0	-20	-75	-70	-55	-35
Share capital	200					
Loan capital	0					
Sales	0	20	80	120	120	160
Cash inflows	200	20	80	120	120	160
Capital expenditure	200	50	25	25	10	10
COS	0	15	40	60	60	70
Other costs	20	10	10	20	30	40
Cash outflows	220	75	75	105	100	120
Net cash flow	-20	-55	5	15	20	40
Closing balance	-20	-75	-70	-55	-35	5

Award [1-2 marks] for an answer that shows little knowledge and understanding of the cash flow position of AS and/or an answer that has little, if any, reference to the stimulus material.

Award [3-4 marks] for a partial explanation of the cash flow position of AS, with some appropriate use of business management tools, techniques, theories and/or terminology. There is some reference made to the stimulus material. Award a maximum of [3 marks] for a theoretical answer.

Award [5-6 marks] for a full explanation of the cash flow position of AS, with appropriate use of business management tools, techniques, theories and/or terminology throughout the response. There is effective use of the stimulus material. Award a maximum of [5 marks] if the explanation is mainly descriptive, but written in the context of the case study.

SECTION B

4. (a) Define the term *location*. [2 marks]

Location refers to the geographical position or site of an organization. It can have profound implications on the profitability and survival of the business. Su has an important decision to make about the location of the main production facility for *Afghan Sun's* solar power systems – either in Country A or Country B. The location decision is one of the most important that Su has to make, especially as it is likely to be an irreversible decision.

Note: Candidates are not expected to phrase their answer exactly as above.

Award [1 mark] for a basic definition that shows partial knowledge of the term 'location'.

Award [2 marks] for a full and clear definition that shows knowledge and understanding of the term 'location', similar to the answer above.

- (b) With reference to Table 2, calculate the forecasted profit for *Afghan Sun* during the second half of 2018 and first half of 2021. [4 marks]

Profit for each trading period is calculated using the formula: Profit = Sales – Total Costs. The table below is provided for illustrative purposes:

	Sales	Sales costs	Other costs	Total costs	Profit
2018 Second half	0	0	20	20	-20
2019 First half	20	15	10	25	-5
2019 Second half	80	40	10	50	30
2020 First half	120	60	20	80	40
2020 Second half	120	60	30	90	30
2021 First half	160	70	40	110	50

- Hence, the forecast profit for the second half of 2018 is **-\$20,000**
- The forecast profit for the first half of 2021 is **+\$50,000**.

Mark as 2+2

For each time period, award [1 mark] for the correct working out and [1 mark] for the correct answer. Award a maximum of [2 marks] for each time period.

- (c) **With reference to *Afghan Sun*, describe two features of cellular manufacturing (line 23). [4 marks]**

- It is a method of lean production in which capital equipment and workstations are arranged to facilitate continuous flow production (in this case, of solar power systems)
- Operations required to produce a component or product (solar power systems) are performed in close proximity, often arranged in a U-shaped layout to allow quick communication and feedback if problems or other issues arise
- The physical arrangement of workstations reduces the distance travelled by raw materials, components, inventory, and AS employees, thereby improving overall efficiency
- Employees are usually cross trained so that they are able to perform multiple tasks, as and when required.
- *Accept any other relevant feature of cellular manufacturing and relevant explanation.*

Mark as 2 + 2

Award [1 mark] for each relevant feature identified, and [1 mark] for the explanation of that feature. Award up to a maximum of [2 marks] per feature.

- (d) **With reference to the case study and the information above, discuss the opportunities and threats of locating *Afghan Sun*'s main production facility in Country B, rather than in Country A. [10 marks]**

Opportunities of locating *Afghan Sun*'s main production facility in Country B include:

- There is government assistance from Country B to encourage investment from overseas, e.g. grants for AS to set up its production facility. The government certainly seems to be supportive of the energy industry, having "provided its citizens with free electricity, water and natural gas since 1993"
- It is a developing country, labour costs are low, i.e. AS is better positioned to charge very low prices for its solar power systems
- Low rents in Country B, also help to keep costs down, even though there are suitable facilities available
- There are straightforward transport links to Afghanistan, where AS intends to sell its products
- The unemployment rate is quite high, at around 11%, so there are plenty of workers who may be interested in working at the production facility
- *Accept any other relevant and substantiated opportunity that is discussed in the context of the case study.*

Threats of locating *Afghan Sun's* main production facility in Country B include:

- It is a developing country, with high unemployment and a shortage of skills; so productivity and quality may be major issues for AS
- Country B is one of the world's most authoritarian countries, so doing business in Country B may not be as straightforward as Su might think
- A falling exchange rate (which makes buying imported raw materials and components more expensive) can jeopardise the financial viability of the project
- Country B does not have any major trading agreements (except for being a member of the Organization of Islamic Cooperation), so makes cross-border trade a lot more difficult
- The country is run by a one-party state, i.e. there is no opposition political party, so again corruption and authoritarian rule can create major barriers to *Afghan Sun's* operations in Country B
- *Accept any other relevant and substantiated threat that is discussed in the context of the case study.*

Award [1-2 marks] for an answer that shows little understanding of the demands of the question. There is little, if any, reference to the stimulus material.

Award [3-4 marks] for an answer that shows some understanding of the demands of the question. There is an attempt at application of the case study material and some relevant use of business management tools, theories, techniques and terminology (as appropriate). Award up to [3 marks] for a purely theoretical or descriptive answer.

Award [5-6 marks] for an answer that shows understanding of the demands of the question. There is application of the stimulus material and relevant use of business management tools, theories, techniques and terminology (as appropriate). Award [6 marks] for a balanced response.

Award [7-8 marks] if there is a good understanding of the demands of the question. Relevant business management tools, theories, techniques and terminology (as appropriate) are used effectively. There is appropriate application of the case study and the additional information (in Section B). Judgments are relevant, but are not all substantiated.

Award [9-10 marks] for an effective in-depth and balanced discussion of the opportunities and threats regarding the proposal to locate the production facility on Country B, rather than in Country A. There is relevant and purposeful use of the stimulus material and additional information (in Section B). Judgments are relevant and substantiated by sound reasoning.

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK

Higher Level Mock Examination

Paper 1

Case Study: *Afghan Sun (AS)*

For May 2018 examination

2 hours 15 minutes

INSTRUCTIONS

- Do not open this examination paper until you have been instructed to do so
- You will need a clean copy of the *Afghan Sun* case study for this examination paper
- A clean copy of the Business Management formulae sheet is required
- Answer any **two** questions from Section A
- Answer **the** compulsory question from Section B
- Answer **the** compulsory question from Section C
- You are permitted to use a calculator for this examination paper
- Total marks available: 60 marks

SECTION A

Answer **two** questions from this section.

1.
 - (a) In the context of *Afghan Sun*, distinguish between commercial marketing and social marketing (line 53). [4 marks]
 - (b) Using relevant motivation theory, explain why Su believes that her managers are “well motivated and committed to their work” (lines 34-35). [6 marks]

2.
 - (a) Describe **two** reasons for monitoring the cash flow (Table 2) at *Afghan Sun*. [4 marks]
 - (b) With reference to *Afghan Sun (AS)* and *High-end Holidays (HH)*, explain the importance of leadership in an organization. [6 marks]

3.
 - (a) Define the following terms:
 - (i) *outsource* (lines 48 and 49) [2 marks]
 - (ii) *product orientated* (line 54). [2 marks]
 - (b) Explain why *Afghan Sun*, as a social enterprise (line 18), might struggle to attract financial assistance (line 66). [6 marks]

There is no additional information in this mock exam paper for Section A.

SECTION B

Answer *the compulsory* questions from this section.

4. To minimise risks, Su decided not to promote junior employees for the two additional vacant senior manager positions. Instead, she will hire experienced managers from *High-end Holidays* for these positions at *Afghan Sun*. One of these people will be in charge of finance and accounts, whilst the other will be in charge of human resource management.

David and Salima, being locals, have presented Su with some additional data about Afghanistan:

- Afghanistan is a low income country, with GDP per capita of less than \$2,000
- Around 36% of the population live below the poverty line (\$1.25 per day)
- Afghanistan is a member of the World Trade Organization (WTO), which promotes fairer and freer international trade
- Energy is primarily provided by hydropower; the 16-year war has badly damaged the country's power grids
- There are over 16 different banking corporations that operate in Afghanistan
- The use of solar power is becoming more common in Afghanistan; villagers in rural parts of Afghanistan are also buying/using solar power systems
- According to the World Bank Doing Business 2018 rankings, Afghanistan is ranked 183 out of 190 countries.

Whilst David and Salima are fully supportive of Su, they are concerned about Afghanistan's ability to recover from the long and damaging war, which has lasted for over 16 years. In January 2018, US President Donald Trump refused peace talks with the Taliban after a number of deadly air strikes in Afghanistan, despite widespread pressures to end America's longest foreign war. Trump announced that he would send more troops to "restore peace" in Afghanistan, and vowed "to win" the war. Such statements make David and Salima pessimistic about the prospects for *Afghan Sun*.

- (a) Calculate *Afghan Sun's* net cash flow for in the first half of 2019 (refer to the data in Table 2). [2 marks]
- (b) With reference to *Afghan Sun*, describe **two** steps in the process of recruiting the two additional senior managers (lines 45-47). [4 marks]
- (c) Explain how any **two** changes in the external environment (line 75) can affect the operations at *Afghan Sun*. [4 marks]
- (d) Discuss the costs and benefits of contingency planning (line 75) for a business such as *Afghan Sun*. [10 marks]

SECTION C

Answer *the following question*.

5. The team at *Afghan Sun* and Su have recently reconsidered whether the right decision is to locate the main production facility in Country A or Country B. After all, as Salima does not want to outsource the main production facility, there may be merits in locating it within Afghanistan. Su and her team carried out further research in deciding between the three options: Country A, Country B or Afghanistan. A summary of their main findings is shown in Items 1 to 3 below.

Item 1 – Afghan government support for green energy

The government of Afghanistan is actively encouraging the use of green energy sources. The demand for power is rising rapidly across the country. The government knows that economic growth and development rely on the country having sufficient energy supplies. In November 2017, the Asian Development Bank (ADB) approved a \$44.76 million grant to finance the construction of a solar power plant in Kabul, the capital city of Afghanistan.

In February 2018, The Afghan government signed an agreement with two local construction companies to build a solar power plant in Kandahar, a southern province of the country. The public-private partnership project will cost about \$47.3 million, with \$14 million being provided by the government. The construction of the plant is expected to take around 12 months.

Sources: <https://www.cnn.com/2017/11/27/solar-power-in-afghanistan-to-get-44-point-76-million-boost.html> and <https://tribune.com.pk/story/1638926/3-solar-power-plant-built-s-afghan-province/>

Item 2 – Economic indicators

* GDP growth rate (2017)	3.6%
* GDP growth rate (2018 forecast)	3.4%
* GDP growth rate (2019 forecast)	3.1%
* Unemployment rate	8.5%
* Inflation rate	3.1%
* Interest rate	15%
* Food price inflation	4.7%
* Government debt to GDP	8.3%

Source: adapted from <https://tradingeconomics.com/afghanistan/indicators>

(This question continues on the following page)

Item 3 – Afghanistan fact (additional findings)

- Afghanistan is a mountainous and landlocked country (no coastline) in South Asia and Central Asia, sharing its borders with Iran, Turkmenistan, Uzbekistan, Tajikistan, China and Pakistan
- In the northern parts of Afghanistan, temperatures average over 35 °C (95 °F) in July, and many parts of the country are dry
- The total population is over 34.6 million, with a population growth rate of 2.34%, so is expected to reach 82 million by 2050
- Kabul, the capital, has a population of around 3.3 million
- Around 33% of the population have access to electricity; in the capital Kabul, approximately 70% of the population have 24-hour access to electricity
- In 2017, a solar power plant was opened in Herat, the second largest province with a population of about 1.78m, which is located in the western part of the country
- Solar-powered street lights are used in some cities, including Kabul
- According to Transparency International, Afghanistan is ranked 169 out of 176 countries for corruption

Sources: www.doingbusiness.org/data/exploreeconomies/afghanistan, www.cnbc.com/2017/11/27/solar-power-in-afghanistan-to-get-44-point-76-million-boost.html, <https://tradingeconomics.com/afghanistan/indicators> and <http://www.10-facts-about.com/Afghanistan/id/68>

With reference to the additional stimulus material above (Sections B and C) and information from the case study, recommend which of the three locations *Afghan Sun* should use for its main production facility. Using a STEEPLE framework (without necessarily using all the components) could help you in your answer.

[20 marks]

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK

Higher Level Mock Examination – Mark scheme

Paper 1

Case Study: *Afghan Sun (AS)*

For May 2018 examination

TEACHERS' NOTES

- These are **suggested answers** only.
- Teachers should use their professional judgment in awarding answers that may not be included in this mark scheme.
- For the definition questions, application to the case study has been included in the mark scheme, although this does not seem to be a formal requirement by the IBO. Nevertheless, the application helps students to have a better understanding of the purpose of the questions.
- The additional information in Section B has been included for illustrative purposes only, to give students practice for the final examination in May 2018. The data in Section B are correct at the time of writing.
- The strategic options in Section C are for illustrative purposes only, again to give students examination practise.

SECTION A

1. (a) In the context of *Afghan Sun*, distinguish between commercial marketing and social marketing (line 53). [4 marks]

Commercial marketing is the use of mainstream marketing methods to meet the needs of customers in order to earn a profit. It focuses on the benefits for the business, e.g. selling solar power systems to household and earning a profit in the process.

By contrast, **social marketing** focuses on the benefits of others in society, even though it uses mainstream commercial marketing methods to achieve social change, e.g. informing the general public in Afghanistan about the benefits of using solar power systems. David thinks the commercial marketing is more suitable as he sees the solar power systems as being product orientated.

Award up to [2 marks] for an answer that shows some understanding of the two terms, although the answer may lack a clear distinction or appropriate use of examples. There is limited, if any, application.

Award up to [4 marks] for an answer that shows good understanding of the two terms, with a clear distinction made. There is likely to be appropriate use of examples. There is good application of the stimulus material in the case study.

- (b) Using relevant motivation theory, explain why Su believes that her managers are “well motivated and committed to their work” (lines 34 - 35). [6 marks]

Motivation is the desire, effort and willingness to complete a task or to achieve something. It can be extrinsic (such as pay and financial rewards) or intrinsic (such as pride, self-esteem, or altruism - the desire to help others). Su believes that her managers at HH are so motivated and committed to their work that she does not usually need to interfere.

Using Maslow and Pink as frameworks for illustrative purposes, the possible reasons behind the motivation of managers include the following points:

Maslow’s hierarchy of needs:

- As managers, their lower-order needs are very likely to have been fulfilled (i.e. physiological needs, safety needs and a sufficient/secure income).
- As Su promotes teamworking (line 32), there is likely to be a clear sense of belonging for both managers and employees, which helps to reach love and belonging needs.

- Being managers, or senior managers in the case of David and Salima, can help to fulfil their esteem needs (by having a sense of achievement, and gaining recognition and respect from others). In particular, they made feel proud of working for AS due to the social benefits of supply low-priced solar power systems targeted at low-income families.

Daniel H. Pink's drive theory:

- Autonomy - managers at HH to are empowered to make day-to-day decisions. As Su does not need to get involved in the daily operations of the business, managers at AS have a greater sense of autonomy in their work, e.g. David is investigating the possibility of using local agents and local transport businesses to provide the distribution link for customers (lines 60-62).
- Mastery - AS is organized by function, such as marketing and production. This enables managers such as David and Salima to specialise and master their art (in marketing and production, respectively).
- Purpose – managers believe in and support Su's mission (lines 37-38), so have a clear sense of purpose in their work. This particularly applies to people like David who previously worked at HH – presumably a for-profit organization – but has made the switch to work at AS, a social enterprise.
- *Accept any other relevant explanation that is appropriately applied to the case study.*

Note: Candidates are not expected to draw/sketch Maslow's hierarchy of needs, nor are they expected to use more than one motivation theory – although they should be awarded marks appropriately if they choose to use two or more relevant motivation theories.

Award [1-2 marks] for an answer that shows little knowledge and understanding of the relevance of motivation theory and/or an answer that has little, if any, reference to the stimulus material in the case study.

Award [3-4 marks] for a partial explanation of the possible reasons why managers are motivated and committed to their work. There is some suitable use of business management tools, techniques, theories and/or terminology (as appropriate). There is some reference made to the stimulus material in the case study. Award a maximum of [3 marks] for a purely theoretical answer about the motivation at HH and/or AS.

Award [5-6 marks] for a full explanation of the possible reasons why managers are motivated and committed to their work. There is fitting use of business management tools, techniques, theories and/or terminology throughout the response (as appropriate). There is effective use of the stimulus material in the case study. Award a maximum of [5 marks] if the explanation is mainly descriptive, but written in the context of the case study.

2. (a) Describe two reasons for monitoring the cash flow (Table 2) at *Afghan Sun*.
[4 marks]

Cash-flow refers to a forecast or statement of an organization's inflows and outflows of cash. Su prepared a six-monthly cash-flow forecast for the first three years of *Afghan Sun's* operations. It is important to monitor the cash flow of AS for several reasons, including:

- To avoid having a lack of cash, which could cause liquidity problems, such as the forecasted negative closing balance for AS in the first half of 2019.
- To help AS manage its expenditure and the timing of its spending, e.g. if it is able to cut "other costs" by \$5,000 in the first half of 2020, AS can avoid a negative closing balance.
- To secure financial assistance, from internal and external stakeholders of *HH* who might be willing to fund the project. Providing a well-thought out cash flow forecast helps to reassure and convince investors, sponsors and donors of *Afghan Sun's* mission. For example, the CFF shows that Su is prepared to put in \$200,000 of her own money as share capital; which helps to reassure others that she is keen to support and lead this project.
- Accept any other relevant reason, written in the context of *Afghan Sun*.

Mark as 2 + 2

Award [1 mark] for a valid reason and up to [1 mark] for the explanation of each reason, written in the context of AS, up to a total maximum of [4 marks].

- (b) With reference to *Afghan Sun (AS)* and *High-end Holidays (HH)*, explain the importance of leadership in an organization.
[6 marks]

Leadership is the art of influencing, inspiring and motivating others to accomplish a common goal. It plays a key role in any organization and involves setting a clear vision and direction for others to follow. Strong leadership is important for several reasons, including:

- To inspire and influence others to achieve organizational goals – In order to get the best out of her managers and employees, Su needs to have strong leadership skills. This will help to motivate them and earn their respect, trust and loyalty. By contrast, weak leadership can harm productivity and jeopardise the business.
- To create a sense of purpose and strategic direction – Without effective leadership, *HH* and *AS* cannot achieve their aims, especially when faced with change (such as new projects) and challenges (such as changes in the external environment). It is vital that leaders such as Su plan effectively and initiate actions to achieve their organizational goals.
- To coordinate business operations – Su needs to oversee and coordinate the strategic direction of the businesses, including delegating responsibilities to senior managers (David and Salima) whilst maintaining overall responsibility for the outcomes of *HH* and *AS*.

- Improved communication – With strong leadership, employees are clear about the purpose of strategic and tactical decisions made at *HH* or *AS*, rather than being confused, uncertain and concerned about work-related matters.
- To shape the organizational culture – Su’s leadership style will ultimately determine the organizational culture at *Afghan Sun*, thereby affecting its daily operations, productivity and corporate image. It seems clear that Su prefers a culture where managers and employees are inspired, empowered, motivated and committed to their work (line 35).
- To achieve corporate success – Ultimately, strong leadership builds employee morale, raises productivity, and helps to improve staff retention, all of which have a favourable impact on the organization’s bottom line (its profit or financial surplus). This applies to *AS*, as a social enterprise, just as much as it does to any for-profit organization.
- Accept any other relevant reason, explained in the context of *Afghan Sun*.

Award [1-2 marks] for an answer that shows little knowledge and understanding of the importance of leadership and/or an answer that has little, if any, reference to the stimulus material in the case study.

*Award [3-4 marks] for a partial explanation of the importance of leadership in *HH* and *AS*. There is some suitable use of business management tools, techniques, theories and/or terminology (as appropriate). There is some reference made to the stimulus material in the case study. Award a maximum of [3 marks] for a purely theoretical answer about the importance of leadership in business organizations.*

Award [5-6 marks] for a full explanation of the importance of leadership in business organizations. There is fitting use of business management tools, techniques, theories and/or terminology throughout the response (as appropriate). There is effective use of the stimulus material in the case study. Award a maximum of [5 marks] if the explanation is mainly descriptive, but written in the context of the case study.

3. (a) Define the following terms:

- (i) *outsource (lines 48 and 49)* **[2 marks]**

Outsourcing refers to the practice of using an external firm to provide certain aspects of the organization’s operations, instead of doing these functions internally. It is a way for the organization to reduce costs and to benefit from the specialist services of the third-party provider. Salima does not want to outsource the main production facility of the solar power systems, but does want to outsource the production of certain components.

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

Award [1 mark] for a description that shows some understanding of the term ‘outsource’.

Award [2 marks] for an answer with a clear definition of ‘outsource’.

(ii) *product orientated (line 54)*

[2 marks]

A business is product orientated if it focuses on the things that it can produce well, rather than focusing on the wants or needs of its customers. Product orientation places emphasis on building a high-quality product in an efficient way. David sees the solar power systems of *Afghan Sun* being product orientated.

Candidates are *not* expected to word their definition *exactly* as above.

Award [1 mark] for a description that shows some understanding of the term 'product orientated'.

Award [2 marks] for an answer with a clear definition of 'product orientated'.

(b) Explain why *Afghan Sun*, as a social enterprise (line 18), might struggle to attract financial assistance (line 66). [6 marks]

A social enterprise is a form business ownership, with the intention of improving social wellbeing. They can be for-profit, as in the case of cooperatives, microfinance providers (such as *AK Bank*) and public-private partnerships). Social enterprises can also be non-profit organizations, such as charities and non-governmental organizations (NGOs).

Although a social enterprise applies commercial practises, its purpose is to achieve social objectives and goals. Any profits earned are principally reinvested in the organization in order to pursue its social cause, instead of being distributed to its owners or shareholders. *Afghan Sun* was set up as a social enterprise.

AS might struggle to attract financial assistance from internal and external stakeholder for several reasons, including:

- *Lack of financial incentives* – as most social enterprises are structured as not-for-profit organizations, they do not strive to earn a profit for their owners. Hence, *AS* might struggle to attract financial assistance as providers of external finance want a return on their investment, even if it operates to tackle diverse social and environmental issues. Clients such as *AS* are therefore less attractive to financiers and investors.
- *Limited track record* – The majority of social enterprises are not well established, and are limited in their scale and economic impact. Not many social enterprises have a sound business model that can demonstrate a good level of understanding of their market. Although *Su* is experienced as an entrepreneur, she is inexperienced in the solar power industry operating as a social entrepreneur. Hence, *AS* might struggle to have the necessary reputation or collateral to secure finance or financial assistance.

- *Limited market size* – Social enterprises are generally limited in geographic scope with the vast majority operating on a city or village level, and only a few that operate successfully on an international level. Building a large customer base in Afghanistan will proved difficult for AS due to a low GDP per capita in the country, the rural location of the potential customers, and the cost of setting up the production facility. Distribution will also be a problem (line 60).
- *Limited funds* – It is unlikely that internal stakeholder of AS are highly remunerated, given that the organization is a social enterprise (the team of volunteers was recruited from HH) and average incomes in Afghanistan are low (assuming AS employees will be based in Afghanistan). Hence, there is a low probability of securing financial assistance from internal stakeholders.
- *High degree of risk* – The business has yet to carry out human resource planning and marketing planning (line 76), both of which are essential to any business organization. The lack of a contingency plan (line 74) means the business is not prepared for uncertainties (line 76). This give investors very little, if any, confidence in the project.
- *Accept any other valid explanation, written in the context of Afghan Sun.*

Award [1-2 marks] for an answer that shows little knowledge and understanding of AS operating as a social enterprise and/or an answer that has little, if any, reference to the stimulus material.

Award [3-4 marks] for a partial explanation of AS operating as a social enterprise and its potential struggle to attract financial assistance. There is some appropriate use of business management tools, techniques, theories and/or terminology. There is some reference made to the stimulus material. Award a maximum of [3 marks] for a purely theoretical answer.

Award [5-6 marks] for a full explanation of AS operating as a social enterprise and its potential struggle to attract financial assistance. There is appropriate use of business management tools, techniques, theories and/or terminology throughout the response. There is effective use of the stimulus material. Award a maximum of [5 marks] if the explanation is mainly descriptive, but written in the context of the case study.

SECTION B

4. (a) Calculate *Afghan Sun's* net cash flow for in the first half of 2019 (refer to the data in Table 2). [2 marks]

- $NCF = \text{Cash inflows} - \text{Cash outflow per time period}$
- For the first half of 2019:
 - cash inflow = \$20,000 from sales revenue
 - cash outflow = \$75,000 from capital expenditure, sales costs and other costs
- Hence, $NCF = \$20,000 - \$75,000 = -\$55,000$

Award [1 mark] for the working out and [1 mark] for the correct answer.

- (b) With reference to *Afghan Sun*, describe two steps in the process of recruiting the two additional senior managers (lines 45-47). [4 marks]

The possible steps in recruiting the two additional senior managers include:

- Identify the job vacancy (e.g. senior manager for the operations management and senior manager for finance & accounts departments)
- Decide on the nature of the job (similar to the managerial roles performed by David and Salima)
- Devise the job description - again, this will be similar to the job description(s) of the two other senior managers (David and Salima), detailing their roles and responsibilities at AS
- Devise a person specification – the document that details the traits of the ideal candidate for the senior managerial position
- Decide on the method(s) of recruitment of the senior managers, e.g. a series of interviews (and if so, who will be part of the interview panel) and/or testing
- Advertise the job as appropriate - this is likely to be an internal advert as Su is deciding between hiring experienced managers from *HH* or promoting junior employees from *HH* (lines 45-47)
- Shortlisting - the process of choosing the few best candidates for the senior managerial positions, based on the applicants' ability to demonstrate a match to the person specification (such as the level of experience) and ability to fulfil the roles and responsibilities in the job description
- Conduct interviews - used to identify the best candidates for the two vacant positions
- Selection and job offer - Su and her chosen team on the interview panel (if used) will select the best applicant for the jobs, and make a formal job offer.
- *Accept any other relevant explanation.*

Mark as 2 + 2.

*Award [1 mark] for each correctly identified step in the recruitment process, and award [1 mark] for explanation of that particular step in the context of *Afghan Sun*.*

For non-contextual answers, award a maximum of [2 marks] in total.

- (c) Explain how any two changes in the external environment (line 75) can affect the operations at *Afghan Sun*. [4 marks]

The external environment refers to the factors beyond the control of the organization, which have a direct impact on its business operations and performance. These factors can be categorised as political, economic, social, technological, legal, ethical and environmental influences. Possible changes in the external environment mean can affect the operations of AS in numerous ways.

- Afghanistan is emerging from a long and damaging war (lines 69-70), so there are opportunities for growth, especially with international forces remaining in the country to help rebuild its infrastructure (lines 71-72).
- However, the war is not yet over with US President Trump continuing to add resources to the 16-year war. This could have major negative complications for *Afghan Sun*. Indeed, some parts of the country remain politically unstable (lines 69-70).
- Outsourcing the production of certain components (line 49) can help to AS to improve its efficiency and reduce costs. However, the quality and reputation of the outsourced provider are unknown. Relying on a third party provider can also jeopardise *Afghan Sun's* operations.
- Afghanistan is classified as a low income country, so a downturn in the economy can seriously damage the operations of AS because solar power systems are unlikely to be deemed as necessities in Afghanistan.
- The solar power systems are aimed at poor families (lines 17-18), who might not be able to afford the product, or have other spending priorities (lines 58-59), such as food for the family.
- Accept any other explanation, written in the context of *Afghan Sun*.

Mark as 2 + 2

Note: Candidates are not expected to use a STEEPLE framework, and can refer to changes in any two relevant external factors.

Award [1 mark] for each valid factor that is identified, and [1 mark] for each of the explanations, written in the context of AS, up to a maximum of [2 marks].

- (d) Discuss the costs and benefits of contingency planning (line 75) for a business such as *Afghan Sun*. [10 marks]

Contingency planning (also known as crisis planning), refers to the process of designing proactive policies and procedures to deal with an emergency (or crisis) situation. The main aim is to ensure the continuity of the business in the event of a real catastrophe occurring.

Possible benefits of contingency planning for AS include:

- Essentially, contingency planning helps Su and AS to prepare the immediate steps needed in the event of a crisis or emergency. This can range from a standard fire drill (practice evacuation procedures) to extreme scenarios such as a major product recall (of faulty solar power systems) or intensified warfare in Afghanistan.
- By anticipating 'what if' scenarios in contingency planning, Su and AS are better prepared to deal with uncertainties caused by changes in the external business environment.
- Crisis management becomes less onerous and more coordinated as the contingency plans enable *Afghan Sun* to take the necessary steps to limit the damage from a significant and damaging event. The plan can help Su and her team to contain the situation in order to resolve it.
- Open and honest contingency planning helps to reassure employees, customers, and the local community that concerns for health and safety are a priority.
- It helps to promote a culture of safety and forward planning in order to reduce the level of risks; Su is aware that the project has considerable risks.
- It can also benefit *Afghan Sun's* stakeholders by minimising the forecasted negative impacts on customers and suppliers in the event of a major crisis.
- Having a contingency plan helps with public relations as *Afghan Sun* is more likely to make speedy and transparent decisions in communicating the crisis to others. Hence, Su and AS will have better control over a crisis situation.
- Having a well thought out contingency plan can also help *Afghan Sun* to avoid potentially high costs of dealing with a crisis, such as lawsuits or bad publicity that come with a case of low quality or faulty solar power systems, for example.
- Contingency planning is based on the notion that the safety of people (such as employees, customers and managers) must be the top priority; Su certainly seems to care for the wellbeing of her managers and employees.
- *Accept any other relevant and substantiated benefit (advantage) discussed in the context of the AS case study.*

Possible costs (disadvantages) of contingency planning for AS include:

- Contingency planning can be costly to *Afghan Sun*, especially as a social enterprise, as it requires time and money to train managers and employees to handle a range of different crisis and emergency scenarios.
- The opportunity cost of spending time and money preparing for an event that may never materialise (such as the outbreak of a terrorist attack at the production facility) can be rather significant. It would also then be an inefficient way to spend management time and finance.
- Similarly, Su's contingency plan might not cover all possible scenarios, as crises are typically unforeseeable and unpredictable.
- The inability to cover all eventualities or 'what if' scenarios also means that Su's contingency plan needs to be constantly updated. Again, this can be both time consuming and expensive.
- It might be better for Su and her senior managers to ensure systems are in place to avoid certain crises (such as a major product recall of the solar power systems) rather than to plan for what to do if such a crisis should occur, i.e. prevention of a crisis is better than the cure of the crisis.
- *Accept any other relevant and substantiated cost (disadvantage), discussed in the context of the AS case study.*

Award [1-2 marks] for an answer that shows little understanding of the demands of the question. There is little, if any, reference to the stimulus material.

Award [3-4 marks] for an answer that shows some understanding of the demands of the question. There is an attempt at application of the case study material and some relevant use of business management tools, theories, techniques and terminology (as appropriate). Award up to [3 marks] for a purely theoretical or descriptive answer.

Award [5-6 marks] for an answer that shows understanding of the demands of the question. There is application of the stimulus material and relevant use of business management tools, theories, techniques and terminology (as appropriate). Award [6 marks] for a balanced response.

Award [7-8 marks] if there is a good understanding of the demands of the question. Relevant business management tools, theories, techniques and terminology (as appropriate) are used effectively. There is appropriate application of the case study and the additional information (in Section B). Judgments are relevant, but are not all substantiated.

Award [9-10 marks] for an effective in-depth and balanced discussion of the costs and benefits of contingency planning for Su and Afghan Sun. There is relevant and purposeful use of the stimulus material and additional information (in Section B). Judgments are relevant and substantiated by sound reasoning.

SECTION C

Answer the compulsory question from this section.

5. With reference to the additional stimulus material above (Sections B and C) and information from the case study, recommend which of the three locations *Afghan Sun* should use for its main production facility. Using a STEEPLE framework (without necessarily using all the components) could help you in your answer. [20 marks]

Arguments in favour of locating in Country A might include:

- Country A is a developed country, with skilled labour (Table 1) so the workers can produce good quality solar power systems to meet the needs of customers.
- For both Country A and B, outsourcing can lower overall costs of production for AS, thus enabling it to charge a very low price (line 24) to its targeted customers, i.e. poor families (lines 17-18). However, there is no comparative quantitative data to suggest whether Country A or B offers the best outsourcing option.
- As a free market economy (Table 1), there is minimal government interference in business affairs, freeing up AS to proceed with its operations.
- Country A's stable currency (Table 1) is beneficial to *Afghan Sun* as it will need to pay its suppliers and workers in the local currency. A stable currency encourages trade as it creates certainty and builds business confidence.
- Similarly, Country A's stable political environment (Table 1) encourages foreign direct investment in the country and builds business confidence levels.
- As Afghanistan is emerging from a long and damaging war (lines 69-70), infrastructure needs rebuilding (lines 71-72), which can take a significant amount of time, resources and money. In addition, the country remains politically unstable (lines 69-70). Hence, at least for the near future, Countries A and B may be better options for locating the main production facility.
- Similarly, according to the World Bank Doing Business 2018 rankings, Afghanistan is ranked 183 out of 190 countries (Item 3). Assuming Countries A and B are not ranked so low, it makes business sense for AS to locate its main production facility away from Afghanistan. Similarly, according to Transparency International, Afghanistan is ranked 169 out of 176 countries for corruption.
- Unlike Country B (with its one-party state) and Afghanistan (still trying to restore peace), Country A has a stable political climate (Table 1). This helps to facilitate business operations and build their confidence.
- *Accept any other reason for choosing Country A, explained in the context of the case study.*

Arguments in favour of locating in Country B might include:

- Being a social enterprise (line 18), *Afghan Sun* might be able to attract government assistance in the form of grants (Table 1) and subsidies as Country B's government encourage investment from overseas firms.
- High unemployment in Country B (Table 1) results in excess supply of labour and hence lower local wage costs. This makes Country B more competitive/affordable for AS, especially as it intends to charge customers very low prices (line 24).
- Similarly, the low rents in Country B also help AS to keep its prices low.

- Suitable facilities are already available (Table 1), which enables the project to start immediately.
- Unlike Country A, there are straightforward transport links to Afghanistan to/from Country B. This helps with reducing the anticipated distribution problems (line 60).
- A falling currency in Country B means that it is cheaper for AS to purchase materials, components and finished goods, as the Afghani (Afghanistan's own currency) will be relatively stronger. This helps to increase the firm's profit margin, enabling it to be able to charge very low prices to its targeted customers (line 24).
- *Accept any other reason for choosing Country B, explained in the context of the case study.*

Arguments in favour of locating in Afghanistan might include:

- Afghanistan's population of 34 million (line 15) creates a potentially large market for *Afghan Sun's* solar power systems, so locating the main production facility in the domestic country makes financial sense.
- Both David and Salima are Afghans, so AS might benefit from their local knowledge and cultural awareness (lines 42-44).
- The government of Afghanistan is actively encouraging the use of green energy sources (Item 1), so AS might be able to secure some financial assistance from the government. The Afghan government has already contributed \$14m to build a solar power plant in Kandahar (Item 1).
- The economic prospects for Afghanistan are positive, with economic growth expected for at least the next three years (Item 2).
- Outsourcing does not necessarily or always bring about cost savings. There could be problems with cultural misunderstandings and communication problems between AS and the third party provider in Countries A or B. There would also be additional costs such as shipping/transportation and insurance payments.
- *Accept any other reason for choosing Afghanistan, explained in the context of the case study.*

The final decision will depend on a number of quantitative and qualitative factors, such as:

- Su and *Afghan Sun's* overall approach and attitude to risk-taking, especially as AS is a new start-up business without an established reputation or customer base. In fact, the cash flow forecast (Table 2) shows the business is likely to make a loss in the first 3 years as sales revenue total \$500,000 but total cash outflows amount to \$695,000, i.e. a forecast loss of \$195,000.
- The available funds to AS to implement one of these strategic options. The bank lending rate in Afghanistan is relatively high at 15% (Item 2), so choosing to locate in Afghanistan may be costly (especially if the \$50,000 loan from *HH* is not approved, for whatever reason. Su's self-financed share capital (line 64) of \$200,000 and the proposed loan of \$50,000 from *HH* (line 64) are not enough to cover the expected capital expenditure of \$320,000.

- The need to consider other decision-making tools, such as:
 - Gantt charts - as the business has yet to start producing the solar power systems, so currently does not have any customers
 - force field analysis - driving and restraining forces for each of the three locations, and
 - decision trees - to determine the expected financial return from each of the three locations being decided for the main production facility.
- Management preferences – ultimately, it will be Su’s decision about where to locate the main production facility. Su’s intuition, personal preference and gut feelings about a particular location can outweigh findings or recommendations from any qualitative and/or quantitative research findings.
- *Accept any other relevant substantiated conclusion.*

Note: candidates are not expected to use all the information in Items 1 to 3 (which would be unrealistic in the given time limit). The stimulus material is included to create greater scope for candidates to frame their answers.

Awarding the 20 marks (from pages 65 – 68 of Business Management Guide):

There are 5 assessment criteria (KARSI) for Section C:

Criterion A: Knowledge and understanding of tools, techniques and theories

Criterion B: Application

Criterion C: Reasoned arguments

Criterion D: Structure

Criterion E: Individual and societies

Criterion A: Knowledge and understanding of tools, techniques and theories

This criterion addresses the extent to which the candidate demonstrates knowledge and understanding of relevant business management tools, techniques and theories, as stated and/or implied by the question. This includes using appropriate business management terminology.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Superficial knowledge of relevant tools, techniques and theory is demonstrated.
2	Satisfactory knowledge and understanding of relevant tools, techniques or theories is demonstrated.
3	Good knowledge and understanding of relevant tools, techniques and theories is generally demonstrated, though the explanation may lack some depth or breadth.
4	Good knowledge and understanding of relevant tools, techniques or theories is demonstrated.

Criterion B: Application

This criterion addresses the extent to which the candidate is able to apply the relevant business management tools, techniques and theories to the case study organization.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The relevant business management tools, techniques and theories are connected to the case study organization, but this connection is inappropriate or superficial.
2	The relevant business management tools, techniques and theories are appropriately connected to the case study organization, but this connection is not developed.
3	The relevant business management tools, techniques and theories are generally well applied to explain the situation and issues of the case study organization, though the explanation may lack some depth or breadth. Examples are provided.
4	The relevant business management tools, techniques and theories are well applied to explain the situation and issues of the case study organization. Examples are appropriate and illustrative.

Criterion C: Reasoned arguments

This criterion assesses the extent to which the candidate 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 evidence 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 candidate 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: Individual and societies

This criterion assesses the extent to which the candidate 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.

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK

Resources

Case Study: Afghan Sun

For May 2018 examination



Addition case study resources

10 Facts About - Ten fun facts about Afghanistan

<http://www.10-facts-about.com/Afghanistan/id/68>

Microfinance – Kiva

<https://www.kiva.org/>

TED talk titled “A History of Microfinance” by Muhammad Yunus, the pioneer behind microfinance:

<https://www.youtube.com/watch?v=6UCuWxWiMaQ&list=PLhAZ64FCsMAuFE7MjtyJJfpciW7AIdGd4&index=2>

Commercial Microfinance and Social Responsibility - A Critique:

<https://mpa.ub.uni-muenchen.de/24412/1/>

Grameen Shakti, established in 1996, as a not-for-profit organization to bring modern energy services to households in Bangladesh:

<https://www.ashden.org/winners/grameen-shakti>

CNBC - Solar power in Afghanistan to get \$44.76 million boost

<https://www.cnbc.com/2017/11/27/solar-power-in-afghanistan-to-get-44-point-76-million-boost.html>

The Express Tribune - Solar power plant to be built in S Afghan province:

<https://tribune.com.pk/story/1638926/3-solar-power-plant-built-s-afghan-province/>

World Bank: Doing Business report

<http://www.doingbusiness.org/data/exploreeconomies/afghanistan>

YouTube videos

How are solar panels made?

<https://youtu.be/TqVRNupPmNI>

How much do solar panels cost?

<https://youtu.be/4c9v0CmOFUI>

Quizlet

An excellent and free online resource from “jasontm84”, covering 74 key terms in the *Afghan Sun* case study:

<https://quizlet.com/267995715/business-management-case-study-afghan-sun-flash-cards/>



Social enterprise

Opportunity

Microfinance

Cash-flow forecast

Promotion

Mission

Marketing

Leadership

Risks



Social marketing

Outsource Business

Customers

Quality

Capital expenditure

Cellular manufacturing

Suppliers

Stakeholders



Opening balance

Strategic decisions

Teamwork

Tactical decisions

Unemployment

Mission

Conflict

Commercial marketing

Non-governmental organizations

Human resource planning

Financial assistance

Agents

Cash-flow forecast

Senior managers

Developing country

Product orientated

Pricing methods

External stakeholders





Production director

Responsibility

Government

Waste

Empowerment

Vision

Coordinating

Motivation

Research