

IB Business Management

CASE STUDY PACK – MAY 2020

Paul Hoang





For May 2020 examinations

How to use the Paper 1 Case Study Pack (May 2020)

This comprehensive 160-page Case Study Pack has been produced to help students in their preparations for the May 2020 Paper 1 examination (*P&S Trawlers*). The latest Case Study Pack from Level7 Education includes:

1. **Definitions** of all the key terms in the case study. Over 95 key terms/phrases have been identified and clearly defined in the context of the *PST* case study.
See pages 4 – 20
2. **Crossword** – This year's CSP comes with a new feature, containing a crossword that covers 24 of the key terms featured in the *PST* case study, to help your students gain a better grasp of the terminology used.
See pages 21 – 24
3. A **stakeholder profile** of all the people and various stakeholders featured in the case study, including Pekka, Tapio, Shae and Patsy Heikki.
See pages 25 – 30
4. **5-4-3-2-1 Quiz** – Another new feature of this year's CSP is a 5-4-3-2-1 Quiz, developed in conjunction with tutor2u. An example worksheet is provided, with answers. Teachers could design their own version
See pages 31 – 33
5. **Fact Sheet** about Finland and its commercial fishing industry, which provides additional information to help student gain a better understanding of the market. This can help to improve their written responses in the final examinations.
See pages 34 – 41
6. **Comprehension quiz questions** – 10 sets of short comprehension questions to help your students' learning of the *PST* case study. The first page of each quiz contains a blank version that can be printed out for students to write their response in class or has homework. The second page of each quiz comes with the answers (for teachers). There are over 130 questions in total.
See pages 42 – 61
7. **True or False questions** – 10 sets of 'true or false?' questions to test students' recall and understanding of the *PST* 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). Over 130 true or false questions are included in this resource pack.
See pages 62 – 81
8. **Wordle quizzes** – A collection of 5 Wordle quizzes to test your student's understanding of 45 of the key terms featured in the *PST* case study. These quizzes are similar to crosswords but contain the answers randomly in a word cloud. The Wordle posters can be printed in A3 colour to form part of a classroom display to trigger your students' memory of the *PST* case study.
See pages 81 – 91 and pages 156 – 160.



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9. **A–Z Quiz** – A great lesson starter or plenary, with 26 questions to test your students' comprehension and understanding of the *PST* case study.

See pages 92 – 93

10. An applied **SWOT analysis** of *PST*. A detailed SWOT analysis is a useful tool for strategic analysis in order to aid strategic decision making. Whilst the pre-release case study contains some financial information, a fully applied SWOT analysis has been included based on the pre-issued case study and additional sources regarding the fishing industry in Finland.

See pages 94 – 100

11. A **PEST analysis** for *PST*. Similarly, a detailed PEST (STEEPLE) analysis also provides useful information for strategic analysis and for formulating business strategy. A PEST analysis has been included for *PST*, including actual data specific to the Finnish economy.

See pages 101 – 106

12. **Exam-style questions with mark allocations**, using learning outcomes from the IB BM syllabus. Students can tackle these 25 exam-style questions, for independent or collaborative learning, homework, assessments and/or practise exams. Each of these questions come with detailed suggested answers.

See pages 107 – 118

13. Separate **Paper 1 mock exams for HL and SL**, with accompanying **mark schemes**. This 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 also been included in Section C.

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

SL mock exam paper - See pages 119 – 121 SL marks scheme - See pages 122 – 133

HL mock exam paper - See pages 134 – 138 HL marks scheme - See pages 139 – 155

Best wishes with the preparations for the May 2020 examinations!

Paul Hoang
20th February 2020

For more hints and ideas for the *P&S Trawlers* case study, follow the author on Twitter: @paulhoang88 or use the Twitter hashtags #IBBusinessManagement #CUEGIS #PST

Cover page photos: <https://pixabay.com/photos/sea-trawler-boat-fishing-ship-sky-1761912/5S9752798K354015N> and <https://pixabay.com/vectors/tuna-fish-silhouette-black-symbol-310118/>



Commercial fishing (3)

This is the business activity of catching fish and other seafood products from oceans, rivers, and lakes for financial gain.

Business (4)

A business is a decision-making organization involved in the production of goods and/or services to satisfy a need or a want of customers. *PST* combines human, capital and financial resources for commercial fishing purposes.

Market prices (5 – 6, 30, 91, 93 – 94)

The price of fish products is dependent on the market forces of demand for and supply of the product. Due to the volatile nature of the industry, with varying catches due to unpredictable weather conditions and seasonal factors, market prices will fluctuate accordingly and require price lists to be regularly updated.

Partnership (9)

This is a business co-owned by at least two partners. In an ordinary partnership, there are between two to twenty owners, with unlimited liability. Partners share responsibility for the operations and success of the business. *PST* was originally established as a partnership for many generations, before becoming a private limited company in 2010.

Private limited company (10)

A private limited company is an incorporated business owned by shareholders who have limited liability. The shares of a private limited company (Ltd.) cannot be bought by or sold to the general public. *PST* was changed from a partnership, owned by the Heikki family, to a private limited company in 2010 to reduce risk exposure to the family.

Change (11)

Change refers to the modification or transformation in the way business is conducted in 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. Examples of change for *PST* include operating in new markets, relocation, external growth and diversification.



Risks (11, 61)

Risks refer 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 the organization.

Uncertainties (12)

In business management, uncertainties refer to any situation with a lack of certainty or confidence because the firm cannot control or accurately predict the outcome of its actions. A high degree of uncertainty can create many problems for businesses as it is more difficult to make well-informed decisions, so cause a firm such as *PST* to become risk adverse.

Market (12, 90)

A market refers to the collective groups of existing and potential buyers and sellers of a particular good or a service. *PST* has operated in the commercial fishing market in Finland for many generations.

Regulation (13)

This refers to the management of complex rules, laws and policies that businesses need to comply with in all areas of their operations. *PST* needs to act in accordance with government regulations, such as the fishing quota and requirement for accurate record-keeping of the weight of each catch.

Industry (13)

An industry consists of businesses involved in a similar business activity so are in direct competition as they cater for the same client base. *PST* faces intense competition from foreign fishing businesses operating in the Finnish fishing industry.

Liability (13)

Liability refers to the legal responsibility for something, such as the debts of a company. It requires an individual or group stakeholder to be held accountable for something, such as financial prudence. As a private limited company, the Heikki family can enjoy limited liability.



Company shares (15)

A company share represents a unit of ownership in a limited liability company with all the shares representing the total capital of a company. Shares are issued to buyers (called shareholders) who become part-owners of a company as they have bought a stake in (or share of) the company. There are four shareholders of *PST* – Pekka (40%), Tapio (40%), Shae and Patsy (combined 20%).

Tourism (17)

Tourism refers to people travelling to places outside of their normal environment for the purpose of leisure and pleasure. It is a dynamic and competitive industry that caters for the changing needs and desires of customers, with a specific focus on customer's satisfaction, safety and enjoyment. Tourists in Finland enjoy sightseeing, outdoor activities (like skiing), and city breaks.

Technology (18)

Technology is the use of knowledge, skills and techniques in the production process used to transform resource inputs to the output of goods and services. The word comes from the Greek words *tekne* (technical, art, or skill) and *logos* (knowledge). Hence, it is technical knowledge for practical purposes or applications in business and everyday life. *PST* uses the latest technology on its trawlers, such as satellite navigation technology.

Exports (19)

Exports are the sale of domestically produced goods or services to overseas buyers, thereby earning money for the local economy. As a fishing nation, Finland exports a large amount of fish each year.

Government (19, 109)

This refers to the central ruling (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.

Environmental sustainability (20)

Environment sustainability (or ecological sustainability) refers to the ability of an economy to maintain the use of renewable and non-renewable resources for future generations. Depletion of the earth's scarce resources is not sustainable as they cannot be continued or used indefinitely.



Quotas (20, 109)

These are quantitative limits on the volume of a good or service that can be traded. The Finnish government has placed quantitative quotas on the weight of fish that can be caught.

Marketing (22)

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. Tapio is in charge of the marketing function at *PST*.

Finance (22)

Finance refers to the monetary funds required 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). Tapio is also in charge of the finance function at *PST*.

Administration (22)

This refers to the process of running an organization or business. It includes the management of business operations and a leadership role within the organization. Along with the finance and marketing functions, Tapio is responsible for administrative aspects of *PST*.

Overfishing (24)

Overfishing is the commercial practise of removing too much fish from their natural habitat such that the species cannot replenish themselves in time. This can result in the fish stock becoming severely depleted or underpopulated, thus endangering the species. There is a global trend in overfishing, with some foreign trawlers illegally overfishing.

Profits (27)

Profit is the surplus from sales revenue after all production costs have been deducted. It is a fundamental objective of most private sector organizations. In its most simplistic form, profit = sales revenue – total costs. Fishing quotas imposed by the government may reduce its catch and thus the future profits of *PST*.



Trade agreements (27)

A trade agreement is a formal deal between two or more countries to improve the terms and conditions of international exchange of goods and services with each other, such as removing barriers to trade (e.g. tariffs and quotas). In Finland, the government has recently signed trade agreements with other countries allowing foreign trawlers to catch even more fish than before.

Income (31)

Income is the money that an individual or business earn in return for the output generated in the production process. In the case of *PST*, larger fish supplies (due to overfishing) and falling market prices are reducing the company's ability to earn a reasonable income.

Wages (32)

Wages are a time-based payment system frequently used to pay works a fixed amount on an hourly basis. Workers receive this payment for the work or services provided. Many technology firms in Finland are paying higher and more stable wages, which makes fishing businesses less attractive as employers.

Survive (33)

Survival is a short-term business objective referring to the continuity of a firm's operations. It is a common business objective, especially for new business start-ups or established firms struggling with sales and profits during a time of crisis. Smaller fishing businesses are struggling to survive due to stricter government regulations, restrictions and quotas, and intensifying competition from overseas fishing businesses.

Management (36)

Management encompasses several roles which include planning, commanding, controlling, coordinating and organizing human and capital resources to achieve organizational objectives. Managers focus on problem solving and decision-making so that goals can be achieved within a set time frame. Careful and effective management has helped *PST* to survive threats in the past.

Threats (36)

A threat refers to any external factor that hinders the operations and profitability of an organization. Examples include the threat of foreign competition, technological/mechanical breakdowns, and adverse weather conditions.



Workforce (37)

The workforce of a business is the total number of people employed by the organization. There are 40 people employees at *PST*.

Loyal workforce (38)

A loyal workforce refers to dedicated and faithful employees of an organization. This is measured by the labour turnover rate – the lower the labour turnover rate, the more loyal the workforce tends to be. *PST* has a loyal workforce as an insignificant number of workers leave the company each year.

Labour turnover (40, 82)

Labour turnover measures the rate of change of human resources within an organization, per period of time. The more people who leave the organization per time period, the higher the labour turnover rate. It is calculated using the formula:

$$\frac{\text{Number of staff leaving per year}}{\text{Average number of staff}} \times 100$$

Government support (41)

This refers to assistance from the state (public sector) for businesses. This is usually in the form of financial assistance (such as grants and subsidies), but can be in the form of non-financial support (such as access to providing information, expert advice, and other support services). The Finnish government is supportive of responsible and ethically managed fishing businesses.

Ethically managed business (41 – 42)

This means that a business is run in such a way that moral principles and values form the basis of how business activities are conducted, such as the fair treatment of all employees in the workforce and being considerate of the natural environment.

Supervision (45)

Supervision is the process of using a line manager to support, guide and oversee the work of an employee. Supervisors meet their teams regularly, interact with them. And review their work. It aims to provide accountability for both the supervisor and supervisee by examining their practice and performance. Effective supervision leads to improved productivity, lower absenteeism, reduced mistakes, and prevention of conflict, and better staff morale.



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Warehouse (46, 101)

A warehouse is a large commercial building used by businesses for storing their manufactured goods. They are used by manufacturers and wholesalers. As warehouses are usually very large, they tend to be located in industrial parks or away from the central business district, where space and rents are not at a major premium. *PST* chills its fish in the company's warehouse; and freezes some of the fish there.

Employees (46)

A type of internal stakeholder, employees are the people who work for a business. They are employed by a business to carry out specific tasks within the organization. There are 40 employees working for *PST*.

Team (47)

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, such as the administration team at *PST* which is managed by Tapio.

Record keeping (48)

This refers to the act of accurately documenting and maintaining the financial accounts of a business. It includes authenticating the details of sales transactions, payment of invoices, and other financial dealings of the business. It is also used by auditors to hold a business accountable for its financial and business transactions.

Invoices (48)

An invoice is a financial document for an unpaid (or yet to be paid) bill, relating to the purchase of goods or services. This could be because the customer bought the product on credit. *PST* gives retail customers one month's credit period and give supermarkets 90 days to pay their invoices.

Subcontractors (48)

A subcontractor is a third-party individual or firm hired by the main contractor of a project to help complete a project. The subcontractor performs the roles assigned to them, taking responsibility for the outcome of their work. Clients hire subcontractors in order to reduce costs and/or to mitigate the risks associated with a business function. *PST* use subcontractors to service the three trawlers, to transport the stocks of fish to markets, and to supply fuel for the fishing boats.



Human resource (49)

Human resources are the personnel or the employees of a business, often regarded as an asset (resource) to the business for their skills and abilities. *PST* employs 40 people, who work on the trawlers, in the office or the warehouse.

Accounting (50)

This is a key business function, involves all aspects of finance in an organization. Examples of accounting functions include preparing financial reports and final accounts to provide accurate and timely information to aid decision making. Some of these accounting functions at *PST* are outsourced.

Outsourced (50)

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 *PST* to reduce costs as well as to benefit from the specialist services of the third-party provider. The company outsources some accounting and human resource functions (lines 49 – 50).

Working environment (51)

This refers to the surrounding physical environment and the conditions in which employees work, including processes, procedures and policies that shape the atmosphere of the workplace. *PST* tries to create a friendly working environment as this has a direct impact on the productivity and wellbeing of their 40 employees.

Teamwork (51)

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, especially when trawler crews are out at sea together for several days at a time.



Training (53)

Training is the process of developing the knowledge and skills of workers in order to enhance their confidence and competence in the workplace. The main forms of training are induction (for new staff at *PST*), *on-the-job* (training on board the trawlers, in the office or the warehouse) and *off-the-job* (training that takes place away from the normal place of work, such as health & safety and safeguarding training at the local college).

Induction training (54)

This is a form of training for new staff at *PST* in order to help acquaint them with the policies, processes and physical environment of the organization. For example, new staff working on the trawlers will get introduced to the crew members and specific instructions on how to use the equipment on the trawlers.

Health and safety training (56)

This refers to specific training that ensures workers are able to carry out their jobs carefully without risks to their physical wellbeing or harm to others. Pekka and Tapio have the responsibility to make sure *PST* has a safe and healthy working environment, especially in job roles with high-risk activities such as fishing far out at sea, during turbulent weather conditions.

Safeguarding training (56)

Safeguarding is the process of working to protect individuals. It may include training to learn about those who might be vulnerable, recognize signs of neglect and abuse, increasing trust in teams and organizations, and having policies to enable staff to report and record cases of neglect, harm or abuse. Safeguarding training is important because staff have a duty of care to the individuals they work with (including colleagues, suppliers and customers) to preserve their safety, dignity, and general well-being. Safeguarding is particularly important for the trawler captains as they take their crew out to sea for several days at a time.

Responsibility (56)

Responsibility occurs when a person is given a task to do which they are required to carry out and be accountable for their actions and the outcome. For example, whilst the trawler captains have authority over the trawler crews, Pekka maintain overall responsibility for his staff out at sea. Hence, he takes responsibility for mentoring the trawler captains to ensure proper safeguarding and compliance with Finland's health and safety laws.



Mentoring (57)

Mentoring is a category of training and is essentially about helping others to develop in their careers. The mentor is a more experienced, skilled or knowledgeable person in the organization who guides a less experienced, skilled or knowledgeable colleague to progress in their career. The mentor (Pekka) uses their area of expertise (such as safeguarding and health & safety) to support and offer help to the mentee (trawler captains), as the need arises.

Health and safety laws (59)

These are the rules stipulated by the government that businesses must comply with regarding the physical wellbeing and protection of people in the workplace. These laws state that employers must be responsible for ensuring all staff are safe and are protected from possible risks to their health in their place of work. There are strict health and safety laws in Finland, so Pekka is very rigorous in his approach to compliance with these rules and regulations.

Regulations (59)

Regulations are compulsory rules or directives set and monitored by the government or any establishment with legal authority that must be followed by businesses. Regulations are set in order to control how things are done or how people behave in the workplace, such as compliance with health and safety regulations.

Record-keeping (60)

Record-keeping refers to the documenting, organizing, recording, storing and maintenance of an organization's activities. This includes its financial dealings with customers and suppliers. Part of *PST's* record-keeping includes keeping accurate accounts of fish caught, including the type and size of the catches.

Working relationships (60)

This refers to the degree of affiliation and connections with other people in the workplace. Having a good working relationship with others means the ability to get along with (or work with) other people in the organization. Strong, professional and meaningful working relationships are more likely to improve labour productivity, motivation and success for individuals and the organization.



Operations (62)

Operations management is concerned with processing resources (land, labour, capital and enterprise) to provide outputs in the form of goods and/or services. It aims to provide the right quantity and quality of goods or services in a cost-effective and timely manner.

Command structure (62 – 63)

A command structure, or command hierarchy, is a form of organizational structure with emphasis on a chain of command of authority. Each layer or rank in the command structure is accountable to their direct superior or line manager. Given the risks involved, *PST* has a very clear command structure for all fishing operations. Pekka will intervene to support the trawler captains when required.

Disciplinary matters (63)

Disciplinary matters arise when a business wants to address adverse issues or apprehensions regarding an employee's behaviour at work. Employers can take disciplinary action against an employee if they have genuine concerns about the employee's lack of effort, quality of work, misconduct or unauthorized absence. Pekka provides support for the trawler captains if disciplinary matters arise at *PST*.

Salaries (64, 101)

A salary is a form of financial payment made to an employee, based on his/her job as specified in a contract of employment. It is a fixed amount paid on a periodic basis, usually per month. *PST* crew members are paid good salaries.

Bonuses (64)

A bonus is a type of financial reward that is above and beyond the recipient's normal pay (wages or salaries). It acts as an incentive for employees to work hard and is usually awarded for reaching or exceeding performance targets and/or exceptional accomplishment in the job. *PST* crew members receive generous bonuses for good catches.

Outage costs (66)

These are costs associated with void periods of production. This could be due to a power supply outage, equipment failure, mechanical breakdown or an important service necessary for production not being available. The downtime costs *PST* money in terms of repairs to the trawlers and lost sales of fish due to the trawler(s) being out of action.



Operating costs (66)

This refers to the day-to-day running costs of a business, such as payments for raw materials, labour services (wages and salaries), rent, insurance and utility bills. Regular maintenance of the trawlers and fishing equipment help *PST* to reduce operating costs such as repairing or replacing equipment on the fishing boats.

Diversity (76)

Diversity in the workplace means the firm hires a wide range of different people with different characteristics. Diversity means there is an understanding and acceptance of individual employee's different characteristics, such as their gender, age, race, ethnicity, cultural background, religion, gender, sexual orientation, abilities and so forth. Diversity in the workplace can be beneficial as there may be more ideas generated, from different perspectives. It can also give the firm a positive corporate image, as there is no discrimination based on people's differences. Currently, there are no female employees at *PST* who work on the fishing trawlers.

European Union (78)

The European Union (EU) is an economic and political union between 27 member states in Europe (The United Kingdom formally left the EU on 31 January 2020). As a regional trading bloc, the member countries enjoy free trade, without protectionist measures such as tariffs and quotas. Nineteen of the members have monetary union by using the euro as their official currency. Finland is a member of the EU, where only about 3% of trawler crew members are female.

Equal opportunities legislation (81)

Equal opportunities means that people should not be discriminated against for any reason and that all individuals should be treated equally regardless of, for example: gender, race, religion and marital status. Hence, workers have a right to equal employment opportunities in political, economic, cultural and social spheres. Being part of the European Union, Finland is bound by strict equal opportunities legislation, such as anti-discrimination laws.

Opportunities (82)

In a SWOT analysis, opportunities refer to changes in the external business environment that create optimistic prospects or opening for the business. For example, there may be opportunities for *PST* to diversify into the tourism industry, Finland's second largest industry.



Flexible (working practices) (84 – 85)

Flexibility in the context of work describes an approach or outlook to working arrangements or practices which gives a degree of freedom to employees to determine how where, and when they work. Flexible working practices include flexi-time, part-time employment, job-sharing, zero-contract hours, and homeworking. Tapio is receptive to flexible working practises in the way her teams work, and encourages alternative ways of working in the office and warehouse.

Delegates (86)

Delegation is the process of assigning decision-making authority to another person to carry out specific duties or tasks. Tapio delegates tasks to workers at *PST* whenever the opportunity arises. The person to whom the task has been delegated must ensure that it is carried out as they are accountable to their line manager for completing it. The ultimate responsibility for the task remains with the line manager. Delegation acts to empower others in the organization and also frees up management time for other tasks and responsibilities.

Job rotation (87)

This is a technique used by employers to switch their employees between different duties in order to prevent boredom and dissatisfaction from doing repetitive tasks. Job rotation provides workers with a greater variety of roles and responsibilities, especially as not all tasks are equally interesting at *PST*.

Supermarket (89)

A supermarket is a large retail establishment that sells a broad range of food and drink products and household goods. Many supermarkets now operate as self-service retail stores, selling mainly fast-moving consumer goods (FCMGs) such as fresh fruits and vegetables, meat products, bread, milk, drinks, pet food, and toiletry products. *PST* sells its fish to *Presto*, Finland's largest supermarket business (in the case study).

Agents (90)

An agent is an independent person or company appointed and authorized to act on behalf of another person in business and legal dealings. *PST* uses an agent to sell its fish products in overseas markets.



Quality (91)

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 for *PST* include the physical appearance, freshness, and taste of the fish products. *PST* is known for its high-quality fish.

Premium price (91)

This is a pricing strategy used to sell a product at a high price due to the perceived high-quality of the product in the minds of consumers. It also requires strong brand loyalty. The higher price enables the firm to benefit from higher profit margins. *PST*'s fish are of high quality, so are generally sold at a premium price.

Competitors (92, 115)

Competitors are rival organizations operating in the same market or industry. The organization may have little or no control over the activities of its competitors as these are external stakeholders. The activities of competitors in the industry directly affect the market price of fish, e.g. larger catches from competitors will tend to reduce the market price due to larger supplies of fish on the market.

Competition (94)

This refers to the rivalry within an industry. Competitors may offer products of better quality, more competitive prices and/or have lower cost structures. *PST* faces intense competition from rival fishing businesses, including foreign rivals in the industry.

Customers (95, 102)

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. *PST*'s customers include hotels, restaurants, fish shops, *Presto* (supermarkets) and local residents. There are also overseas customers who buy *PST*'s fish from an agent.

Marketing strategy (98)

This refers to the management process of formulating a firm's marketing goals and activities to increase sales and to achieve a sustainable competitive advantage. Tapio may need to revise *PST*'s marketing strategy in response to the changes and challenges faced by the company.



Financial performance (99)

This refers to how well a business is performing financially as reflected in its Balance Sheet and Profit and Loss Account. A ratio analysis is often conducted to assess the financial performance of the firm. For example, the data in Appendix 1 suggests that *PST* is facing some liquidity issues (a fall in the value of current assets and an increase in the value of current liabilities, and a zero cash balance).

Accounts (99)

Also called the published accounts, these are the financial statements such as the Balance Sheet and the Profit and Loss Account that all limited liability companies are obliged by law to produce and report. *PST*'s accounts in Appendix 1 show some concerns, such as declining sales revenue, lower profit margins, and a significant drop in the value of its current assets.

Expenditure (100)

Expenditure is the spending of a business for its normal operations (such as raw materials, wages, rent, insurance and utility bills) and/or investment (such as to acquire, maintain and/or upgrade its fixed assets). The main items of expenditure for *PST* are fuel for their trawlers, salaries and rents for *PST*'s office building and warehouse.

Rents (101)

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. Rent is one of the most expensive items of expenditure for *PST* for its office and warehouse.

Credit (104)

Credit is the financial service enabling approved customers to borrow money or access goods and services with the agreement to pay at a later date. It is based on trust and the credit history (reputation) of the borrower. *PST* gives most customers one month's credit and *Presto* (being Finland's largest supermarket business) receives credit of 90 days.

Grow (growth) (111)

This is the expansion of a business due to an increase in the size of the organization and/or growth in the industry. *PST* is considering growth through diversification.



Diversify (111)

This is a growth strategy that involves a business spreading its risks by expanding into new products and/or markets, away from its traditional line of business. Some of Tapio's ideas for diversification include opening *PST's* own fish shops, offering services and facilities to other fishing businesses, and finding alternative uses for their three trawlers.

Sales (Appendix 1)

Sales refers to the income of a business derived from its daily operations, i.e. the total amount of income earned from the sales of a good or service over a period of time. For *PST*, this means the revenue the firm gains from selling fish to customers in Finland and in overseas markets (via its distribution agent). Sales fell by almost 18% in the last year (between 2018-2019).

Net profit margin (Appendix 1)

The NPM is a profitability ratio that measures the proportion of net profit generated from the sales revenue of a business. *PST's* forecast NPM for 2020 is only 8%, i.e. for every \$100 of sales, *PST* only earns \$8 of net profit (so the other \$92 is for its cost of sales and expenses).

Fixed assets (Appendix 1)

Fixed assets are the long-term tangible things owned by a business and used for its operations. Examples include *PST's* office, warehouse and three fishing trawlers.

Intangible assets (Appendix 1)

An intangible asset is a non-physical item owned by a business that has monetary value. Examples include brands, symbols, and trademarks of the organization. These are recorded on the firm's balance sheet under the heading of fixed assets. *PST's* intangible assets could include its well-established brand awareness, brand recognition and goodwill of customers as the company has existed for many generations.

Current assets (Appendix 1)

Current assets are items of value owned by a business, which are intended to be used within the current fiscal (tax) year. They comprise of cash, stocks (inventory), and debtors. Whilst *PST* does not have any debtors, the value of the company's fish stocks fluctuates quite markedly whilst the cash balance is very worrying.



For May 2020 examinations

Stocks (Appendix 1)

Also called **inventories**, stocks are the physical materials and goods that a business holds for further production or sale. In the case of *PST*, this refers to their stocks of fish. The value of stocks appears on *PST*'s Balance Sheet under the sub-heading of current assets. Given the nature of the business, it is not a real surprise that the value of *PST*'s stocks fluctuates quite significantly.

Cash (Appendix 1)

Cash is the most liquid of *PST*'s current assets. It refers to the money that is readily accessible to the firm, whether it is on the business' premises or at the bank. Appendix 1 shows *PST*'s cash balance to be zero in 2019 and 2020, which is worrying for the owners of the company.

Current liabilities (Appendix 1)

These are the short-term financial obligations of a business, owed to others and repayable within the 12 months of the current tax year. Examples of current liabilities include overdrafts and creditors, both of which are expected to rise for *PST*.

Creditors (Appendix 1)

Creditors are individuals or other businesses to whom money is owed. This is because *PST* may have used trade credit from its suppliers (for its fishing nets, equipment and satellite equipment for the trawlers) or loan capital (such as bank overdrafts).

Overdraft (Appendix 1)

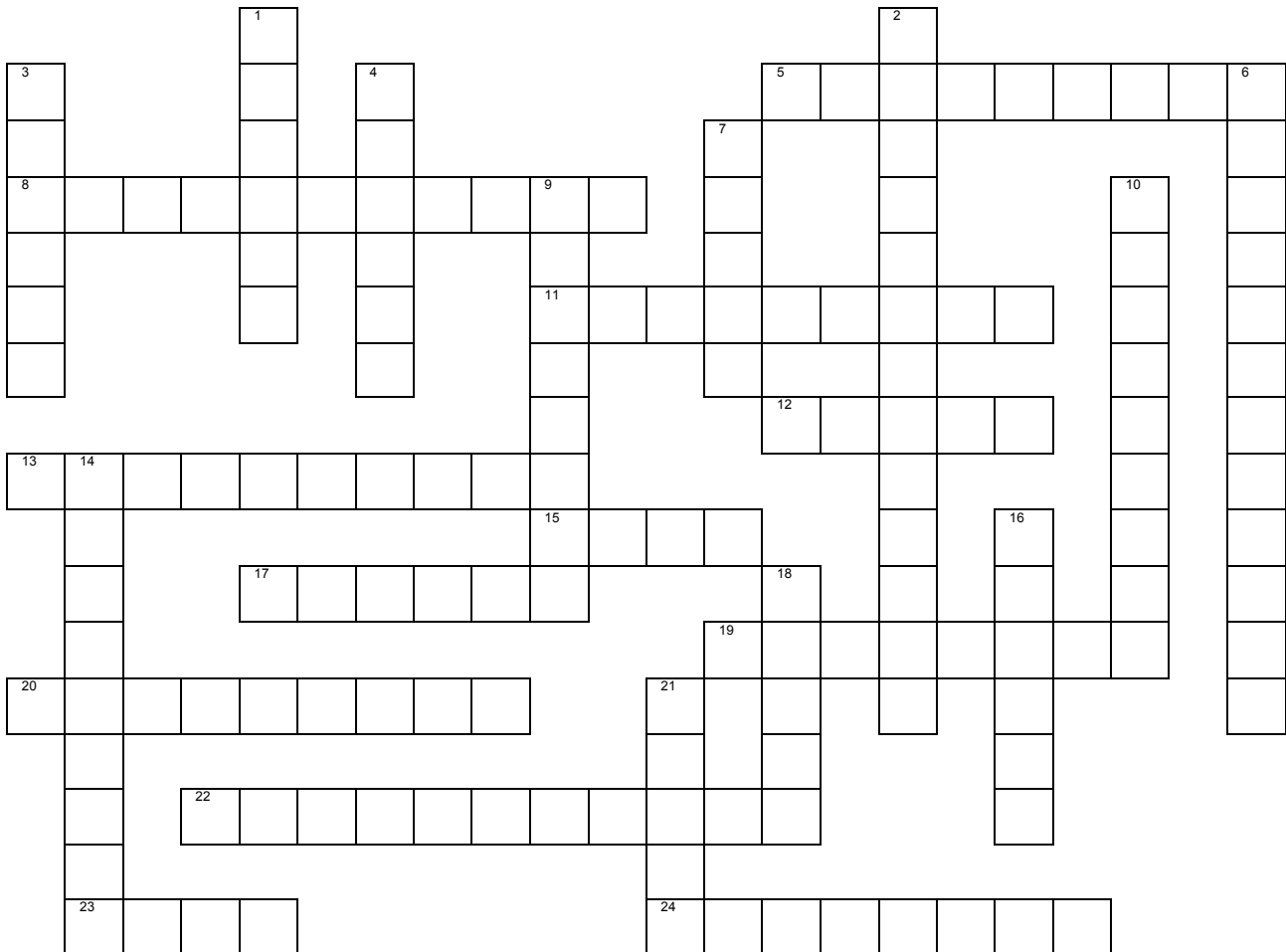
A financial service that enables pre-approved customers to take out more money from their bank account than the available cash balance in the account. Essentially, an overdraft is a form of credit or short-term loan. Whilst *PST* did not need an overdraft in 2018, changes and challenges in the industry has required the company to take out an overdraft in 2019. The firm is also expected to require a \$200,000 overdraft in 2020.



For May 2020 examinations

Definitions Crossword

Read the clues below to complete the key terms that feature in the case study.



Clues across

- 5. Internal stakeholders who work for a business, hired to carry out specific tasks within the organization. (9)
- 8. A business organization co-owned by at least two people, usually with one of the owners having unlimited liability. (11)
- 11. The process of assigning decision-making authority to another person to carry out specific duties or tasks. (9)
- 12. Type of financial reward that is above and beyond the recipient’s normal pay (wages or salaries), usually awarded for exceeding targets and/or exceptional performance in the job. (5)
- 13. The central ruling authority of a country, which sets and administers policies to protect and uphold the interests of society as a whole. (10)
- 14. A situation with unknown outcomes which could damage the financial health and viability of a business. (4)



For May 2020 examinations

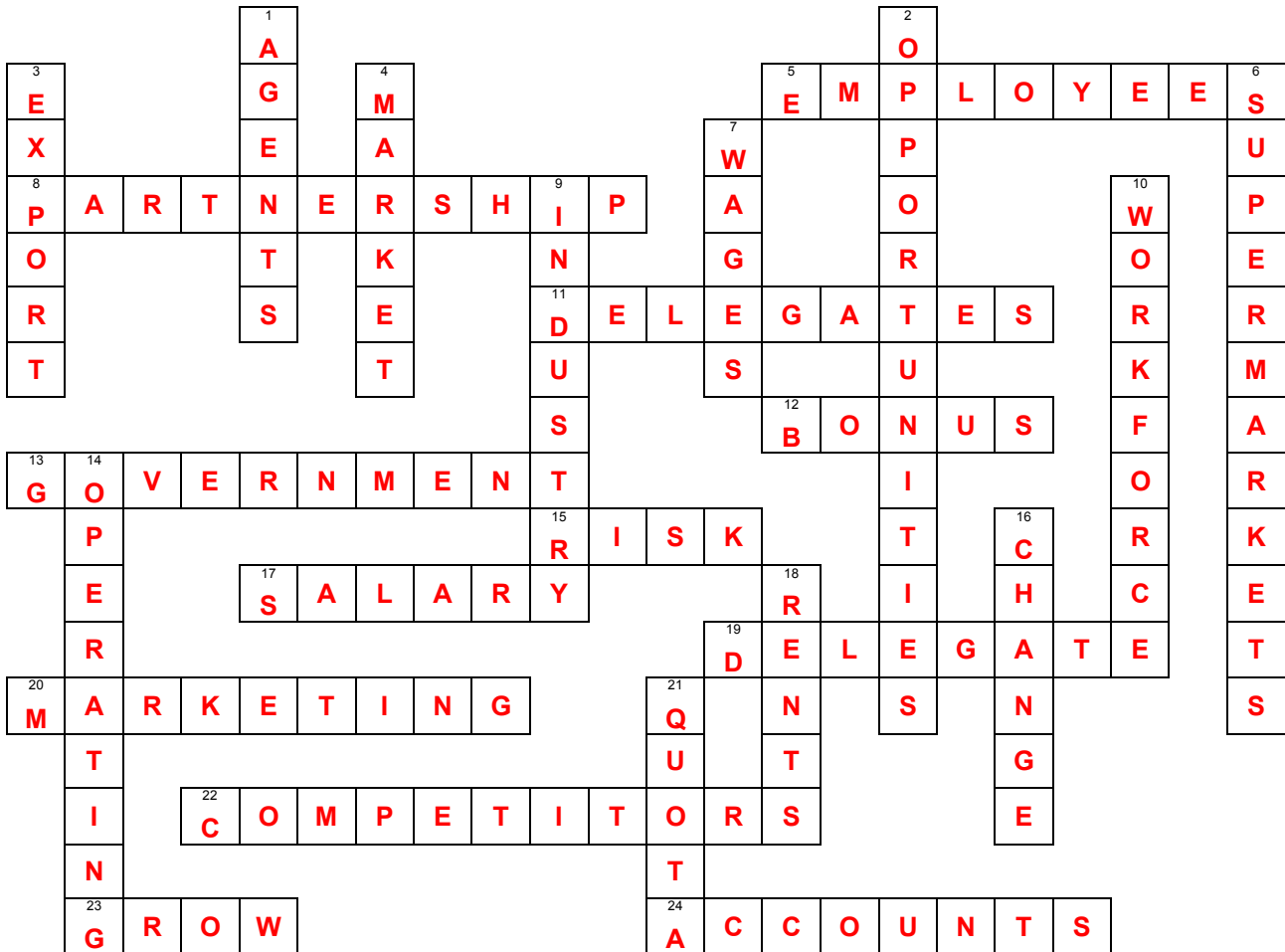
16. A form of financial payment paid to an employee on a periodic basis as a fixed amount, usually per month. (6)
18. Assigning or passing on decision-making authority to another person to carry out specific duties or tasks. (8)
19. The management process of identifying, anticipating and satisfying consumers' requirements in a profitable way. (9)
21. External stakeholder group that are rival organizations operating in the same market or industry. (11)
22. Describes a business expanding due to an increase in the size of the organization and/or growth in the industry. (4)
23. The published financial reports of an organization, comprising of the Balance Sheet and the Profit and Loss Account. (8)

Clues down

1. Independent person or company appointed and authorised to act on behalf of another person in business and legal dealings. (6)
2. Changes in the external business environment that create optimistic prospects or openings for the business. (13)
3. Domestic goods or services sold to overseas buyers, thereby earning sales from foreign customers. (6)
4. The collective groups of existing and potential buyers and sellers of a particular good or a service. (6)
6. Large retail establishments that sell a broad range of food and drink products and household goods. (12)
7. A time-based payment system frequently used to pay workers a fixed amount on an hourly basis. (5)
9. Consists of similar businesses competing in the same market as they cater for the same client base. (9)
10. The total number of people employed by an organization. (9)
15. The modification or transformation in the way business is conducted in response to internal factors and/or external influences. (6)
17. A fixed cost consisting of the payments for the use of an asset that belongs to someone else, such as property or premises. (5)
20. A quantitative limit on the volume of a good or service that can be traded. (5)



Definitions Crossword (Answers)



Clues across

5. Internal stakeholders who work for a business, hired to carry out specific tasks within the organization. (9) [Employees](#)
8. A business organization co-owned by at least two people, usually with one of the owners having unlimited liability. (11) [Partnership](#)
11. The process of assigning decision-making authority to another person to carry out specific duties or tasks. (9) [Delegates](#)
12. Type of financial reward that is above and beyond the recipient’s normal pay (wages or salaries), usually awarded for exceeding targets and/or exceptional performance in the job. (5) [Bonus](#)
13. The central ruling authority of a country, which sets and administers policies to protect and uphold the interests of society as a whole. (10) [Government](#)
15. A situation with unknown outcomes which could damage the financial health and viability of a business. (4) [Risk](#)



For May 2020 examinations

17. A form of financial payment paid to an employee on a periodic basis as a fixed amount, usually per month. (6) **Salary**
19. Assigning or passing on decision-making authority to another person to carry out specific duties or tasks. (8) **Delegate**
20. The management process of identifying, anticipating and satisfying consumers' requirements in a profitable way. (9) **Marketing**
22. External stakeholder group that are rival organizations operating in the same market or industry. (11) **Competitors**
23. Describes a business expanding due to an increase in the size of the organization and/or growth in the industry. (4) **Grow**
24. The published financial reports of an organization, comprising of the Balance Sheet and the Profit and Loss Account. (8) **Accounts**

Clues down

1. Independent person or company appointed and authorised to act on behalf of another person in business and legal dealings. (6) **Agents**
2. Changes in the external business environment that create optimistic prospects or openings for the business. (13) **Opportunities**
3. Domestic goods or services sold to overseas buyers, thereby earning sales from foreign customers. (6) **Export**
4. The collective groups of existing and potential buyers and sellers of a particular good or a service. (6) **Market**
6. Large retail establishments that sell a broad range of food and drink products and household goods. (12) **Supermarkets**
7. A time-based payment system frequently used to pay workers a fixed amount on an hourly basis. (5)
9. Consists of similar businesses competing in the same market as they cater for the same client base. (9) **Industry**
10. The total number of people employed by an organization. (9) **Workforce**
14. Type of cost, referring to ongoing, regular costs for the business. (9) **Operating**
16. The modification or transformation in the way business is conducted in response to internal factors and/or external influences. (6) **Change**
18. A fixed cost consisting of the payments for the use of an asset that belongs to someone else, such as property or premises. (5) **Rents**
21. A quantitative limit on the volume of a good or service that can be traded. (5) **Quota**

Stakeholder analysis - *P&S Trawlers*

Pekka

Tapio

Employees

Others



For May 2020 examinations

Pekka Heikki

- Son of Patsy and Shae
- Brother of Tapio
- Since 2010, he has owned 40% of the shares in *P&S Trawlers*
- Takes responsibility for all activities relating to the trawlers and crew members
- Supervises the fishing crews unloading the fish when they return to port from (potentially) spending several days at sea
- Takes responsibility for mentoring the trawler captains
- He is strict with all aspects of and procedures related to the operations that he is responsible for:
 - management of the trawlers and the fishing crews
 - rigorous application of health and safety laws
 - compliance with government regulations and quotas, and
 - accurate record-keeping of the fish caught
 - insists that there is no room for taking risks (especially when out at sea)
- Supports the trawler captains if disciplinary matters arise
- He has excellent working relationships with the trawler crew members
- He would like to find a way of replacing broken/damaged parts (on the trawlers) quicker and more easily
- Recognize the need for diversity of *PST*'s workforce, especially as there are no females working out at sea, whereas the EU and Finland average is 3%, but is also worried about how the all-male staff on board might react
- Both Pekka and Tapio think that *PST* should grow/expand, but they differ on how this should be achieved
- He thinks the best way to grow is by purchasing updated and larger trawlers in order to compete with overseas competitors.



For May 2020 examinations

Tapio Heikki

- Daughter of Patsy and Shae
- Sister of Pekka
- Since 2010, she has owned 40% of the shares in P&S Trawlers
- She takes responsibility the marketing, finance and administration aspects of the business
- Manages the employees who work in the office and warehouse
- Manages a team of employees who carry out administration, such as record keeping, issuing and paying invoices
- Managing subcontractors who service the trawlers, transport the fish to markets and provide fuel
- Recognizes the need for diversity of the workforce at *PST*, but is worried about the concerned about the practical problems on board the trawlers (such as sleeping arrangements for the women) and the additional costs involved in employing female trawler crews
- She is open-minded and flexible about the ways that her employees work
- Encourages new ideas and alternative ways of working in the office and warehouse
- Delegates tasks whenever opportunities arise
- She uses job rotation because some tasks are more (or less) interesting than others
- She may have to find some new markets and develop a revised marketing strategy to sell *PST's* fish due to the speculation from news reports that it will be more difficult for Finnish fishing firms to sell their products in overseas markets
- Both Tapio and Pekka think that the business should grow, but they are not in agreement about how
- She wants *PST* to diversify as a growth strategy, such as:
 - opening *PST's* own fish shops
 - offering services and facilities to other fishing businesses (B2B services), and
 - finding alternative uses for the existing three trawlers.



For May 2020 examinations

Patsy and Shae Heikki / the Heikki family

- Continuing from the many generations before, Patsy and Shae ran *PST* as a family business
- Patsy and Shae are the parents of Pekka and Tapio
- A low point for the Heikki family was five years ago, when one of *PST*'s trawlers sank in a terrible storm
- In 2010, they decided that *PST* should be converted from a partnership to a private limited company, mainly in response to the increased risks of operating in the fishing industry
- They own a combined 20% of the shares in *P&S Trawlers*
- As the Heikki family are totally reliant of this line of business, they have always fished responsibly, in order to preserve fish stocks for future generations
- The future for the family business is very uncertain, especially as increasing restrictions and regulations (such as quotas) may restrict *PST*'s activities and reduce their future profits, along with the growing threat of competition from large foreign rival fishing businesses
- Nevertheless, the Heikki family has a strong determination to overcome the challenges faced by the *PST*, and they have survived previous matters of concern and crisis (such as the sinking of one of their trawlers in 2015)
- The family are careful with their management of money, which has helped them live through threats in the past
- The family own three trawlers and hire 40 people.

Employees

- There are 40 people who work at *PST*
- Currently, all trawler crew members are male workers
- The workforce is loyal and hard working
- Labour turnover is low
- The crew working on the trawlers work in teams of 7, with a trawler captain
- The trawler crews are often at sea for several days, as Finland's best fishing waters are far away
- Fishing crews unload the fish when they return to port, under the supervision of Pekka
- Teamwork is essential, especially for the trawler crews when they are at sea



For May 2020 examinations

Employees (cont'd...)

- All trawler crew members are involved in training:
 - extensive induction training for new staff
 - on-the-job training (sessions on board the trawlers) to update their skills, and
 - off-the-job training (attending annual training for health and safety and safeguarding at a local college)
- Crew members receive good salaries and generous bonuses for good catches
- As a fishing trip can take longer than planned, the trawler crews expect time off from work between their fishing trips out at sea
- Several female employees have recently asked to work on the trawlers
- Salaried staff receive their pay at the end of the month.

Customers

- More people are switching from eating meat to eating fish
- *PST's* customers include:
 - Hotels
 - Restaurants
 - Fish shops
 - Local residents
 - *Presto*
 - Buyers in overseas markets
- Frequently contacted by *PST* in the attempt to retain their customers
- *PST's* local customers are expected to pay for their orders immediately
- Retail customers (restaurants, hotels and fish shops) receive one-month credit from *PST*
- *Presto*, being the largest supermarket in Finland, receives 90 days credit.



For May 2020 examinations

The Finnish government

- Concerned about the global trend in overfishing, especially as Finland is a country with a long tradition of commercial fishing and (according to the case study) fishing is the country's largest industry
- There is greater governmental regulation of the commercial fishing industry, such as imposing restrictions on the size and types of fish that can be caught
- As the government is very concerned about environmental sustainability, it has also imposed fishing quotas reducing the volume/weight of the fish that can be caught from its waters – and monitors this carefully
- Recently signed trade agreements with other countries enabling foreign trawlers to catch more fish than previously allowed in Finnish waters
- Supports responsible and ethically managed fishing businesses
- All aspects of employment in Finland are covered by equal opportunities legislation.

Other stakeholders of PST

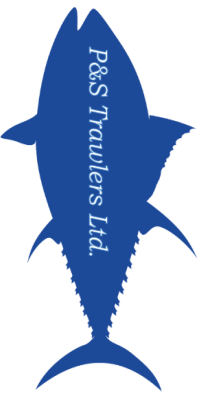
- Foreign trawlers / foreign competitors
 - Able to catch more fish in Finnish waters due to recent trade agreements with between foreign governments and the Finnish government
 - Some illegally overfish
 - Large catches from foreign trawlers has increased market supply of fish and therefore reduced market prices
- Many technology businesses are relocating to Finland and paying higher and more stable wages to their employees
- Outsourced firms carry out some human resource and accounting functions for *PST*
- Subcontractors are hired to service the fishing vessels / trawlers, transport the fish to markets and provide fuel
- *Presto* (which according to the case study is Finland's largest supermarket business) as they are a large customer of *PST*, with a fixed contract at a price for the fish that is usually lower than market prices
- Landlord(s) for the office building and warehouse, for which *PST* pays rent (one month in advance).

The 5-4-3-2-1 Quiz

Get your students to have a go at this quiz to test their comprehension of the *P&S Trawlers* case study...



- State **5** things about Pekka Heikki
- State **4** strengths of *P&S Trawlers*
- State **3** challenges faced by *PST* in the commercial fishing industry
- State **2** things about Finland
- State **1** difference between the management style of Pekka and Tapio



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5-4-3-2-1 Case Study Quiz

Using the case study, answer the following 5-4-3-2-1 questions.

5. State **five** things you know about *P&S Trawlers* as a business organization.

.....
.....
.....
.....
.....

4. State **four** things you know about Pekka Heikki.

.....
.....
.....
.....

3. State **three** things you know about the employees at *PST*.

.....
.....
.....

2. State **two** things you know about Finland.

.....
.....

1. State **one** thing you know about Shae and Patsy Heikki.

.....





For May 2020 examinations

5-4-3-2-1 Case Study Quiz (Answers)

Using the case study, answer the following 5-4-3-2-1 questions.

The answers are for illustrative purposes only (other suitable answers may be provided by students).

5. State **five** things you know about *P&S Trawlers* as a business organization.
 - It has always been a family-run business
 - In 2010, it ceased to be a partnership and became a private limited company
 - *PST* faces strong competition, including foreign rivals who operate larger trawlers
 - It has recently installed the latest satellite technology on its trawlers
 - Sells fish directly to *Presto*, Finland's largest supermarket business

4. State **four** things you know about Pekka Heikki.
 - Son of Shae and Patsy Heikki / Brother to Tapio Heikki
 - Owns 40% of the shares in *PST*
 - Is responsible for *PST*'s trawlers and the crews, including mentoring the trawler captains
 - Has an excellent working relationship with the crews

3. State **three** things you know about the employees at *PST*.
 - 40 employees work at *PST*
 - They are very loyal to the company
 - Crew members receive good salaries and generous bonuses for good/large catches

2. State **two** things you know about Finland.
 - Finland has a long tradition of commercial fishing
 - A country with a long and very beautiful coastline

1. State **one** thing you know about Shae and Patsy Heikki.
 - Own a combined 20% of the shares in *PST*





For May 2020 examinations

The section provides additional context to the case study, to help students improve their written responses in the examination. When studying these points, consider *how* the various social, economic, political and ecological factors might affect the operations and decision-making at *P&S Trawlers*.

Geography & demographic factors

- Finland is the most sparsely populated country in the European Union (EU), with just 16 people per km². By contrast, the Netherlands has a population density of 393 people per km².
- Finland has 187,888 lakes (larger than 500 m²) and 179,584 islands – more than any other country in the world.
- The size of Finland is 338,424 km² which is larger than the UK, Italy, Poland and but smaller than Germany, Spain and France.
- Finland's population of 5.5 million people is relatively small for the EU, which has a total population of around 495 million. Germany, with 80.4 million people, has the largest population in the EU.
- People from Finland are called Finns, or Suomalaiset. It is also common to use the phrase 'Finnish people' when referring to Finns.
- The official language of Finland is Suomi, also referred to as Finnish. This is spoken by about 89% of the population. Finns refer to their country as 'Suomi'.



Source: <http://www.fao.org/fi/>

- It gets very cold in the winter, with average temperatures in Helsinki (the capital city) being -5 degrees Celsius. The coldest temperature on record is -51.5 degrees Celsius!
- Finland has an ageing population, largely caused by the fall in the birth rate by about 20% between 2010 and 2018.
- Life expectancy is one of the highest in the world - for men this is 78 years, whereas for women it is 83 years.
- The retirement age for both men and women in Finland is 63.



For May 2020 examinations

Society

- Prior to gaining independence in 1918, Finland had belonged to Russia, and Sweden before then.
- The Finnish flag, used since 1918, uses blue as a symbol for all the lakes and white as a symbol of the snow in the winter months.



<https://pixabay.com/photos/flag-of-finland-blue-cross-flag-123273/>

- The Finns are the world's biggest coffee drinkers, with average consumption of 12kg per person each year (twice the amount consumed by the Italians, three times more than the average American and four times more than the average British person). They are also the world's largest consumers of milk, as measured by volume per capita.
- Finland was the world's happiest country in 2019, according to the United Nation's annual World Happiness Report. It was also ranked first in 2018, and 5th happiest country back in 2017.
- Finland has some rather interesting/unique sports, which attracts a lot of tourists. These include:
 - Wife Carrying World Championships – This is an obstacle race that involves the male contender carrying his female partner. The annual competition takes place in Sonkajärvi, Finland, where the sports was first introduced in 1992. The prize for winning is the wife's weight in beer!
 - Mosquito Swatting Championship – The annual event takes place in Pelkosenniemi, a northern town in Finland. The winner is the contestant who swats the highest number of mosquitoes in 5 minutes. Sweden also hosts a similar, world championship mosquito hunting event.
 - Mobile phone throwing – The rules for this yearly competition held in the town of Savonlinna is quite simple; the person who throws their mobile phone the further wins. The event combines recycling with a bit of fun for friends and the family. Finland also has throwing competitions for milking stools and baseball caps!
 - Swamp Football – This is a seasonal sport, played in the summer, with footballers testing their skills by playing in deep mud. The original idea was developed as part of training for those in the army. The sport attracts numerous groups of tourists for the world championships, played in the Pöyhövaara mountain swamps.
- Finland operates a free education system for students, including international students from the EU. This applies up to university level.



For May 2020 examinations

Politics & Legal matters

- Sanna Mirella Marin is the Prime Minister of Finland (since 10 December 2019). She is one of , as are 12 of the 20 government ministers. At age 34, she is Finland's youngest Prime Minister and the world's youngest serving state leader.
- Tarja Kaarina Halonen was the previous and 11th President of Finland from 2000 to 2012. She was the first woman in the country's history to hold the position.
- In 1906, Finland was the first country in Europe to allow all women, irrespective of their social status, the right to vote. Unsurprisingly then, Finland is one of the most gender equal countries in the world today.
- Transparency International ranks Finland third in its annual Corruption Perceptions Index (2019). The index ranks countries based on how corrupt their public sector (government) is perceived to be. Finland has a "Very clean" ranking, which bodes well for individuals and businesses in the country.
- The Finnish government provides support for eligible businesses in the fisheries industry for development and investment projects.
- Both Finland and the European Union impose regulations on the fishing industry. The Finnish Fishing Act and the EU's Common Fisheries Policy (CFP) aim to ensure the sustainability of fish stocks. These laws regulate commercial fishing at sea. For example, there strict restrictions on salmon fishing and the commercial fishing of Baltic herring and Baltic sprat (local fish species found in the Baltic Sea). The EU's CFP also stipulates that requirements for the conservation of marine biodiversity and the sustainable exploitation of fish stock.
- In February 2020, the government approved gender equality legislation to double the paternity leave for fathers, who will be able to take up to almost 7 months paid leave. This gives fathers the same amount of time off as mothers. The law is expected to be implemented by the end of 2020 or the beginning of 2021 at the latest.



For May 2020 examinations

Economic indicators

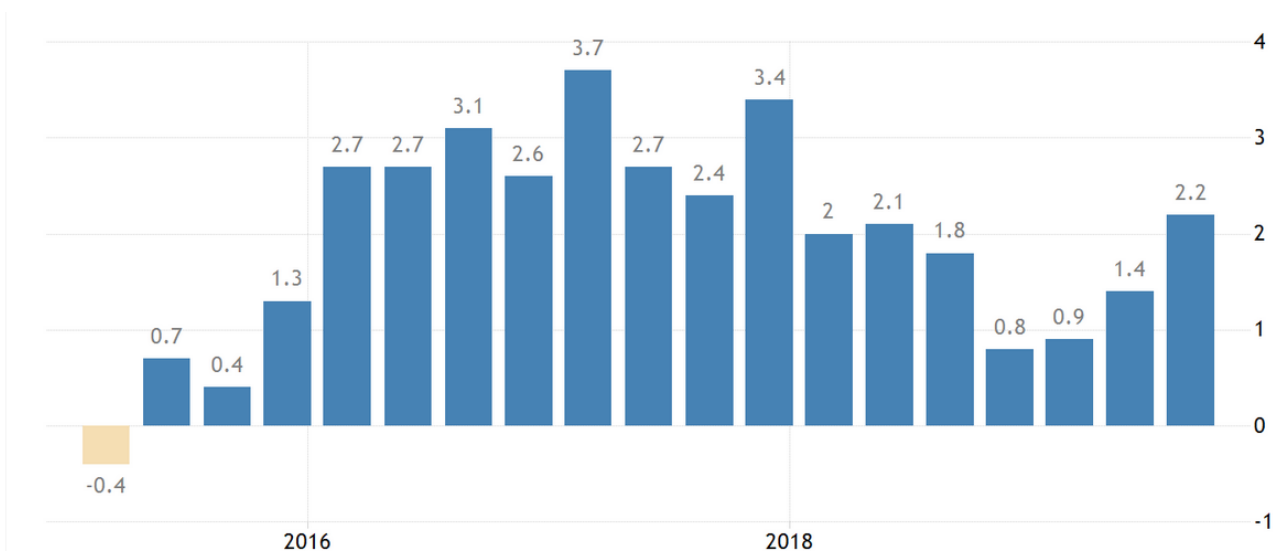
- The official currency of Finland is the euro.
- Finland is ranked “Mostly free” by the World Heritage Foundation’s annual Economic Freedom Index (2019). In an economically free society, individuals are free to work, produce, consume, and invest in any way they please. In economically free societies, businesses and individuals have the liberty to seek opportunities to improve their wellbeing.
- Finland also scores well in the UN’s Human Development Index (HDI). The HDI is a composite index of life expectancy, education, and GDP per capita which are equally weighted to indicate levels of human development in a country. Finland was ranked twelve in the 2019 report.
- It is also relatively easy to conduct business in Finland. The country ranked 20th in the World Bank’s Ease of Doing Business Index (2019). The index considers factors such as the ease of setting up a business, corporation tax laws, the ease of getting credit, regulations regarding cross-border trade and so forth.
- Whilst Finland exports a lot of fish, fisheries only account for 0.1 % of Finland’s gross domestic product (GDP). *Note: the case study specifies that fishing is Finland’s largest industry. Use this ‘fact’ to illustrate that the commercial fishing industry is important to Finland and that there are market opportunities for PST.*
- The electronics industry is one of Finland’s most important for economic growth and prosperity. Data published by UNESCO show that Finland spends about 3.2% of its on research and development (R&D), which is among the world’s largest spenders on R&D. *Note: this is supported in case study that mentions technology being a large and growing sector in Finland.*
- Finland has many diverse industries, including agriculture, manufacturing, refining, and services. Manufacturing is of historic importance to Finland, particularly in the timber, metals, engineering, telecommunications, and electronics industries. The tertiary sector is the most important, and accounts for about 73% of the country’s national output (GDP). Primary sector and agriculture account for less than 3% of Finland’s GDP. This means about 24% of the country’s GDP comes from the manufacturing sector.
- Tourism is vital for Finland’s economy. Each year, more than 750,000 tourists visit Santa Claus in Lapland, Finland. Coastal tourism is also an important industry in some parts of Finland.
- Finland recently introduced a new and more efficient online portal called *MyTax* for filing corporate income tax returns.



For May 2020 examinations

- The following economic indicators for Finland have been taken from Trading Economics (<https://tradingeconomics.com/finland/indicators>):
 - GDP per capita = US\$48,580*
 - GDP annual growth rate = 2.2%
 - Unemployment rate = 6.0%
 - Inflation rate = 0.9%
 - Wage rate growth = 3.4%
 - Business confidence index = -9.90 points
 - Consumer confidence index = -4.60 points
 - Corporate tax rate = 20%
- * This is slightly higher than GDP per capita in Germany and Belgium, and almost as high as that of Austria and the Netherlands.
- Most of Finland’s exports are to Germany, Russia, Sweden, China, the USA, and the UK. Most of Finland imports come from Germany, Russia, Sweden, China, the Netherlands, and France.
- Most of Finland’s exports (around 90%) are transported by sea. Finland has 50 sea ports. Ferries also transport a steady flow of passengers between Finland and other neighbouring countries.
- Finnish economists expect GDP to grow a rate of between 2% to 3% in the next few years.

Finland’s economic growth rate (% change) as measured by gross domestic product, Feb 2015 – Feb 2020



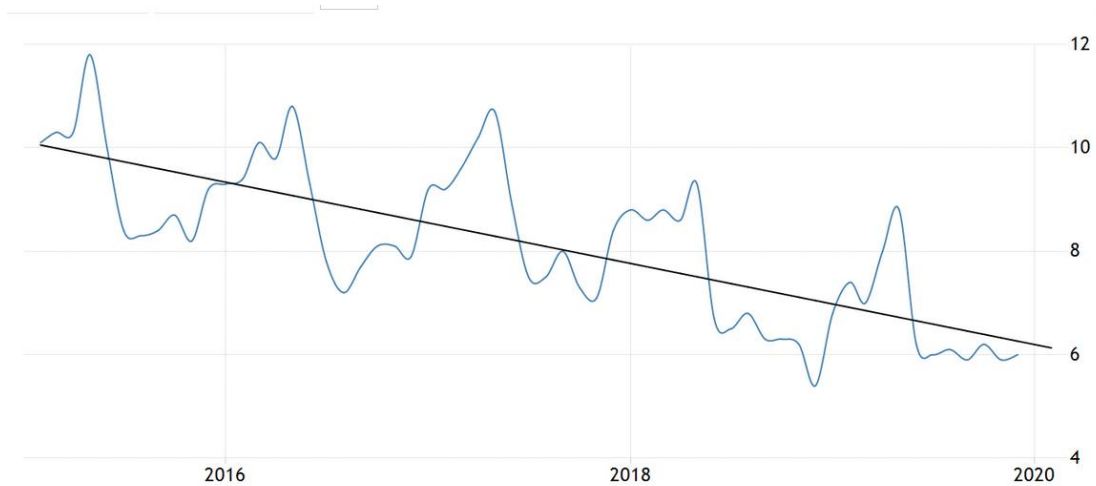
SOURCE: TRADINGECONOMICS.COM | STATISTICS FINLAND

<https://tradingeconomics.com/finland/gdp-growth-annual>



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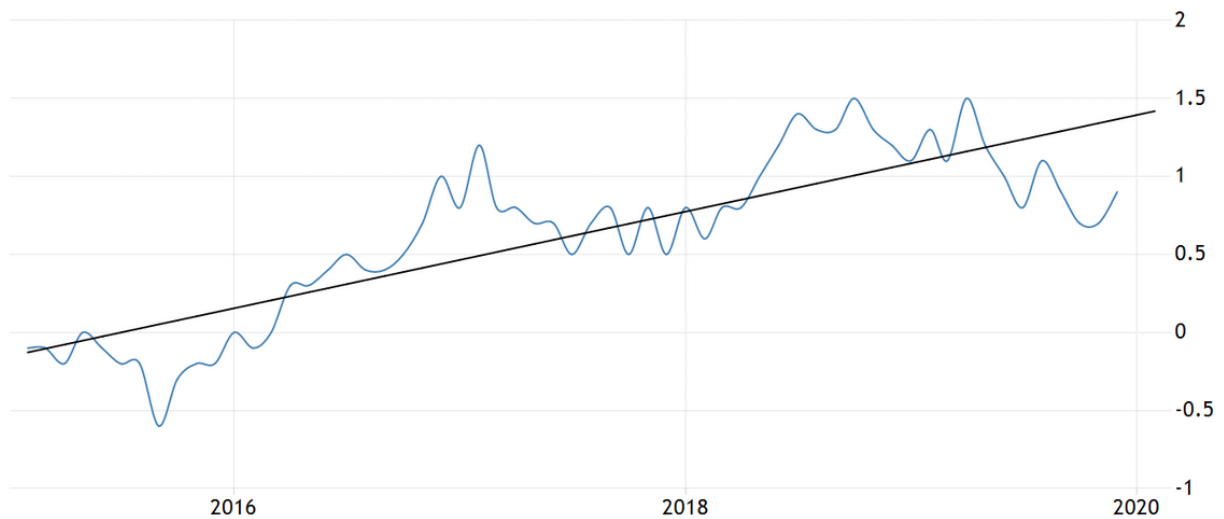
Finland's unemployment rate (%), actual and trend line, Feb 2015 – Feb 2020:



SOURCE: TRADINGECONOMICS.COM | STATISTICS FINLAND

Source: <https://tradingeconomics.com/finland/unemployment-rate>

Finland's inflation rate, Feb 2015 – Feb 2020:



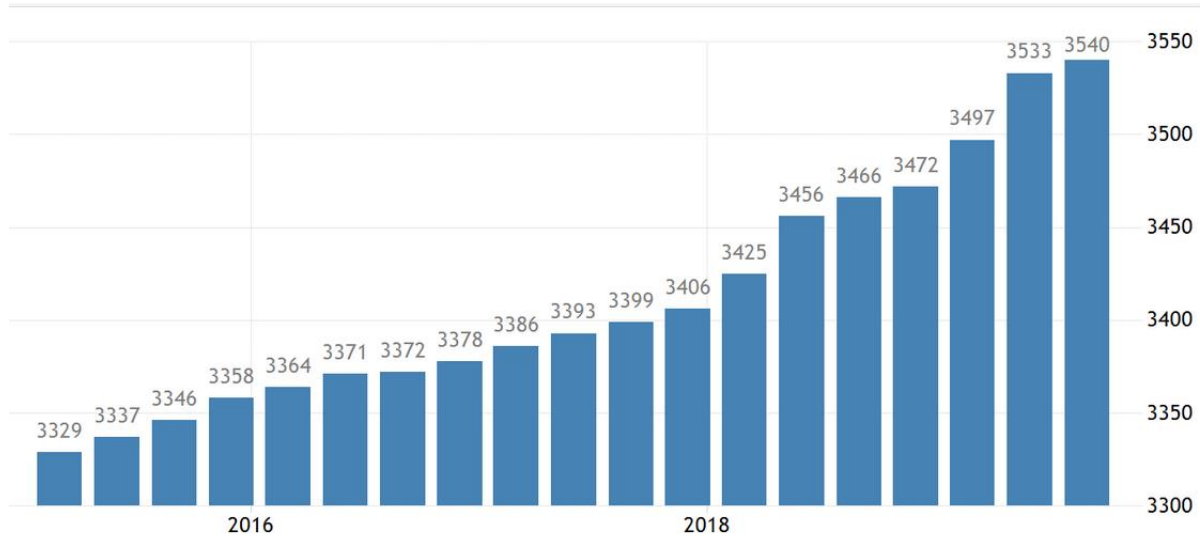
SOURCE: TRADINGECONOMICS.COM | STATISTICS FINLAND

<https://tradingeconomics.com/finland/inflation-cpi>



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Finland's average monthly earning (euros), Feb 2015 – Feb 2020



SOURCE: TRADINGECONOMICS.COM | STATISTICS FINLAND

<https://tradingeconomics.com/finland/wages>

The commercial fishing industry

- China has been the world's largest fish producer and exporter since 2002.
- Finland's fishing industry faces fierce competition from several European countries, including Poland, Ireland, Germany, Italy, Sweden, Greece, Portugal, Denmark, France and the UK.
- Finland is the largest fishing nation in the Baltic Sea region.
- The vast majority of fishing vessels in Finland are small in size. The number of fishing businesses totalled 1,500 with the vast majority (97%) of these owning a single vessel in 2012.
- Finland has a large coastline of 6,299 km (excluding its 179,584 islands and 187,888 lakes).
- The weather has a major bearing on fishing as the Baltic Sea freezes every year. Between January and March, ice covers an average of 218,000 km² (about 5 times the size of Denmark and Estonia, which also have coastlines along the Baltic Sea).

Business Management – Paper 1 Case Study Pack
Case Study: P&S Trawlers (PST)
Fact Sheet: Finland and its commercial fishing industry



For May 2020 examinations

Sources:

<http://www.fao.org/state-of-fisheries-aquaculture>

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<https://www.heritage.org/index/country/finland>

<https://www.heritage.org/index/ranking>

<https://www.swedishnomad.com/facts-about-finland/>



For May 2020 examinations

Comprehension Quiz 1

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. For how long has Pekka Heikki's family been involved in the fishing industry?
.....
2. Who decided to convert *PST* to become a private limited company?
.....
3. Since 2010, what percentage of *PST* is owned by Pekka and Tapio?
.....
4. What does Finland exports large quantities of each year?
.....
5. How is the fishing quota applied – by size, type, volume or weight of the catch?
.....
6. Is the workforce at *PST* loyal?
.....
7. How many trawlers does *PST* own?
.....
8. What type of working environment / culture has *PST* tried to create?
.....
9. Does Pekka encourage risk taking at *PST*?
.....
10. Do any female workers currently go out to sea on the trawlers?
.....
11. Is *PST*'s fish of high quality?
.....
12. Who wants *PST* to diversify?
.....
13. Which customer receives 90 days credit from *PST*?
.....



For May 2020 examinations

Comprehension Quiz 1 (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. For how long has Pekka Heikki's family been involved in the fishing industry?
For many generations
2. Who decided to convert *PST* to become a private limited company?
Shae and Patsy Heikki
3. Since 2010, what percentage of *PST* is owned by Pekka and Tapio?
40% each
4. What does Finland exports large quantities of each year?
Fish
5. How is the fishing quota applied – by size, type, volume or weight of the catch?
By weight
6. Is the workforce at *PST* loyal?
Yes
7. How many trawlers does *PST* own?
Three
8. What type of working environment / culture has *PST* tried to create?
A friendly working environment
9. Does Pekka encourage risk taking at *PST*?
No, he insists that there is no room for taking risks
10. Do any female workers currently go out to sea on the trawlers?
No, but several women have recently asked to work on the trawlers
11. Is *PST*'s fish of high quality?
Yes
12. Who wants *PST* to diversify?
Tapio
13. Which customer receives 90 days credit from *PST*?
Presto supermarkets



For May 2020 examinations

Comprehension Quiz 2

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Which family has been involved in the fishing industry for many generations?
.....
2. Is the workforce at *PST* hard working?
.....
3. Who is Pekka's father?
.....
4. Who owns a combined 80% of the shares in *PST*?
.....
5. Why has the Finnish government imposed fishing quotas?
.....
6. How are the restrictions and quotas likely to impact on *PST*?
.....
7. Is teamwork essential at *PST*?
.....
8. Who is strict with *PST*'s procedures and responsibilities?
.....
9. Do Pekka and Tapio recognize the need for diversity at *PST*?
.....
10. What type of pricing strategy does *PST* generally use to sell its fish?
.....
11. Which customers receives one month's credit from *PST*?
.....
12. Who wants to grow through buying updated and larger trawlers?
.....
13. What/who is *Presto*?
.....



For May 2020 examinations

Comprehension Quiz 3 (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Which family has been involved in the fishing industry for many generations?
Pekka Heikki's family / The Heikki family
2. Who is Pekka's father?
Shae Heikki
3. Who owns a combined 80% of the shares in *PST*?
Pekka and Tapio
4. Why has the Finnish government imposed fishing quotas?
It is very concerned about environmental sustainability due to overfishing
5. How are the restrictions and quotas likely to impact on *PST*? **Likely to restricts its fishing activity and therefore reduce its profits**
6. Is the workforce at *PST* hard working? **Yes**
7. Is teamwork essential at *PST*? **Yes, especially when the fishing crew are out at sea**
8. Who is strict with *PST*'s procedures and responsibilities? **Pekka**
9. Do Pekka and Tapio recognize the need for diversity at *PST*? **Yes**
10. What type of pricing strategy does *PST* generally use to sell its fish? **Premium pricing**
11. Which customers receives one month's credit from *PST*? **Restaurants, hotels, and fish shops**
12. Who wants to grow through buying updated and larger trawlers? **Pekka**
13. What/who is *Presto*? **Finland's biggest supermarket business**



For May 2020 examinations

Comprehension Quiz 3

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. In which country does *PST* operate?
.....
2. What type of business had *PST* been up to 2010?
.....
3. What do we know about the degree of government intervention in the fishing industry?
.....
4. What is the second largest industry in Finland?
.....
5. What type of regulation has the Finnish government imposed due to its huge concerns about overfishing?
.....
6. Does *PST* have a certain future?
.....
7. Which firms are engaged in illegal overfishing?
.....
8. Is the Heikki family determined to deal with the problems that *PST* is facing?
.....
9. Does *PST* use the latest technology available?
.....
10. How many people are employed at *PST*?
.....
11. Who manages the employees who work in the warehouse?
.....
12. Who manages *PST*'s subcontractors (who service the trawlers, transport the fish to markets and provide fuel)?
.....
13. Do crew members on the trawlers receive any induction training?
.....



For May 2020 examinations

Comprehension Quiz 3 (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. In which country does *PST* operate? **Finland**
2. What type of business had *PST* been up to 2010? **A family-run business**
3. What do we know about the degree of government intervention in the fishing industry? **It has increased as there has been “greater governmental regulation of the industry”**
4. What is the second largest industry in Finland? **Tourism**
5. What type of regulation has the Finnish government imposed due to its huge concerns about overfishing? **Quotas**
6. Does *PST* have a certain future? **No, it has a very uncertain future**
7. Which firms are engaged in illegal overfishing? **Some of the foreign trawlers**
8. Is the Heikki family determined to deal with the problems that *PST* is facing? **Yes**
9. Does *PST* use the latest technology available? **Yes**
10. How many people are employed at *PST*? **40**
11. Who manages the employees who work in the warehouse? **Tapio**
12. Who manages *PST*'s subcontractors (who service the trawlers, transport the fish to markets and provide fuel)? **Tapio**
13. Do crew members on the trawlers receive any induction training? **Yes, extensive induction training**



For May 2020 examinations

Comprehension Quiz 4

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Which country has a long tradition of commercial fishing?
.....
2. Who is Patsy Heikki?
.....
3. Who is Tapio?
.....
4. According to the case study, what is the largest industry in Finland?
.....
5. Who is responsible for all the activities relating to *PST*'s trawlers and the crew?
.....
6. How has the emergence of foreign trawlers impacted *PST*'s income?
.....
7. Are people switching from eating meat to eating fish?
.....
8. Does *PST* freeze all of its catch?
.....
9. Where do *PST* staff receive their annual health and safety training?
.....
10. Who gets involved if there are disciplinary issues at *PST*?
.....
11. How long does it take to repair damaged nets?
.....
12. What approximate percentage of trawler crew members in the European Union and Finland are female?
.....
13. What kind of non-financial motivation does Tapio use because some tasks in the office and warehouse are more interesting than others?
.....



For May 2020 examinations

Comprehension Quiz 4 (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Which country has a long tradition of commercial fishing? **Finland**
2. Who is Patsy Heikki? **Pekka's mother / Shae's partner**
3. Who is Tapio? **Pekka' sister / Shareholder with 40% of the stake in PST**
4. According to the case study, what is the largest industry in Finland? **Fishing**
5. Who is responsible for all the activities relating to *PST's* trawlers and the crew? **Pekka**
6. How has the emergence of foreign trawlers impacted *PST's* income? **Reduced it, due to the large catches (supply) of fish from the foreign trawlers**
7. Are people switching from eating meat to eating fish? **Yes**
8. Does *PST* freeze all of its catch? **No, *PST* freezes some of the fish**
9. Where do *PST* staff receive their annual health and safety training? **At a local college**
10. Who gets involved if there are disciplinary issues at *PST*? **Pekka**
11. How long does it take to repair damaged nets? **Several days**
12. What approximate percentage of trawler crew members in the European Union and Finland are female? **3%**
13. What kind of non-financial motivation does Tapio use because some tasks in the office and warehouse are more interesting than others? **Job rotation**



For May 2020 examinations

Comprehension Quiz 5

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. What does *PST* stand for?

.....

2. Why would the Heikki family's potential personal liability have increased if *PST* remained as a family-run business?

.....

3. What enabled *PST* to survive threats in the past?

.....

4. All are training and good discipline important to the fishing crew out at sea?

.....

5. How long does it take for a trawler to get a major service before getting back in the sea?

.....

6. Does *PST* sell any of its catch directly to *Presto*?

.....

7. Why is *PTS* in frequent contact with the hotels, restaurants and fish shops?

.....

8. Does *PST* have any satellite technology on its trawlers?

.....

9. What are the major items of expenditure for *PST*?

.....

10. Who delegates tasks to employees whenever opportunities arise at *PST*?

.....

11. Do Pekka and Tapio think that there is room for growth at *PST*?

.....

12. Are most of the workers at *PST* male?

.....

13. How often does each trawler get taken out of operation for a major service?

.....



For May 2020 examinations

Comprehension Quiz 5 (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. What does *PST* stand for? *P&S Trawlers* (unlikely to be named after Patsy and Shae as the business has existed for many generations)
2. Why would the Heikki family's potential personal liability have increased if *PST* remained as a family-run business? *Due to greater governmental regulation of the fishing industry*
3. What enabled *PST* to survive threats in the past? *Careful management of its finances (money)*
4. All are training and good discipline important to the fishing crew out at sea? *The work on the trawlers can be dangerous*
5. How long does it take for a trawler to get a major service before getting back in the sea? *One month*
6. Does *PST* sell any of its catch directly to *Presto*? *Yes*
7. Why is *PTS* in frequent contact with the hotels, restaurants and fish shops? *Due to the intensity of competition in the industry and to ensure it retains its customers*
8. Does *PST* have any satellite technology on its trawlers? *Yes, it recently installed the latest satellite technology on its trawlers*
9. What are the major items of expenditure for *PST*? *Fuel (for the trawlers), salaries, and rents (for the office building and warehouse)*
10. Who delegates tasks to employees whenever opportunities arise at *PST*? *Tapio*
11. Do Pekka and Tapio think that there is room for growth at *PST*? *Yes*
12. Are most of the workers at *PST* male? *Yes – historically, all male up until recently*
13. How often does each trawler get taken out of operation for a major service? *Every 6 months*



For May 2020 examinations

Comprehension Quiz 6

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. How long ago did *PST* experience a low point in the business?
.....
2. In which year was *PST* changed from a partnership to a private limited company?
.....
3. Who owns a combined 20% of the shares in *PST*?
.....
4. What is happening to the technology industry in Finland?
.....
5. What has *PST* aimed to preserve for future generations?
.....
6. Are people switching from eating fish to eating meat?
.....
7. Are Finland's best fishing waters nearby?
.....
8. What services are provided by the subcontractors?
.....
9. Who is responsible for mentoring the trawler captains?
.....
10. What reward system is used at *PST* for good catches?
.....
11. Is there a low labour turnover in the trawling industry?
.....
12. Where are some of the fish caught by *PST* sold to?
.....
13. What channel of distribution does *PST* use to sell its fish to overseas markets?
.....



For May 2020 examinations

Comprehension Quiz 6 (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. How long ago did *PST* experience a low point in the business? **Five years ago**
2. In which year was *PST* changed from a partnership to a private limited company? **2010**
3. Who owns a combined 20% of the shares in *PST*? **Shae and Patsy**
4. What is happening to the technology industry in Finland? **It is growing rapidly**
5. What has *PST* aimed to preserve for future generations? **Fish stocks (by not overfishing but fishing in a responsible way)**
6. Are people switching from eating fish to eating meat? **No; it's the opposite**
7. Are Finland's best fishing waters nearby? **No, they are far away**
8. What services are provided by the subcontractors? **They service the trawlers, transport the fish to markets and provide fuel; accept some HR and accounting functions (as some of these are also outsourced)**
9. Who is responsible for mentoring the trawler captains? **Pekka**
10. What reward system is used at *PST* for good catches? **Bonuses**
11. Is there a low labour turnover in the trawling industry? **Yes**
12. Where are some of the fish caught by *PST* sold to? **The local fish market, i.e. hotels, restaurants, fish shops and local residents (also accept sales to Presto)**
13. What channel of distribution does *PST* use to sell its fish to overseas markets? **Agents**



For May 2020 examinations

Comprehension Quiz 7

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Why did *PST* experience a low point in the business five years ago?
.....
2. What do we know about the coastline of Finland?
.....
3. Is there a global trend of socially responsible fishing?
.....
4. Is labour turnover at *PST* a problem?
.....
5. What jobs does the team of people in the administration department carry out?
.....
6. Do *PST*'s trawler crew members receive a good salary?
.....
7. What problems does Tapio foresee about hiring female staff to work on board ships?
.....
8. Why does Tapio like to use job rotation in the office and warehouse?
.....
9. What do business news reporters speculate about the industry with regards to new trade arrangements between countries?
.....
10. What has enabled *PST* to maintain more detailed and accurate records about their fish catches?
.....
11. Does *PST* face a lot of competition?
.....
12. How long can it take for broken or worn mechanical parts to be delivered?
.....
13. What training courses are all crews required to attend each year?
.....



For May 2020 examinations

Comprehension Quiz 7 (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. Why did *PST* experience a low point in the business five years ago? **One of its trawlers sank in a terrible storm**
2. What do we know about the coastline of Finland? **The country has a long and very beautiful coastline**
3. Is there a global trend of socially responsible fishing? **No, there is a global trend of overfishing**
4. Is labour turnover at *PST* a problem? **No, the labour turnover rate has been low**
5. What jobs does the team of people in the administration department carry out? **Record keeping, issuing and paying invoices, and managing subcontractors (who service the trawlers, transport the fish to markets and provide fuel)**
6. Do *PST* crew receive a good salary? **Yes**
7. What problems does Tapio foresee about hiring female staff to work on board ships? **Practical problems such as sleeping arrangements**
8. Why does Tapio like to use job rotation in the office and warehouse? **Some tasks are more interesting than others**
9. What do business news reporters speculate about the industry with regards to new trade arrangements between countries? **This change will make it more difficult for *PST* to sell its fish overseas**
10. What has enabled *PST* to maintain more detailed and accurate records about their fish catches? **Improved technologies / satellite technology on its trawlers**
11. Does *PST* face a lot of competition? **Yes (line 94)**
12. How long can it take for broken or worn mechanical parts to be delivered? **Up to 2 weeks**
13. What training courses are all crews required to attend each year? **Health & Safety and safeguarding**



For May 2020 examinations

Comprehension Quiz 8

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. In which year did *PST* cease to operate as a family business?

.....

2. What are the main reasons why tourists visit Finland?

.....

3. Why have foreign trawlers been allowed to catch more fish than previously allowed?

.....

4. Does the Finnish government support socially responsible businesses?

.....

5. How are some of *PST*'s human resources and accounting functions carried out?

.....

6. What are the benefits to *PST* having their trawlers receiving a regular and major servicing?

.....

7. Apart from historical reasons, why has there been very few opportunities for women in the industry to work on trawlers?

.....

8. Does *PST* sell some of its catch to local residents?

.....

9. How often are fuel and salaries paid?

.....

10. How does the Finnish government monitor all fishing quotas?

.....

11. What factors determine the market price of fish?

.....

12. How does *PST* pay its rent?

.....

13. What does *PST* do to ensure its trawlers are reliable out at sea?

.....



For May 2020 examinations

Comprehension Quiz 8 (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. In which year did *PST* cease to operate as a family business? **2010**
2. What are the main reasons why tourists visit Finland? **Sightseeing, outdoor activities (e.g. skiing), and city breaks**
3. Why have foreign trawlers been allowed to catch more fish than previously allowed? **Due to the recent Finland government's trade agreements with other countries / some also illegal overfish**
4. Does the Finnish government support socially responsible businesses? **Yes**
5. How are some of *PST*'s human resources and accounting functions carried out? **Some of these are also outsourced**
6. What are the benefits to *PST* having their trawlers receiving a regular and major servicing? **They remain reliable, last longer, reduce outage costs and reduced operating costs**
7. Apart from historical reasons, why has there been very few opportunities for women in the industry to work on trawlers? **Due to the low labour turnover in the trawling industry**
8. Does *PST* sell some of its catch to local residents? **Yes**
9. How often are fuel and salaries paid? **Monthly (at the end of each month)**
10. How does the Finnish government monitor all fishing quotas? **Improved technologies / satellite technology on fishing trawlers / and modern on-board equipment**
11. What factors determine the market price of fish? **Factors such as the weather, the season and the activities (supply) of competitors**
12. How does *PST* pay its rent? **Paid one month in advance**
13. What does *PST* do to ensure its trawlers are reliable out at sea? **They get a major service, last a month, twice a year (every 6 months)**



For May 2020 examinations

Comprehension Quiz 9

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. What was one of the important reasons why *PST* became a private limited company?
.....
2. What is the third largest industry in Finland?
.....
3. Has *PST* always been an environmentally sustainable business?
.....
4. How have technology firms relocating to Finland affected *PST*?
.....
5. How many crew members work on each trawler?
.....
6. Where are the fish kept once they return to port?
.....
7. Do the crew members receive any on-the-job training?
.....
8. What external factor makes scheduling trawlers and crews difficult?
.....
9. Does Finland have and implement equal opportunities legislation in the workplace?
.....
10. What special arrangement does *PST* have with *Presto* for the sale of its fish?
.....
11. What does the recently installed satellite technology equipment on *PST*'s trawlers enable?
.....
12. What sort of relationship does Pekka have with his staff?
.....
13. Does the Finnish government support ethically managed fishing businesses?
.....



For May 2020 examinations

Comprehension Quiz 9 (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. What was one of the important reasons why *PST* became a private limited company? **To minimize risks and uncertainties in the market; also accept greater government regulation as a reason**
2. What is the third largest industry in Finland? **Technology**
3. Has *PST* always been an environmentally sustainable business? **Yes, *PST* has always fished responsibly, and preserved fish stocks for future generations**
4. How have technology firms relocating to Finland affected *PST*? **They are paying higher and more stable wages, so *PST* and other smaller fishing businesses may struggle to recruit suitable people (although there is low labour turnover in the trawling industry)**
5. How many crew members work on each trawler? **Seven**
6. Where are the fish kept once they return to port? **They are chilled in a warehouse**
7. Do the crew members receive any on-the-job training? **Yes, there are additional training sessions on board the trawlers (to update the crews' skills)**
8. What external factor makes scheduling trawlers and crews difficult? **Unpredictable events such as the weather or damaged nets**
9. Does Finland have and implement equal opportunities legislation in the workplace? **Yes**
10. What special arrangement does *PST* have with *Presto* for the sale of its fish? **Sales to *Presto* are on a fixed contract at a price that is usually lower than market prices**
11. What does the recently installed satellite technology equipment on *PST*'s trawlers enable? **Better monitoring and navigation of fish shoals, thus improving the chances of good catches**
12. What sort of relationship does Pekka have with his staff? **He has excellent working relationships with them**
13. Does the Finnish government support ethically managed fishing businesses? **Yes**



For May 2020 examinations

Comprehension Quiz 10

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. For how long are trawlers usually at sea for?
.....
2. Who supervises the fishing crew as they unload the fish when they return to port?
.....
3. Is Pekka strict regarding the management of the trawlers and crews?
.....
4. Apart from the weather, what other unpredictable event can make scheduling trawlers and crews difficult for *PST*?
.....
5. Who is open-minded and flexible about the ways that their teams work?
.....
6. Who encourages new ideas and alternative ways of working (in the office and warehouse)?
.....
7. Who may need to develop a revised marketing strategy for *PST* to compete in overseas markets?
.....
8. Which customers are expected to pay for their orders immediately?
.....
9. What has helped to reduce the need for repairs and lost fishing time for *PST*?
.....
10. What risks caused the Heikki family to change the business into a private limited company?
.....
11. How is Pekka related to Tapio?
.....
12. Although Finland exports large quantities of fish, what is the government worried about?
.....
13. Who is responsible for *PST*'s marketing, finance and administration?
.....
14. Who is responsible for *PST*'s marketing, finance and administration?
.....



For May 2020 examinations

Comprehension Quiz 10 (Answers)

To help with improving your application skills, review the case study and then answer these questions (without referring to the case study).

1. For how long are trawlers usually at sea for? **Several days (as Finland's best fishing waters are far away)**
2. Who supervises the fishing crew as they unload the fish when they return to port? **Pekka**
3. Is Pekka strict regarding the management of the trawlers and crews? **Yes**
4. Apart from the weather, what other unpredictable event can make scheduling trawlers and crews difficult for *PST*? **Damaged equipment, such as the fishing nets or broken/worn mechanical parts**
5. Who is open-minded and flexible about the ways that their teams work? **Tapio**
6. Who encourages new ideas and alternative ways of working (in the office and warehouse)? **Tapio**
7. Who may need to develop a revised marketing strategy for *PST* to compete in overseas markets? **Tapio**
8. Which customers are expected to pay for their orders immediately? **Local customers (such as local residents)**
9. What has helped to reduce the need for repairs and lost fishing time for *PST*? **Improved materials (fishing nets) and modern on-board equipment**
10. What risks caused the Heikki family to change the business into a private limited company? **More expensive boats and uncertainties in the fishing industry**
11. How is Pekka related to Tapio? **Her brother / siblings**
12. Although Finland exports large quantities of fish, what is the government worried about? **Environmental sustainability**
13. Who is responsible for *PST*'s marketing, finance and administration? **Tapio**
14. What specific restrictions are governments increasingly imposing on the catch of fish? **The size and types of fish that can be caught / stricter quotas on the weight of the catch**



For May 2020 examinations

True or False Quiz 1

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. The Heikki family has been involved in the fishing industry in Finland for many generations.	
2. There is growing uncertainty in the fishing industry.	
3. Finland exports a large amount of fish.	
4. Foreign trawlers to catch more fish for many years.	
5. <i>PST</i> has a stable and loyal workforce.	
6. The Finnish government is supportive of responsible and ethically managed fishing businesses.	
7. <i>PST</i> freezes all of its fish once they are back at the warehouse.	
8. All crew members working on the trawlers receive on-the-job training.	
9. Pekka prefers a risk-adverse approach to decision-making.	
10. Scheduling trawlers and their crews can be difficult due to unpredictable weather.	
11. About 3% of trawler crew members in the European Union are female.	
12. Equal opportunities legislation is prominent in Finland.	
13. <i>PST</i> sells its fish market to hotels, restaurants, fish shops and local residents.	



For May 2020 examinations

True or False Quiz 1 – Answers

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. The Heikki family has been involved in the fishing industry in Finland for many generations.	T
2. There is growing uncertainty in the fishing industry.	T
3. Finland exports a large amount of fish.	T
4. Foreign trawlers to catch more fish for many years. <i>Only recently due to trade agreements with other countries</i>	F
5. <i>PST</i> has a stable and loyal workforce.	T
6. The Finnish government is supportive of responsible and ethically managed fishing businesses.	T
7. <i>PST</i> freezes all of its fish once they are back at the warehouse. <i>They are chilled, but only some are frozen</i>	F
8. All crew members working on the trawlers receive on-the-job training.	T
9. Pekka prefers a risk-adverse approach to decision-making.	T
10. Scheduling trawlers and their crews can be difficult due to unpredictable weather.	T
11. About 3% of trawler crew members in the European Union are female.	T
12. Equal opportunities legislation is prominent in Finland.	T
13. <i>PST</i> sells its fish market to hotels, restaurants, fish shops and local residents.	T



For May 2020 examinations

True or False Quiz 2

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. PST makes deliberate attempts to retain their customers.	
2. The government monitors all fishing quotas.	
3. PST offers restaurants, hotels and fish shops one-month credit.	
4. <i>PST</i> also sells its fish directly to the country's biggest supermarket business.	
5. There is growing government regulation in the fishing industry.	
6. Government restrictions and quotas may reduce future profits of <i>PST</i> .	
7. Overseas trawlers use updated and larger trawlers.	
8. Finland has a long tradition of commercial fishing.	
9. A few technology businesses are relocating to Finland.	
10. Pekka delegates tasks whenever opportunities arise.	
11. People in Finland have recently switched from eating meat to eating fish.	
12. Staff turnover at <i>PST</i> has been low.	
13. All crew members working on the trawlers receive extensive induction training.	



For May 2020 examinations

True or False Quiz 2 – Answers

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. PST makes deliberate attempts to retain their customers.	T
2. The government monitors all fishing quotas.	T
3. PST offers restaurants, hotels and fish shops one-month credit.	T
4. <i>PST</i> also sells its fish directly to the country's biggest supermarket business.	T
5. There is growing government regulation in the fishing industry.	T
6. Government restrictions and quotas may reduce future profits of <i>PST</i> .	T
7. Overseas trawlers use updated and larger trawlers.	T
8. Finland has a long tradition of commercial fishing.	T
9. A few technology businesses are relocating to Finland. Many of them are relocating to Finland	F
10. Pekka delegates tasks whenever opportunities arise. Tapio does this	F
11. People in Finland have recently switched from eating meat to eating fish. They have been for many years; and commercial fishing is the country's largest industry	F
12. Staff turnover at <i>PST</i> has been low.	T
13. All crew members working on the trawlers receive extensive induction training.	T



For May 2020 examinations

True or False Quiz 3

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. <i>PST</i> has enjoyed times of good catches and high market prices.	
2. Greater governmental regulation of the commercial fishing industry has increased the Heikki family's potential liability if anything goes wrong.	
3. The technology industry in Finland is growing rapidly.	
4. Tapio is in charge of all activities relating to <i>PST</i> 's trawlers and crews.	
5. Some foreign trawlers illegally overfish.	
6. <i>PST</i> is unable to use the latest technologies.	
7. Tapio supervises the staff who work in <i>PST</i> 's warehouse.	
8. There is a clear command structure on the three trawlers.	
9. Damaged fishing nets can take several days to repair.	
10. Tapio envisages practical problems on board the trawlers if more women are employed, such as sleeping arrangements.	
11. Tapio uses job rotation as some tasks are less interesting than others.	
12. <i>PST</i> 's fish are of very high quality.	
13. <i>PST</i> uses highly competitive prices to sell its fish.	



For May 2020 examinations

True or False Quiz 3 – Answers

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. <i>PST</i> has enjoyed times of good catches and high market prices.	T
2. Greater governmental regulation of the commercial fishing industry has increased the Heikki family's potential liability if anything goes wrong.	T
3. The technology industry in Finland is growing rapidly.	T
4. Tapio is in charge of all activities relating to <i>PST</i> 's trawlers and crews. Pekka is responsible for these matters	F
5. Some foreign trawlers illegally overfish.	T
6. <i>PST</i> is unable to use the latest technologies. It uses the latest technology and has recently upgraded the satellite equipment on its three trawlers	F
7. Tapio supervises the staff who work in <i>PST</i> 's warehouse.	T
8. There is a clear command structure on the three trawlers.	T
9. Damaged fishing nets can take several days to repair.	T
10. Tapio envisages practical problems on board the trawlers if more women are employed, such as sleeping arrangements.	T
11. Tapio uses job rotation as some tasks are less interesting than others.	T
12. <i>PST</i> 's fish are of very high quality.	T
13. <i>PST</i> uses highly competitive prices to sell its fish. It uses premium prices as its fish are of high quality	F



For May 2020 examinations

True or False Quiz 4

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. Spending on fuel for the trawlers is a major item of expenditure for <i>PST</i> .	
2. Rent is paid at the end of each month.	
3. Local customers are expected to pay for their orders immediately, i.e. there is no credit period for these customers.	
4. Tapio wants the business to diversify.	
5. Pekka would like to diversify the business in order to survive.	
6. Pekka thinks the best way to grow is through offering services and facilities to other fishing businesses.	
7. Foreign trawlers have large catches.	
8. The Finnish government is very concerned about environmental sustainability.	
9. Five years ago, <i>PST</i> had one of its trawlers sink.	
10. Shae and Patsy each have a 20% stake in <i>PST</i> .	
11. Each of <i>PST</i> 's trawlers has a crew of 7 people.	
12. <i>PST</i> is facing a labour turnover problem.	
13. Tapio supervises the fishing crew when they return to port to unload their catch.	



For May 2020 examinations

True or False Quiz 4 – Answers

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. Spending on fuel for the trawlers is a major item of expenditure for <i>PST</i> .	T
2. Rent is paid at the end of each month. It is paid one month in advance	F
3. Local customers are expected to pay for their orders immediately, i.e. there is no credit period for these customers.	T
4. Tapio wants the business to diversify.	T
5. Pekka would like to diversify the business in order to survive. Tapio prefers diversification	F
6. Pekka thinks the best way to grow is through offering services and facilities to other fishing businesses. He wants to buy updated and larger trawlers for the business to grow	F
7. Foreign trawlers have large catches.	T
8. The Finnish government is very concerned about environmental sustainability.	T
9. Five years ago, <i>PST</i> had one of its trawlers sink.	T
10. Shae and Patsy each have a 20% stake in <i>PST</i> . They have a combined 20% each	F
11. Each of <i>PST</i> 's trawlers has a crew of 7 people.	T
12. <i>PST</i> is facing a labour turnover problem. Workers are loyal to the company and staff turnover is low in the industry as a whole	F
13. Tapio supervises the fishing crew when they return to port to unload their catch. Pekka does this role	F



For May 2020 examinations

True or False Quiz 5

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. Five years ago, a storm caused two of <i>PST</i> 's trawlers to sink.	
2. Pekka has a 40% stake in the family-run business.	
3. Finland has a long and very beautiful coastline.	
4. According to the case study, tourism is Finland's third largest industry.	
5. There is a global trend in overfishing.	
6. Governments are imposing stricter quotas on the weight of the catches.	
7. Competition from foreign trawlers has reduced <i>PST</i> 's ability to earn a reasonable income.	
8. The Heikki family are deflated by the challenges faced by the business.	
9. <i>PST</i> owns three trawlers.	
10. <i>PST</i> employs 140 people.	
11. Several female employees have asked to work on the trawlers.	
12. Pekka is supportive of the trawlers' captains if disciplinary matters arise.	
13. Tapio is in charge of mentoring the trawler captains.	



For May 2020 examinations

True or False Quiz 5 – Answers

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. Five years ago, a storm caused two of <i>PST</i> 's trawlers to sink. Just one of them sank	F
2. Pekka has a 40% stake in the family-run business.	T
3. Finland has a long and very beautiful coastline.	T
4. According to the case study, tourism is Finland's third largest industry. It is the second largest; technology is the third largest	F
5. There is a global trend in overfishing.	T
6. Governments are imposing stricter quotas on the weight of the catches.	T
7. Competition from foreign trawlers has reduced <i>PST</i> 's ability to earn a reasonable income.	T
8. The Heikki family are deflated by the challenges faced by the business. The family has a strong determination to overcome these challenges	F
9. <i>PST</i> owns three trawlers.	T
10. <i>PST</i> employs 140 people. It employs 40 people only	F
11. Several female employees have asked to work on the trawlers.	T
12. Pekka is supportive of the trawlers' captains if disciplinary matters arise.	T
13. Tapio is in charge of mentoring the trawler captains. Pekka does this	F



For May 2020 examinations

True or False Quiz 6

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. Tapio is considering options for alternative uses for <i>PST</i> 's fishing trawlers.	
2. <i>PST</i> 's satellite technology enables better monitoring of fish shoals.	
3. To maintain international competitiveness, Tapio will need to develop a revised marketing strategy.	
4. In the case study, Finland's largest supermarket business is called <i>Presto</i> .	
5. The Finnish government requires accurate record-keeping of the fish caught.	
6. Pekka is open-minded and flexible about the ways teams work.	
7. Pekka is concerned about how the all-male crew members on the trawlers might react to <i>PST</i> hiring more women to go out to sea.	
8. The major service for each trawler last one month.	
9. Pekka insists that there is no room for risk taking.	
10. Working on the trawlers can be dangerous.	
11. The Finnish government is supportive of all fishing businesses.	
12. <i>PST</i> is a socially responsible business.	
13. Tourism is Finland's largest industry.	



For May 2020 examinations

True or False Quiz 6 – Answers

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. Tapio is considering options for alternative uses for <i>PST</i> 's fishing trawlers.	T
2. <i>PST</i> 's satellite technology enables better monitoring of fish shoals.	T
3. To maintain international competitiveness, Tapio will need to develop a revised marketing strategy.	T
4. In the case study, Finland's largest supermarket business is called <i>Presto</i> .	T
5. The Finnish government requires accurate record-keeping of the fish caught.	T
6. Pekka is open-minded and flexible about the ways teams work. Tapio is; Pekka is strict and rigorous	F
7. Pekka is concerned about how the all-male crew members on the trawlers might react to <i>PST</i> hiring more women to go out to sea.	T
8. The major service for each trawler last one month.	T
9. Pekka insists that there is no room for risk taking.	T
10. Working on the trawlers can be dangerous.	T
11. The Finnish government is supportive of all fishing businesses. It is supportive of responsible and ethically managed fishing businesses; not necessarily all of firms in the industry	F
12. <i>PST</i> is a socially responsible business.	T
13. Tourism is Finland's largest industry. It is the second largest, after fishing	T



For May 2020 examinations

True or False Quiz 7

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. <i>PST</i> was originally set up as a partnership.	
2. Tourists can ski in Finland.	
3. The Finnish government has imposed tariffs on imported fish from overseas.	
4. The large catches from foreign trawlers have contributed to the fallen market prices of fish.	
5. <i>PST's</i> trawlers are regularly at sea for several days.	
6. Workers do not seem to be happy at <i>PST</i> .	
7. Pekka is strict, rigorous and accurate.	
8. Pekka has an excellent working relationship with the crews.	
9. The trawlers receive a major service once a year.	
10. If a fishing trip takes longer than planned, the crew will expect time off before their next trip.	
11. It can take several days for new mechanical parts to be delivered (to replace broken or worn parts).	
12. Pekka is strict with procedures and responsibilities.	
13. Some of the fish caught are sold in the local community.	



For May 2020 examinations

True or False Quiz 7 – Answers

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. PST was originally set up as a partnership.	T
2. Tourists can ski in Finland.	T
3. The Finnish government has imposed tariffs on imported fish from overseas. It has imposed fishing quotas due to concerns about environmental sustainability	F
4. The large catches from foreign trawlers have contributed to the fallen market prices of fish.	T
5. PST's trawlers are regularly at sea for several days.	T
6. Workers do not seem to be happy at PST. There is a friendly working environment and low labour turnover, so workers are not unhappy working there	F
7. Pekka is strict, rigorous and accurate.	T
8. Pekka has an excellent working relationship with the crews.	T
9. The trawlers receive a major service once a year. Every six months	F
10. If a fishing trip takes longer than planned, the crew will expect time off before their next trip.	T
11. It can take several days for new mechanical parts to be delivered (to replace broken or worn parts). It can take up to two weeks for these to be delivered	F
12. Pekka is strict with procedures and responsibilities.	T
13. Some of the fish caught are sold in the local community.	T



For May 2020 examinations

True or False Quiz 8

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. <i>PST</i> offers supermarkets such as Presto one-month credit.	
2. <i>PST</i> uses modern on-board equipment which reduces the need for repairs.	
3. One of Tapio's ideas for <i>PST</i> 's growth is open its own fish shops.	
4. About 3% of the trawler crew at <i>PST</i> are females.	
5. The weather and season are factors affecting the market price of fish.	
6. <i>PST</i> has installed the latest satellite technology on its trawlers.	
7. The main items of expenditure for <i>PST</i> are fuel, salaries and rents.	
8. Tapio encourages new ideas and alternative ways of working in <i>PST</i> 's office and warehouse.	
9. Pekka is concerned about the additional costs of hiring more women at <i>PST</i> .	
10. Only 5% of the trawler crew members in Finland are female.	
11. Crew members receive generous bonuses for good catches.	
12. Tapio is very strict and rigorous in her approach to managing <i>PST</i> .	
13. Teamwork is particularly important for <i>PST</i> 's crews when they are at sea.	



For May 2020 examinations

True or False Quiz 8 – Answers

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. <i>PST</i> offers supermarkets such as Presto one-month credit. They have 90 days' credit	F
2. <i>PST</i> uses modern on-board equipment which reduces the need for repairs.	T
3. One of Tapio's ideas for <i>PST</i> 's growth is open its own fish shops.	T
4. About 3% of the trawler crew at <i>PST</i> are females. It is currently an all-male crew	F
5. The weather and season are factors affecting the market price of fish.	T
6. <i>PST</i> has installed the latest satellite technology on its trawlers.	T
7. The main items of expenditure for <i>PST</i> are fuel, salaries and rents.	T
8. Tapio encourages new ideas and alternative ways of working in <i>PST</i> 's office and warehouse.	T
9. Pekka is concerned about the additional costs of hiring more women at <i>PST</i> . Tapio is concerned, not Pekka	F
10. Only 5% of the trawler crew members in Finland are female. It is about 3%	F
11. Crew members receive generous bonuses for good catches.	T
12. Tapio is very strict and rigorous in her approach to managing <i>PST</i> . Pekka, not Tapio	F
13. Teamwork is particularly important for <i>PST</i> 's crews when they are at sea.	T



For May 2020 examinations

True or False Quiz 9

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. Tapio's team carry out administrative tasks and manage subcontractors.	
2. Crew members working on the trawlers only receive on-the-job training.	
3. <i>PST</i> pays good salaries to its crew members.	
4. It takes up to six months to service each of the trawlers.	
5. Most of the trawler crew members are male.	
6. There is high labour turnover in the trawling industry due to the unstable nature of the industry.	
7. Pekka has a clear command structure for all fishing operations.	
8. <i>PST</i> only sells its fish to other businesses such as hotels, restaurants, fish shops, and supermarkets.	
9. <i>PST</i> pays its rent one month in advance.	
10. <i>PST's</i> fish are generally sold at a premium price.	
11. <i>PST</i> is able to send detailed information automatically to the government.	
12. Tapio wants to buy updated and larger trawlers.	
13. <i>PST</i> became a private limited company in 2010.	



For May 2020 examinations

True or False Quiz 9 – Answers

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. Tapio's team carry out administrative tasks and manage subcontractors.	T
2. Crew members working on the trawlers only receive on-the-job training. They get induction training and of-the-job training too (at the local college)	F
3. PST pays good salaries to its crew members.	T
4. It takes up to six months to service each of the trawlers. One month (a trawler is serviced every six months, so each trawler is serviced once in 18 months)	F
5. Most of the trawler crew members are male.	T
6. There is high labour turnover in the trawling industry due to the unstable nature of the industry. There is low labour turnover (and certainly at PST due to the good salaries and loyal employees)	F
7. Pekka has a clear command structure for all fishing operations.	T
8. PST only sells its fish to other businesses such as hotels, restaurants, fish shops, and supermarkets. It also sells to local residents	F
9. PST pays its rent one month in advance.	T
10. PST's fish are generally sold at a premium price.	T
11. PST is able to send detailed information automatically to the government.	T
12. Tapio wants to buy updated and larger trawlers. Pekka wants to do this	F
13. PST became a private limited company in 2010.	T



For May 2020 examinations

True or False Quiz 10

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. Pekka and Tapio's parents are called Shae and Patsy.	
2. Tapio is very particular about complying with government regulations and fishing quotas.	
3. Some of <i>PST</i> 's human resource and accounting functions are outsourced.	
4. Boats were getting more expensive in the market.	
5. There is a friendly working environment at <i>PST</i> .	
6. Tapio is responsible for marketing, finance and administration.	
7. Fishing is Finland's largest industry.	
8. The trawlers are taken out for servicing every six months.	
9. It is expected that Finland's new trade arrangements with other countries will make selling overseas easier for fishing businesses.	
10. Fuel and salaries are paid at the end of each month.	
11. The latest technologies enable <i>PST</i> to maintain detailed and accurate records about catches.	
12. <i>PST</i> sells its fish to Presto at different prices depending on the weather and season which affect its catches.	
13. Technology businesses are paying higher and more stable wages.	
14. Governments are increasing restrictions on the size and types of fish that can be caught.	



For May 2020 examinations

True or False Quiz 10 (Answers)

Answer true or false to each of the statements below from the *P&S Trawlers* case study.

	True or False?
1. Pekka and Tapio's parents are called Shae and Patsy.	T
2. Tapio is very particular about complying with government regulations and fishing quotas. Pekka, not Tapio	F
3. Some of <i>PST</i> 's human resource and accounting functions are outsourced.	T
4. Boats were getting more expensive in the market.	T
5. There is a friendly working environment at <i>PST</i> .	T
6. Tapio is responsible for marketing, finance and administration.	T
7. Fishing is Finland's largest industry.	T
8. The trawlers are taken out for servicing every six months.	T
9. It is expected that Finland's new trade arrangements with other countries will make selling overseas easier for fishing businesses. It will make selling overseas more difficult (due to a greater intensity of competition in the industry)	F
10. Fuel and salaries are paid at the end of each month.	T
11. The latest technologies enable <i>PST</i> to maintain detailed and accurate records about catches.	T
12. <i>PST</i> sells its fish to Presto at different prices depending on the weather and season which affect its catches. Sales to Presto are on a fixed contract which is generally lower than market prices	F
13. Technology businesses are paying higher and more stable wages.	T
14. Governments are increasing restrictions on the size and types of fish that can be caught.	T



For May 2020 examinations

Wordle Quiz 1

Identify the following key terms from the definitions given below.

Job rotation **Business**
Management **Overdraft**
Customers **Marketing strategy** **Supermarket**
European Union (EU)
Current assets

1. Management process of formulating a firm's marketing objectives and the activities to achieve these goals.
2. Process of planning, commanding, controlling, coordinating and organising human and capital resources to achieve organizational goals.
3. A regional trading bloc of 27 member states, and a total population of over 512 million people, operating without barriers to trade.
4. Decision-making organization involved in the production of goods and/or services to satisfy the needs or wants of their customers.
5. Switching employees between different duties in order to prevent boredom and dissatisfaction of doing repetitive tasks.
6. Individuals or organizations that purchase goods or services from a business. They are a key external stakeholder group of an organization.
7. Credit (loan) service that allows people to withdraw more money from their bank account than is available in the account.
8. Large retail establishment that sells a broad range of food and drink products and household goods such as detergents and personal hygiene products.
9. Items of value owned by a business, which are intended to be used within the current tax year, i.e. cash, stocks (inventory), and debtors.



For May 2020 examinations

Wordle Quiz 1 – Answers

Identify the following key terms from the definitions given below.

Job rotation **Business**
Management **Overdraft**
Customers **Marketing strategy** **Supermarket**
European Union (EU)
Current assets

1. Management process of formulating *PST*'s marketing objectives and the activities to achieve these goals. [Marketing strategy](#)
2. Process of planning, commanding, controlling, coordinating and organising human and capital resources to achieve *PST*'s goals. [Management](#)
3. A regional trading bloc of 27 member states, and a total population of over 512 million people, operating without barriers to trade. [European Union \(EU\)](#)
4. Decision-making organization involved in the production of goods and/or services to satisfy the needs or wants of their customers. [Business](#)
5. Switching employees between different duties in order to prevent boredom and dissatisfaction of doing repetitive tasks. [Job rotation](#)
6. Individuals or organizations that purchase goods or services from a business. They are a key external stakeholder group of an organization. [Customers](#)
7. Credit (loan) service that allows people and firms, such as *PST*, to withdraw more money from their bank account than is available in the account. [Overdraft](#)
8. Large retail establishment that sells a broad range of food and drink products and household goods such as detergents and personal hygiene products. [Supermarket](#)
9. Items of value owned by *PST*, which are intended to be used within the current tax year, i.e. cash, stocks (inventory), and debtors. [Current assets](#)



For May 2020 examinations

Wordle Quiz 2

Identify the following key terms from the definitions given below.



1. The total number of people employed by *P&S Trawlers*.
2. The surrounding physical environment and the conditions in which employees work, including processes, procedures and policies that shape the atmosphere of the workplace.
3. Measures the rate of change of human resources within an organization, per time period.
4. Formal deal between two or more countries to improve the international exchange of goods and services with each other.
5. Long-term tangible items owned by a business and used for its operations, e.g. *PST*'s office and warehouse.
6. Management process of identifying, anticipating and satisfying the requirements of customers, in a profitable way.
7. Individuals or other businesses to whom money is owed, such as trade creditors or providers of short-term loans.
8. A key business function, which involves all aspects of finance in an organization, such as preparing financial reports and final accounts.
9. Pricing strategy used to sell a product at a high price due to the perceived high-quality of the product in the minds of consumers.



For May 2020 examinations

Wordle Quiz 2 – Answers

Identify the following key terms from the definitions given below.



1. The total number of people employed by *P&S Trawlers*. [Workforce](#)
2. The surrounding physical environment and the conditions in which employees work, including processes, procedures and policies that shape the atmosphere of the workplace. [Working environment](#)
3. Measures the rate of change of human resources within an organization, per time period. [Labour turnover](#)
4. Formal deal between two or more countries to improve the international exchange of goods and services with each other. [Trade agreements](#)
5. Long-term tangible items owned by a business and used for its operations, e.g. *PST*'s office and warehouse. [Fixed assets](#)
6. Management process of identifying, anticipating and satisfying the requirements of customers, in a profitable way. [Marketing](#)
7. Individuals or other businesses to whom money is owed, such as trade creditors or providers of short-term loans. [Creditors](#)
8. A key business function, which involves all aspects of finance in an organization, such as preparing financial reports and final accounts. [Accounting](#)
9. Pricing strategy used to sell a product at a high price due to the perceived high-quality of the product in the minds of consumers. [Premium price](#)



For May 2020 examinations

Wordle Quiz 3

Identify the following key terms from the definitions given below.

Intangible assets

Outsourcing Partnership

Financial performance

Induction training

Employees

Competition

Net profit margin Mentoring

1. A business organization co-owned by at least two owners, with limited liability.
2. This refers to the financial health (such as its liquidity) or financial performance (such as its gross profit margin) of a business.
3. An internal stakeholder, these are the people who work for *PST*.
4. The rivalry within a market or industry, usually based on price and/or quality.
5. The practice of using an external firm to provide certain aspects of the organization's operations instead of doing these functions internally.
6. Non-physical items owned by a business that have monetary value, e.g. a well-established brand names and the goodwill of customers.
7. A form of training, specifically for new staff to help acquaint them with the policies, processes and physical environment of the organization.
8. Form of training to help others to develop in their careers, involving a more experienced, skilled or knowledgeable person as the guide or advisor.
9. A profitability ratio that measures the proportion of net profit generated from the sales revenue of a business.



For May 2020 examinations

Wordle Quiz 3 – Answers

Identify the following key terms from the definitions given below.

Intangible assets

Outsourcing Partnership

Financial performance

Induction training

Employees

Competition

Net profit margin Mentoring

1. A business organization co-owned by at least two owners, with limited liability. [Partnership](#)
2. This refers to the financial health (such as its liquidity) or financial performance (such as its gross profit margin) of a business. [Financial performance](#)
3. An internal stakeholder, these are the people who work for *PST*. [Employees](#)
4. The rivalry within a market or industry, usually based on price and/or quality. [Competition](#)
5. The practice of using an external firm to provide certain aspects of the organization's operations instead of doing these functions internally. [Outsourcing](#)
6. Non-physical items owned by a business that have monetary value, e.g. a well-established brand names and the goodwill of customers. [Intangible assets](#)
7. A form of training, specifically for new staff to help acquaint them with the policies, processes and physical environment of the organization. [Induction training](#)
8. Form of training to help others to develop in their careers, involving a more experienced, skilled or knowledgeable person as the guide or advisor. [Mentoring](#)
9. A profitability ratio that measures the proportion of net profit generated from the sales revenue of a business. [Net profit margin](#)



For May 2020 examinations

Wordle Quiz 4

Identify the following key terms from the definitions given below.



1. The degree of affiliation and connections with other people in the workplace.
2. The total amount of money earned from the sales of a good or service over a period of time.
3. Encompasses several roles which include planning, commanding, controlling, coordinating and organising human and capital resources to achieve organizational goals.
4. Short-term financial obligations of a firm, owed to others and repayable within the current tax year, e.g. overdrafts, creditors and short-term loans.
5. The number of days that a customer is given before having to pay an invoice (unpaid bill).
6. Laws that prevent employees from being discriminated on the grounds of gender, race, religion or marital status.
7. The business of people travelling to places outside of their normal environment for the purpose of leisure and pleasure.
8. The monetary health/performance of a business.
9. The ability of an economy to maintain the use of its renewable and non-renewable resources for future generations.



For May 2020 examinations

Wordle Quiz 4 – Answers

Identify the following key terms from the definitions given below.



1. The degree of affiliation and connections with other people in the workplace. [Working relationships](#)
2. The total amount of money earned from the sales of a good or service over a period of time. [Sales revenue](#)
3. Encompasses several roles which include planning, commanding, controlling, coordinating and organising human and capital resources to achieve organizational goals. [Management](#)
4. Short-term financial obligations of a firm, owed to others and repayable within the current tax year, e.g. overdrafts, creditors and short-term loans. [Current liabilities](#)
5. The number of days that a customer is given before having to pay an invoice (unpaid bill). [Credit period](#)
6. Laws that prevent employees from being discriminated on the grounds of gender, race, religion or marital status. [Equal opportunities legislation](#)
7. The business of people travelling to places outside of their normal environment for the purpose of leisure and pleasure. [Tourism](#)
8. The monetary health/performance of a business. [Financial position](#)
9. The ability of an economy to maintain the use of its renewable and non-renewable resources for future generations. [Environmental sustainability](#)



For May 2020 examinations

Wordle Quiz 5

Identify the following key terms from the definitions given below.

Private Limited Company

Outage costs

Subcontractors

Quotas

Market prices

Market uncertainties

Company shares

Regulation

Trade agreements

1. A quantitative limit on the volume of a good or service that can be traded.
2. A formal deal between two or more countries to improve the terms and conditions of international trade and exchange.
3. The value of goods or services dependent on the market forces of demand for and supply of the products.
4. The compulsory rules or directives set and monitored by the government that must be followed by businesses operating in the country.
5. A third-party individual or firm hired by the main contractor (freelancer) of a project to help complete a project.
6. Costs associated with void periods of production, perhaps due to mechanical breakdowns.
7. Any situation with a lack of certainty or confidence as the firm cannot control or accurately predict the outcome of its actions.
8. Units of ownership in a company, the total of which represents the total capital of a business.
9. An incorporated business owned by shareholders, but the shares of which cannot be bought by or sold on a public stock exchange.



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Wordle Quiz 5 – Answers

Identify the following key terms from the definitions given below.

Private Limited Company

Outage costs

Subcontractors

Quotas

Market prices

Market uncertainties

Company shares

Regulation

Trade agreements

1. A quantitative limit on the volume of a good or service that can be traded. [Quota](#)
2. A formal deal between two or more countries to improve the terms and conditions of international trade and exchange. [Trade agreements](#)
3. The value of goods or services dependent on the market forces of demand for and supply of the products. [Market prices](#)
4. The compulsory rules or directives set and monitored by the government that must be followed by businesses operating in the country. [Regulation](#)
5. A third-party individual or firm hired by the main contractor (freelancer) of a project to help complete a project. [Subcontractors](#)
6. Costs associated with void periods of production, perhaps due to mechanical breakdowns. [Outage costs](#)
7. Any situation with a lack of certainty or confidence as the firm cannot control or accurately predict the outcome of its actions. [Market uncertainties](#)
8. Units of ownership in a company, the total of which represents the total capital of a business. [Company shares](#)
9. An incorporated business owned by shareholders, but the shares of which cannot be bought by or sold on a public stock exchange. [Private limited company](#)



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Complete the following A-Z quiz to check your comprehension of the *PST* case study.

	Clue	Answer
A	The published accounts or financial statements of a company.	
B	Financial rewards that are paid to staff who reach or exceed performance targets.	
C	Describes the rivalry within an industry.	
D	Growth strategy of expanding into new products and markets.	
E	Policy of not discriminating individuals in the workplace, i.e. workers have a right to the same employment prospects.	
F	Country in which <i>PST</i> operates.	
G	External stakeholder that regulates the Finnish fishing industry.	
H	The personnel or employees of an organization.	
I	Training for new staff to acquaint them with the organization.	
J	Switching employees between different duties in a job.	
K	Record ... is an administration task at <i>PST</i> managed by Tapio.	
L	$(\text{Total staff leaving the firm} / \text{Average number of staff}) \times 100$	
M	Marketing goals and activities to increase sales and to achieve a sustainable competitive advantage	
N	A profitability ratio that measures the proportion of net profit generated from the firm's sales revenue.	
O	Depleting fish stocks at a rate that prevents replenishment.	
P	Incorporated firm owned by shareholders who have limited liability but cannot trade the shares on a public stock exchange.	
Q	Quantitative limit on the amount of a product that can be traded.	
R	Payments for the use of property or premises belonging to someone else.	
S	Third-party entity hired by the main contractor of a project to help complete the project in a timely and cost effective way.	
T	Form of non-financial reward, allowing employees the chance to work with fellow colleagues to achieve organizational goals.	
U	<i>PST's</i> future is very ... due to changes in the fishing industry.	
V	Damaged nets cost <i>PST</i> ... fishing time due to repairs.	
W	large commercial building used by businesses for storing their manufactured goods.	
X	Long-term tangible items owned by a firm and used in the production process, e.g. buildings, equipment, and vehicles.	
Y	Name of Pekka and Tapio's mother: _ _ _ _ y.	
Z	What <i>PST</i> does with some of the fish once the trawlers return to port: _ _ _ _ z _.	



Answers

	Clue	Answer
A	The published accounts or financial statements of a company.	Accounts
B	Financial rewards that are paid to staff who reach or exceed performance targets.	Bonuses
C	Describes the rivalry within an industry.	Competition
D	Growth strategy of expanding into new products and markets.	Diversify
E	Policy of not discriminating individuals in the workplace, i.e. workers have a right to the same employment prospects.	Equal opportunities
F	Country in which <i>PST</i> operates.	Finland
G	External stakeholder that regulates the Finnish fishing industry.	Government
H	The personnel or employees of an organization.	Human resources
I	Training for new staff to acquaint them with the organization.	Induction
J	Switching employees between different duties in a job.	Job rotation
K	Record ... is an administration task at <i>PST</i> managed by Tapio.	Keeping
L	$(\text{Total staff leaving the firm} / \text{Average number of staff}) \times 100$	Labour turnover
M	Marketing goals and activities to increase sales and to achieve a sustainable competitive advantage	Marketing strategy
N	A profitability ratio that measures the proportion of net profit generated from the firm's sales revenue.	Net profit margin
O	Depleting fish stocks at a rate that prevents replenishment.	Overfishing
P	Incorporated firm owned by shareholders who have limited liability but cannot trade the shares on a public stock exchange.	Private limited company
Q	Quantitative limit on the amount of a product that can be traded.	Quota
R	Payments for the use of property or premises belonging to someone else.	Rents
S	Third-party entity hired by the main contractor of a project to help complete the project in a timely and cost effective way.	Subcontractors
T	Form of non-financial reward, allowing employees the chance to work with fellow colleagues to achieve organizational goals.	Teamwork
U	<i>PST's</i> future is very ... due to changes in the fishing industry.	Uncertain
V	Damaged nets cost <i>PST</i> ... fishing time due to repairs.	Valuable
W	large commercial building used by businesses for storing their manufactured goods.	Warehouse
X	Long-term tangible items owned by a firm and used in the production process, e.g. buildings, equipment, and vehicles.	Fixed assets
Y	Name of Pekka and Tapio's mother: _ _ _ _ y.	Patsy
Z	What <i>PST</i> does with some of the fish once the trawlers return to port: _ _ _ _ z _.	Freeze

SWOT Analysis – P&S Trawlers

Strengths

Weaknesses

Opportunities

Threats



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SWOT Analysis for P&S Trawlers

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 as **opportunities** or **threats**, as outlined in the case study. Additional sources have been incorporated into this SWOT analysis to add context to the *P&S Trawlers* case study.

Strengths

- *PST* is a well-established business, having been run as a family business for many generations. This means the business is likely to have very loyal customers, in addition to its loyal workforce of 40 people.
- As a family business, the owners are highly dedicated to make *PST* survive and grow. Both Pekka and Tapio are very ‘hands-on’ (involved) in the business, such as Pekka taking responsibility for all activities relating to *PST*’s trawlers and crews and Tapio being responsible for all other areas of the business. The Heikki family is also determined to overcome the challenges that the business faces.
- Decision making can be prompt and decisive as the shares in the company are owned entirely by the Heikki family (Pekka and Tapio each with 40%, and the remaining 20% owned by their parents, Shae and Patsy).
- As a private limited company since 2010, the owners benefit from limited liability. This helps to reduce their exposure to business risks, especially as the owners are not held personally liable if things go wrong for the business. This is particularly important to the Heikki family due to the increase uncertainties in the market and greater government regulation of the industry.
- *PST* is a socially responsible business, as it has always fished responsibly, with the intention of preserving fish stocks for future generations. Hence, the company is likely to have a good reputation and appeal to customers who are concerned with environmental protection and resource preservation.
- The Heikki family are careful with their money, which has helped *PST* to survive threats in the past. This experience, and commitment mean the business is more resilient and able to deal with problems or crises in the future.
- The workforce is loyal and hard working. There is also a low labour turnover rate. This helps to reduce costs of recruitment and induction training. It is also indicative of the workers being content/motivated, which improves labour productivity at *PST*.



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- *PST* uses the latest technology, including new satellites installed on their trawlers. This helps to improve many aspects of its operations, such as improved productivity and improved navigation and therefore better chances of good catches. The improved materials for its fishing nets and the modern on-board equipment have reduced *PST*'s need for repairs helped to reduce lost fishing time due to repair works.
- There is a friendly working environment at *PST*. This is likely to have contributed to the firm's high quality output and low level of staff turnover, as well as the emphasis on teamwork.
- Similarly, Pekka has an excellent working relationship with the crews who work on the trawlers. This helps to keep them motivated, productive and loyal to *PST*.
- Tapio also has a very good working relationship with her staff. There is encouragement of new ideas and alternative ways of working in the office and warehouse. She delegates tasks whenever opportunities arise and encourages job rotation. These strategies can help to improve the degree of staff morale, motivation, loyalty and productivity.
- Crew members working on the trawlers receive good salaries. They also receive generous bonuses for good catches. This helps to meet both their physiological and security needs.
- *PST* provides both on-the-job and of-the-job training, such as training sessions on board the trawlers to update the crews' skills and annual training for health and safety and safeguarding at a local college. New staff also receive extensive induction training. Trawler captains are mentored by Pekka. All of this helps to ensure staff are safe, confident and productive in their different roles.
- *PST* takes health and safety very seriously. Pekka is strict with all operations that he is responsible for. The trawlers are also regularly serviced to ensure they remain reliable (and last longer). All of this helps to reassure workers and customers, and prevents possible damage to the firm's reputation for safety.
- *PST*'s fish is of very high quality. This helps to make the company more competitive and can give it a distinctive selling point.
- *PST*'s fish is generally sold at a premium price. This improves its profit margin (unit contribution).



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Weaknesses

- As Pekka and Tapio each own 40% of the shares in *PST*, it can be difficult to resolve any disputes should these arise. Disagreements between family members are more intense and have longer and broader implications than if the business was not a family-owned organization.
- Although there is some division of labour at *PST* (with a workforce of 40 people), Pekka and Tapio share full responsibility for all business activities. This could be burdensome for the siblings, as the scope of their workload and responsibility is very broad. For example, Tapio is in charge of marketing, finance and administration.
- Every six months, one of the trawlers is out of operation for a whole month. Whilst this is to ensure the trawlers remain reliable, there is a void period of up to 31 days when fish are not being caught yet the crew members received salaries (fixed income). This can be detrimental to *PST's* cash flow and liquidity.
- There are very few opportunities for women to work on trawlers. Currently, no female workers are part of the trawler crew (the industry average is about 3% in Finland and the European Union). This could be damaging to its corporate image, especially as all aspects of employment are covered by equal opportunities legislation in Finland.
- Despite being able to sell its fish to hotels, restaurants, fish shops, local residents and *Presto*, *P&S Trawlers* only has a single revenue stream (from selling fish to its various customers). This can put *PST* in a vulnerable position especially as adverse and unpredictable weather conditions will affect its fish catch.
- *PST* is very proactive in customer retention. It is in regular contact with the hotels, restaurants and fish shops as part of its customer relations management.
- *PST* sells its fish to *Presto* supermarkets on 90 days credit at lower prices than market prices. This potentially harms *PST's* cash flow and profit margins especially as other corporate customers (restaurants, hotels and fish shops) only receive one month's credit.
- *PST's* liquidity position is poor. This can be seen in Appendix 1, with the current ratio falling from 2.5 (2018) to a projected 0.75 (2020). This means that the company does not have sufficient liquidity as the ratio of current assets to current liabilities is below 1. It is even worse when considering the acid test ratio – if *PST* is unable to sell some of its fish stocks for whatever reason, the ratio drops from 1.5 (2018) to just 0.38 (the forecast in 2020).



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Opportunities

- Finland has a long tradition of commercial fishing, which is the country's largest industry. Fishing exports are vital to the Finnish economy, given the country exports large quantities of fish each year. Hence, this cultural and economic aspect of the country will provide *PST* with viable business opportunities in the future.
- There may be opportunities for *PST* to diversify into the tourism industry, Finland's second largest industry. This might include opportunities for tourists to go sightseeing on *PST*'s trawlers.
- More people are switching from eating meat to eating fish, which creates more commercial opportunities for the fishing industry. This can help *PST* to survive in the future.
- The Finnish government is supportive of socially responsible and ethically managed fishing businesses, such as the provision of subsidies and/or tax concessions. This can help reduce the costs of production for *PST*, reducing the burden and challenges that the company faces.
- There may be opportunities for *PST* to use alternative suppliers to improve its operations. It is particularly important for Pekka to find alternative or additional suppliers for the replacement of broken or worn mechanical parts so that the trawlers do not have a void period of up to two weeks. This will help to improve the efficiency and profitability at *PST*.
- There are opportunities for *PST* to bring in greater diversity in its workforce on the trawlers. Hiring more women on board can also help to further improve its corporate image. Currently, only about 3% of trawler crew workers in Finland and the European Union are females. *PST* does not currently have any females working on the trawlers.
- There are diversification growth opportunities for *PST*, such as opening their own fish retail shops, offering services and facilities to other fishing businesses, and finding alternative uses for the trawlers. Entering new markets in these ways can increase the customer base for *PST*, especially as new trade arrangements between countries will make it more difficult for the company to sell fish in overseas markets.



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Threats

- Business can be volatile, meaning that *PST* is not always able to get good catches of fish or to receive strong market prices. There have been times when the company has struggled due to external threats beyond its control, such as the terrible storm that sank one of *PST*'s trawlers five years ago.
- There are greater risks of operating in the industry, due to changes in the external business environment such as more expensive trawlers/boats, concerns about overfishing, and greater government regulation of the fishing industry.
- The government is very concerned about environmental sustainability, so there is growing degree of government regulation in the fishing industry can create many issues for *PST*. For example, fishing quotas and the need to maintain more detailed and accurate records about catches can reduce the firm's profitability yet increase the time needed to address these bureaucratic directives. Hence, *PST* has a very uncertain future.
- The fishing quotas imposed by the government limits the amount of fish (as measured by the weight of the catch) that *PST* and other fishing businesses are able to catch. The strict quotas on fish catches are closely monitored by using the improved technologies installed on the fishing trawlers. Future restrictions and stricter quotas are likely to restrict *PST*'s profits even further.
- The Finnish government is also increasingly imposing limits on the size and types of fish that can be caught. This can threaten the profitability of *PST* in the future.
- Finland's best fishing waters are far away, so this creates potential problems and higher production costs for *PST*. For example, trawlers are often out at sea for several days, and adverse weather can make operations even more challenging. The crew expect time off between trips, which can also disrupt *PST*'s operations.
- Adverse and volatile weather conditions can be particularly damaging to *PST*'s operations and profitability due to lost valuable fishing time. In particular, it makes scheduling trawlers and crews difficult because of the unpredictable nature of events. Market prices of fish are also dependent on the weather, so will affect *PST*'s cash flow and profit margins.
- The company is reliant on suppliers of replacement parts and components for its trawlers, yet it can take up to two weeks for a broken or worn mechanical part to be delivered. This prevents the trawler and its crew members going out to sea, thereby jeopardizing *PST*'s sales and profits.



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- Foreign competition has intensified due to the recent trade agreements between the Finland government and other countries. The trade agreements allow foreign trawlers to catch more fish than previously allowed, limiting how much fish *PST* can catch. This threat is intensified by the fact that some foreign trawlers overfish, even though this is illegal.
- Market prices are also falling due to the intensity of foreign competition. The large catches of foreign trawlers increase the supply of fish on the market, thereby causing a fall in their market price. It also reduces the amount that *PST* can catch. This is likely to reduce *PST*'s ability to earn a reasonable income and threaten its profit margins and long-term profitability.
- A major cause of higher wages in Finland is the growing presence of the many technology businesses relocating to Finland. This raises the general price level and overall cost of living, so may threaten the survival of many small fishing businesses, which could include *PST*.
- Over-reliance on external contractors and subcontractors can cause problems for *PST*. For example, subcontractors are used to service the trawlers, transport the fish to markets and provide fuel. Should relationships with any of these suppliers be compromised, *PST* could be left in a very vulnerable situation given that some of its human resources and accounting functions are outsourced.
- The political and legal environment can increase bureaucracy and costs for *PST*, such as compliance with rigorous health and safety laws, government regulations and quotas, and the need for accurate record-keeping of the fish caught.
- Should *PST* want to pursue greater diversity of the crew members who work on the trawlers, this could bring about significant increases in its production costs, such as practical problems on board the trawlers, such as sleeping arrangements and toilet facilities for female workers.
- New trade arrangements between countries, such as agreements to prevent overfishing, will make selling fish overseas more difficult for *PST*.

PEST Analysis – P&S Trawlers

Political factors

Economic factors

Social factors

Technological factors



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PEST Analysis for P&S Trawlers

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

Note: The IB Business Management syllabus refers to STEEPLE analysis (social, technological, economic, environmental, political, legal and ethical). To simplify things in this analysis, 'environmental' and 'ethical' factors are covered under the section about 'social' factors, and the 'legal' issues are covered under the section on 'political' factors. Additional information about Finland has been included in this analysis (see *Fact Sheet* for further information and references).

Political factors and considerations (including legal factors)

- The Finnish government is supportive of socially responsible and ethically managed fishing businesses, such as the provision of subsidies and/or tax concessions. In particular, the government provides support for ethically managed businesses in the fisheries industry for development and investment projects. This can help reduce the costs of production for *PST*, reducing the burden of the challenges the company faces.
- However, there are greater risks of operating in the industry due to the government's concerns about overfishing, and hence the increased regulation of the commercial fishing industry. For example, fishing quotas and the need to maintain more detailed and accurate records about catches can increase *PST*'s costs so reduce its profitability, yet increases the time needed to address these bureaucratic directives. Hence, *PST* has a very uncertain future.
- The fishing quotas imposed by the government limits the amount of fish that *PST* and other fishing businesses are able to catch (as measured by the weight of the catch). The strict quotas on fish catches are closely monitored by using the improved technologies installed on the fishing trawlers. Future restrictions and stricter quotas are likely to restrict *PST*'s profits even further.
- The Finnish government is also increasingly imposing limits on the size and types of fish that can be caught. The Finnish Fishing Act and the EU's Common Fisheries Policy (CFP) aim to ensure the sustainability of fish stocks. These laws regulate commercial fishing at sea. For example, there strict restrictions on salmon fishing and the commercial fishing of Baltic herring and Baltic sprat (local fish species found in the Baltic Sea).



Political factors and considerations (including legal factors) continued...

- The EU's CFP also stipulates that requirements for the conservation of marine biodiversity and the sustainable exploitation of fish stock. These strict regulations can threaten the profitability of *PST* in the future. Whilst this may have led some foreign fishing businesses to overfish illegally, it is unlikely *PST* would do so because it has always fished responsibly, aiming to preserve fish stocks for future generations. Nevertheless, this political/legal factor will make it ever more challenging for *PST* to compete in the industry.
- The political and legal environment can also increase bureaucracy and costs for *PST*, such as policies and procedures needed to comply with rigorous health and safety laws, government regulations and quotas, and the need for accurate record-keeping of the fish caught.
- Foreign competition has intensified due to the recent trade agreements between the Finland government and other countries. The trade agreements allow foreign trawlers to catch more fish than previously allowed, limiting how much fish *PST* can catch, especially as some foreign trawlers overfish, even though this is illegal.

Economic factors and considerations

- Fishing exports are vital to the Finnish economy, given the country exports large quantities of fish each year. Hence, the government will want to support the industry to safeguard employment and economic growth of the country.
- There may be opportunities for *PST* to use alternative suppliers to improve its operations. It is particularly important for Pekka to find alternative or additional suppliers for the replacement of broken or worn mechanical parts so that the trawlers do not have a void period (and outage costs) of up to two weeks. This will help to improve the efficiency and profitability at *PST*.
- There are opportunities for *PST* to bring in greater diversity to its workforce, especially those working on the fishing trawlers. Hiring more women on board can also help to further improve *PST*'s corporate image thereby helping to improve its sales revenue; *PST* does not currently have any females working on the trawlers. At Present, only about 3% of trawler crew workers in Finland and the European Union are females.



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Economic factors and considerations (continued...)

- There are also diversification growth opportunities for *PST*, such as:
 - opening *PST*'s own fish retail shops
 - offering services and facilities to other fishing businesses (B2B or business to business opportunities), and
 - finding alternative uses for the three existing trawlers, such as tourism (boating trips along Finland's coastline, for example)
- Entering new markets (through diversification opportunities) can increase *PST*'s customer base, especially as new trade arrangements between countries will make it more difficult for the company to sell fish in overseas markets.
- However, business can be volatile, meaning that *PST* is not always able to get good catches of fish or to receive strong market prices. Hence, this will harm its profits (income) and chances of business survival.
- There are also greater risks of operating in the commercial fishing industry due to changes in the external business environment such as more expensive trawlers/boats and the cost of upgrading equipment and technologies on the fishing vessels.
- Finland's best fishing waters are far away, so this creates potential problems and higher operational costs for *PST*. For example, trawlers are often out at sea for several days, and adverse weather can make operations even more challenging. The crew expect time off between trips, which can also disrupt *PST*'s operations. The crew members are paid good salaries (a fixed cost for *PST*, even during void periods when the fishermen cannot go out to sea due to adverse weather conditions).
- Market prices of fish products are also falling due to the intensity of foreign competition. The large catches of foreign trawlers increase the supply of fish on the market, thereby causing a fall in their market price. It also reduces the amount that *PST* can catch. This is likely to reduce *PST*'s ability to earn a reasonable income and threaten its profit margins and long-term profitability.



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Social factors and considerations (including environmental and ethical factors)

- Finland has a long tradition of commercial fishing, which (according to the case study) is the country's largest industry. Hence, this cultural aspect of the country will provide *PST* with viable business opportunities in the future.
- Tourism is a very important industry for Finland. There may be opportunities for *PST* to diversify into the tourism industry, Finland's second largest industry. This might include opportunities for tourists to go sightseeing on *PST*'s trawlers (Tapio is considering alternative uses for the trawlers).
- More people in society are switching from eating meat to eating fish, which creates more commercial opportunities for the fishing industry. This can help *PST* to survive in the future.
- External factors such as adverse weather conditions have a significant impact on *PST*. There have been times when the company has struggled due to external threats beyond its control, such as the terrible storm that sank one of *PST*'s trawlers five years ago.
- Adverse and volatile weather conditions can be particularly damaging to *PST*'s operations, cash flow, liquidity and profitability due to lost valuable fishing time. In particular, it makes scheduling trawlers and crews difficult because of the unpredictable nature of events. This costs time and money but does not bring in any revenue (income) for *PST*.
- Market prices of fish are also dependent on the weather/ecological factors, so will affect *PST*'s cash flow and profit margins.
- Finland's population of 5.5 million people is relatively small for the European Union (EU), which has a total population of around 495 million. *PST* may need to expand its markets and customer base in order to survive. Germany, with 80.4 million people, has the largest population in the EU. Most of Finland's exports are to Germany, Russia, Sweden, China, the USA, and the UK.
- It gets very cold in the winter months, with average temperatures in Helsinki (the capital city) being -5 degrees Celsius. The coldest temperature on record is -51.5 degrees Celsius! This makes fishing extremely challenging and dangerous.
- Finnish economists expect GDP to grow a rate of between 2% to 3% in the next few years.



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Technological factors and considerations

- A major cause of higher wages in Finland is the growing presence of the many technology businesses relocating to Finland. This raises the general price level and overall cost of living, so may threaten the survival of many small fishing businesses, including *PST*.
- Continued technological progress can create opportunities and threats for *PST*. For example, further improvements in satellite technologies on fishing vessels / trawlers enable better monitoring of fish shoals, improving navigation and a higher chance of good fish catches. As *PST* uses the latest technologies in the industry, this enable the company to maintain more detailed and accurate records about fish catches and allows it to send this information automatically to the government (for monitoring purposes).
- Training, both in terms of scheduling (time) and budgets, need to be considered so that *PST*'s employees are routinely upskilled with the latest technological developments in the industry.



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Exam-style questions – Worksheet 1

To help prepare for the final examination questions, answer the following questions based on the *P&S Trawlers* case study.

1. *PST* was originally set up as a partnership (line 9). State **two** features of a partnership. [2]

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.....
.....
.....

2. Explain **two** key functions of management (line 58). [2]

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.....
.....

3. Explain **two** reasons why the Heikki family may have decided to set up a business. [4]

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4. Explain the importance of the human resource function (lines 49 – 50) for *PST*. [4]

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5. In the context of *PST*, explain the difference between a *shareholder* and a *stakeholder*. [4]

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.....



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Exam-style Questions – Worksheet 1 (Answers)

1. *PST* was originally set up as a partnership (line 9). State **two** features of a partnership. [2]

Award 1 mark for each relevant feature, up to 2 marks:

- A business organization owned by 2 to 20 owners (members of the Heikki family).
- The partners share the set-up costs, risks and any profits earned.
- The partners have unlimited liability.
- Established as an unincorporated business, with no legal separation between the owners (the Heikki family) and the business entity (*PST*).

2. Explain **two** key functions of management (line 58). [2]

Award 1 mark for each relevant feature, and 1 mark for the explanation:

- Setting organizational objectives, such as ethical objectives or growth targets.
- Organizational planning, such as the scheduling of trawler crews.
- Managing human and physical resources to meet organizational objectives.
- Directing and motivating staff, such as mentoring of the trawler captains.
- Coordinating operational activities.
- Controlling and measuring performance, including labour productivity and financial performance of the firm.

3. Explain **two** reasons why the Heikki family may have decided to set up a business. [4]

Possible reasons could include (mark as 2 + 2):

- To enable the Heikki family to be more self-reliant and financially independent.
- To gain economic security due to the potential to earn high profits as business owners.
- The possibility of earning more than working for someone else.
- The desire to be independent (to be your own boss).
- To pursue personal interests, experience and skills (given that Finland relies heavily of fishing).
- To achieve a greater sense of purpose and achievement.

4. Explain the importance of the human resource function (lines 49 – 50) for *PST*. [4]

Possible responses include (mark as a 2 + 2):

- The need to recruit, train, develop and retain employees to meet *PST*'s organizational goals.
- To improve staff motivation, morale, productivity and loyalty in the organization.
- To forecast *PST*'s current and future human resource needs, especially if the firm expands.
- It enables *PST* to plan ahead, such as identifying required skills and knowledge of the labour force, in order to help *PST* meet its strategic goals.

5. In the context of *PST*, explain the difference between a *shareholder* and a *stakeholder*. [4]

Possible explanations could include:

- Shareholders are the owners of a limited liability company. They own a 'share' or proportion of the business, along with the other owners.
- Stakeholders refer to individuals and/or other organizations with a vested interest in the operations of the business. Examples include shareholders, employees, suppliers, financiers, the government and the local community.
- Essentially, all shareholders are stakeholders, but not all stakeholders are shareholders.



For May 2020 examinations

Exam-style Questions – Worksheet 2

To help prepare for the final examination questions, answer the following questions based on the *P&S Trawlers* case study.

1. Define the term *premium price* (line 91). [2]

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2. Suggest **one** reason why Tapio is keen to generate new revenue streams for *PST*. [2]

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3. Describe the importance of any **two** external stakeholder groups of *PST*. [4]

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4. Explain **two** benefits for *PST* of selling high quality fish (line 91). [4]

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5. Pekka and Tapio are the largest shareholders of *PST*. Explain why they might be described as being entrepreneurs. [4]

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For May 2020 examinations

Exam-style Questions – Worksheet 2 (Answers)

1. Define the term *premium price* (line 91). [2]

This is a pricing strategy used to sell a product at a high price due to the perceived high-quality of the product in the minds of consumers. *PST*'s fish are of high quality, so are generally sold at a premium price.

2. Suggest **one** reason why Tapio is keen to generate new revenue streams for *PST*. [2]

- Increased sales revenue, beyond the sale of fish (which is an increasingly competitive industry), in order to earn more profit.
- To remain competitive, innovative and sustainable by securing new revenue streams, such as finding alternative uses for the trawlers (line 113)
- In order to deal with the changes and challenges in the industry, such as declining profit margins caused by intense competition from overseas fishing businesses.

3. Describe the importance of any **two** external stakeholder groups of *PST*. [4]

- Suppliers – the firms that supply *PST* with equipment such as fishing nets and mechanic parts (line 71) so that the trawlers can go out to sea.
- Customers – probably the most important stakeholder as they are vital for the survival of *PST*. These include hotels, restaurants, fish shops, local residents, overseas buyers, and *Presto*.
- Creditors and banks – likely to be important as *PST* receives trade credit and has overdrafts as sources of finance (Appendix 1).
- The Finnish government – a very important stakeholder as it regulates business activity, such as health and safety regulations, equal opportunities laws, and fishing quotas. It also administers taxes in the country.
- Local community – *PST* provides employment opportunities for 400 people, which can have a significant and positive impact on their families and the local community as a whole.
- Competitors, such as the foreign fishing businesses that compete with *PST*. They can create incentives for *PST* to actively retain customers (line 95).

Note: shareholders are internal stakeholders, so do not reward answers that refer to shareholders as external stakeholders, especially as this is a family-run business. Do not reward answers that mention stakeholders in general – instead, specific stakeholders need to be referred to.

4. Explain **two** benefits for *PST* of selling high quality fish (line 91). [4]

Award 1 mark for identifying each relevant benefit, and 1 mark for the explanation, such as:

- Quality can act as a competitive advantage or be a distinctive selling point for *PST*.
- Customers are more willing to buy *PST*'s fish due to its high quality, which can help to attract new customers and retain existing ones.
- It can prevent *PST* having to deal with liability issues associated with poor quality products, such as food poisoning from consuming substandard fish.
- It makes *PST* more competitive and able to compete in international markets.
- It enables premium prices to be charged, as customers may be more willing to pay higher prices for better quality products. This helps to increase *PST*'s profit margins.



For May 2020 examinations

5. Pekka and Tapio are partners of *PST*. Explain why they might be described as being entrepreneurs. [4]

Possible responses could include (mark as 2 + 2):

- An entrepreneur is someone who bears the financial risks of running and managing a business, such as *PST*. In particular, Pekka is careful and compliant with all aspects of health and safety regulations regarding his trawler crew members and their operations at sea.
- Entrepreneurs develop new ideas or find new ways of offering an existing product (such as the ideas being considered by Tapio to diversify *PST*).
- Entrepreneurs assume the financial risks and rewards of running the business, even if the owners have limited liability (because *PST* remains a family-owned business even as a private limited company).
- Entrepreneurs have responsibility for strategic decision making in the organization, such as growing the business (line 111).



For May 2020 examinations

Exam-style Questions – Worksheet 3

To help prepare for the final examination questions, answer the following questions based on the *P&S Trawlers* case study.

1. Define the term *outage costs* (line 66). [2]

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2. Identify **two** external stakeholders of *PST*. [2]

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3. Describe the nature of business activity in the primary sector in which *PST operates*. [2]

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4. Some of *PST's* human resource and accounting functions are outsourced (lines 49 – 50). Explain **two** benefits of outsourcing for *PST*. [4]

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5. In 2010, *PST* converted into a private limited company (lines 9 – 10). Outline **two** features of a private limited company as a form of business ownership. [4]

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For May 2020 examinations

Exam-style Questions – Worksheet 3 (Answers)

1. Define the term *outage costs* (line 66) [2]

These are costs associated with void periods of production, e.g. repairs to the trawlers and the loss of sales due to the trawler(s) being out of action.

2. Identify **two** external stakeholders of *PST*. [2]

Mark as 1 + 1:

- Suppliers of equipment, such as fishing nets (line 71) and mechanical parts (line 72)
- Customers, including hotels, restaurants, fish shops, local residents and *Presto*
- Agent, who helps *PST* sell its fish to overseas markets (line 90)
- The Finnish government (line 19)
- Competitors, including overseas fishing businesses (line 92).

3. Describe the nature of business activity in the primary sector (line 2). [2]

- Primary sector activities involve the extraction or harvesting of raw/natural resource, such as agriculture, mining and fishing.
- It is the predominant sector in developing (high-income) countries.

4. Some of *PST*'s human resource and accounting functions are outsourced (lines 49 – 50). Explain **two** benefits of outsourcing for *PST*. [4]

Possible benefits could include:

- Greater efficiency and productivity, as HR and accounting services are performed by established third-party specialists.
- Relatively lower wage costs from the outsourced firms providing these services.
- Capacity building – as Pekka and Tapio run the company together, they are unable to oversee every operation of the business. Hence, outsourcing helps to create capacity for them to focus on the most important aspects of the business.
- Helps *PST* to spread its risks, especially as it is new to the industry.

5. In 2010, *PST* converted into a private limited company (lines 9 – 10). Outline **two** features of a private limited company as a form of business ownership. [4]

Possible reasons include (mark as a 2 + 2):

- Shares in a private limited company such as *PST* cannot be bought by the general public, i.e. shares can only be sold with the approval of existing shareholders (the Heikki family).
- Shareholders have limited liability, i.e. the Heikki family cannot lose more than the value of their investment in the company, if *PST* defaults.
- As co-owners of the company, shareholders have voting rights based on the number of shares they own in *PST*. Both Pekka and Tapio own 40% each, with Patsy and Shae owning the remaining 20% (lines 14 – 15).
- The private limited company needs to prepare and publish its final accounts (experts of which are shown in Appendix 1) – this is a legal requirement and the accounts need to be checked and audited (approved) by an independent chartered accountant.
- *Accept any other valid feature of a private limited company, written in the context of the PST case study.*



For May 2020 examinations

Exam-style Questions – Worksheet 4

To help prepare for the final examination questions, answer the following questions based on the *P&S Trawlers* case study.

1. Define the term *net profit margin* (Appendix 1). [2]

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2. Outline **one** advantage and **one** disadvantage of Tapio’s management style (lines 84 – 87). [2]

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3. In the context of *PST*, describe the meaning of growth (line 111). [2]

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4. Explain **two** advantages of *PST* being a private limited company (line 10). [4]

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5. Explain the importance for *PST* of being an ethically managed business (line 41 – 42). [4]

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For May 2020 examinations

Exam-style Questions – Worksheet 4 (Answers)

1. Define the term *net profit margin* (Appendix 1). [2]

The NPM is a profitability ratio that measures the proportion of a firm's net profit generated from its sales revenue. *PST*'s forecast NPM for 2020 is only 8%, i.e. for every \$100 of sales, *PST* only earns \$8 of net profit (so the other \$92 is for its cost of sales and expenses).

2. Outline **one** advantage and **one** disadvantage of Tapio's management style (lines 84 – 87). [2]

Mark as 2 + 2.

Tapio's leadership style is democratic (and possibly *laissez faire* at times).

Possible advantages:

- Her team of staff in the various departments that she manages have more freedom and more input in the operations and decision-making of *PST*. As they have more involvement in *PST* and feel trusted by Tapio, they are more likely to remain loyal (line 37).
- Tapio's workers may have a greater sense of autonomy and purpose (Pink) in their work, which promotes new ideas and flexibility (lines 84 – 85) to keep *PST* competitive.

Possible disadvantages:

- Tapio's management style is a less disciplined and clear-cut than Pekka's management style, who is very rigorous and strict with all aspects of his areas of responsibility (line 58).
- A democratic or *laissez-faire* management style delays decisions because more people are involved in the discussions and decision-making process.
- Some workers, such as those working in the office preparing and paying invoices, may prefer clearer guidance/instructions from a paternalistic or autocratic manager instead.

3. In the context of *PST*, describe the meaning of growth (line 111). [2]

Growth is the expansion of *PST* as a business organization due to an increase in the size of its operations (such as using larger trawlers to catch fish) and/or expansion of the fishing industry (as more people switch to consuming fish products). It can be measured by an increase in *PST*'s sales revenue, the number of employees or the company's level of profits.

4. Explain **two** advantages of *PST* being a private limited company (line 10). [4]

Possible advantages could include (mark as 2 + 2):

- The owners of the business have limited liability, which means the Heikki family cannot lose more than they have invested in *PST* if the company collapses. This is particularly important for the owners due to the increased risks and uncertainties in the fishing business.
- It is easier to raise finance compared to the partnership set-up prior to 2010. This is because the four existing shareholders could sell shares to friends and relatives if they need to raise additional funds, such as for the expansion of the company (line 111).
- It is easier to retain ownership and control – the Heikki family will not lose control of the company as shares can only be sold (to friends and family) with the prior approval of the existing owners.



For May 2020 examinations

Exam-style Questions – Worksheet 4 (Answers continued...)

5. Explain the importance for *PST* of being an ethically managed business (line 41 – 42). [4]

Ethics refer to the moral principles and values that underpin business activity and behaviour, i.e. it is concerned with what is 'right' or 'wrong', from society's point of view. Benefits for *PST* of being an ethically managed business include:

- maintaining/improving the corporate image of *PST* as a business, the reassurance it gives to customers (about the quality of the fish) and as an employer for potential recruits.
- maintaining the goodwill/support of *PST*'s suppliers, such as their supplier of equipment and mechanical parts for the trawlers. Having a good working relationship with suppliers is important for *PST*'s operational efficiency.
- reducing labour turnover – there is likely to be improved motivation due to *PST*'s ethical business practices, which would result in improvements in the recruitment and retention (employee loyalty) of workers.
- similarly, being an ethically managed business can improve the goodwill of workers, thus increase labour productivity at *PST*.
- overall, being ethically run and managed could be a prerequisite to improve the long term success and profitability of *PST*, especially in a highly competitive industry with large foreign rivals.



For May 2020 examinations

Exam-style Questions – Worksheet 5

To help prepare for the final examination questions, answer the following questions based on the *P&S Trawlers* case study.

- 1. Define the term *labour turnover* (line 40). [2]

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- 2. Outline why the agents (line 90) are considered as a stakeholder of *PST*. [2]

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- 3. Outline why having excellent working relationships (line 60) is important for *PST*. [2]

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- 4. Explain **two** possible factors in the external environment that have affected the operations of *PST*. [4]

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- 5. Explain the importance of diversity in the workplace (line 76) for *PST*. [6]

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For May 2020 examinations

Exam-style Questions – Worksheet 5 (Answers)

1. Define the term *labour turnover* (line 40). [2]

Labour turnover measures the people of people who leave an organization per year as a percentage of the number of people in the workforce. It is calculated using the formula: (Number of staff leaving per year ÷ Average number of staff) × 100.

2. Outline why the agents (line 90) are considered as a stakeholder of *PST*. [2]

Agents are part of the distribution channel and help *PST* to sell its fish products in overseas markets. As a family-run business in Finland, *PST* does not have operations in other countries, such the agents with their expertise and local knowledge help *PST* to sell their products to overseas customers. Hence, as an external stakeholder group, the agents have a vested interest in *PST* and its financial performance.

3. Outline why having excellent working relationships (line 60) is important for *PST*. [2]

Having a good working relationship with others means the ability to get along with (or work with) others. Having excellent working relationships means the employees are more likely to be hard-working, so labour productivity increases as does employee loyalty (line 37).

4. Explain **two** possible factors in the external environment that have affected the operations of *PST*. [4]

There is no need to refer to PEST/STEEPLE analysis in this answer. Mark as 2 + 2 for relevant external factors explained in the context of *PST*.

- Compliance with EU regulations, e.g. quotas on fish catches.
- Trade agreements, which have made it more challenging for *PST* to compete with overseas fishing businesses.
- Social changes in people's diets, e.g. more people are eating fish, which creates business opportunities for *PST*.
- Recent technological development for shipping vessels / trawlers, which makes the operations more expensive but reduces *PST*'s need for repairs and reduced lost fishing time (line 110).

5. Explain the importance of diversity in the workplace (line 76) for *PST*. [6]

- Diversity in the workplace means *PST* hires a wide range of different people with different characteristics/demographics.
- Diversity entails an understanding and acceptance of individual employee's different characteristics, e.g. gender, age, race, ethnicity, cultural background, religion, gender, sexual orientation, abilities and so forth.
- Diversity in the workplace can be beneficial as there may be more ideas generated, from different perspectives.
- Currently, there are no female employees at *PST* who work on the fishing trawlers. This can be detrimental to the company's corporate image, especially as it could contravene the EU's equal opportunities legislation (line 81).
- It can also give *PST* a positive corporate image, as there is no discrimination based on people's differences. This would also align better with *PST*'s responsible behaviour of sustainable fishing (lines 22 – 23).
- *Accept any other relevant argument, written in context.*

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK
Standard Level Mock Examination
Paper 1
Case Study: P&S Trawlers (PST)



For use in May 2020

1 hour 15 minutes

INSTRUCTIONS

- Do not open this examination paper until you have been instructed to do so
- Students will need a clean copy of the *P&S Trawlers* case study for this examination paper
- Read the case study carefully
- 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) State **two** features of a *private limited company* (line 10) as a form of business ownership. [2 marks]
- (b) Describe **one** method of measuring *PST's* financial performance (line 99). [2 marks]
- (c) Explain the importance of training for *PST* (lines 53 – 56). [6 marks]

2. (a) Describe **one** advantage and **one** disadvantage of *PST's* high price strategy (line 91). [4 marks]
- (b) Using Ansoff's matrix, explain market penetration and diversification (line 111) in the context of *PST*. [6 marks]

3. (a) Define the term *intangible assets* (Appendix 1). [2 marks]
- (b) Describe **one** benefit for *PST* of low labour turnover (line 40). [2 marks]
- (c) Explain the importance of fixed assets (Appendix 1) to *PST*. [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. Pekka has discovered that many fishing businesses in Finland and neighbouring countries pay their trawler crew members by hourly wages, whilst others use a piece-rate payment system which rewards workers based on the volume of the fish caught at sea. In order to improve the liquidity position of the business and to remain competitive, Pekka is considering the introduction of a time-rate payment system for the trawler crews.

At a recent meeting with Tapio and their parents, Pekka proposed the following changes, to take effect from May 2020:

- Trawler crew members are to be paid \$15 per hour (higher than the industry average) whilst they are out at sea.
- When adverse weather prevents the crews from going out to sea, they will receive payment of \$8 per hour, but may be expected to help at the office or warehouse.
- Trawler captains will remain as salaried employees, but this will be reviewed on an annual basis.
- Due to stricter laws on overfishing and fishing quotas, bonuses will no longer to be paid.

Tapio is against these proposals and believes *PST* should continue to pay good salaries and bonuses (lines 63 – 64). Shae and Patsy are in support of Pekka as he takes full responsibility for all activities related to the company's trawlers and crews (lines 20 – 21). Pekka is not worried about labour turnover, given that only 3 people left the company in 2019. He also stated during the meeting that the fishermen are unlikely to move to jobs in other markets, such as the technology industry, due to the lack of suitable skills.

Pekka strongly believes that if the changes are not implemented, some employees will have to be made redundant by the end of the year. The family members do agree on one thing – change is needed due to the growing concerns about environmental sustainability in the commercial fishing industry.

- (a) Define the term *environmental sustainability* (line 20). [2 marks]
- (b) Calculate the labour turnover rate for *PST* in 2019. [2 marks]
- (c) With reference to **Appendix 1**, calculate the following financial ratios for *PST* in 2018 and 2019:
- (i) current ratio [2 marks]
 - (ii) quick ratio. [2 marks]
- (d) Outline **one** external constraint on *PST*'s operations. [2 marks]
- (e) Using the case study materials and additional information in this section, discuss the costs and benefits for *PST* if it implements a time-based payment system for the trawler crew members. [10 marks]

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK
Standard Level Mock Examination – Mark scheme
Paper 1
Case Study: P&S Trawlers (PST)



For use in May 2020

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
- The data and information included in Section B are provided for illustrative purposes only, in order to allow students practice for the final examination in May 2020.

SECTION A

1. (a) State two features of a private limited company (line 10) as a form of business ownership. [2 marks]

Key features include the following points:

- Shares in the private limited company cannot be bought by the general public, i.e. shares can only be sold with the approval of existing shareholders (currently the Heikki family).
- Shareholders have limited liability, i.e. the Heikki family cannot lose more than the value of their investment in the company if it defaults.
- Shareholders of the company have part ownership of the business so are entitled to a share of any dividends distributed by the firm (80% to Pekka and Tapio, and 20% to their parents)
- As co-owners of the company, shareholders have voting rights based on the number of shares they own.
- The company has to prepare and publish its final accounts (excerpts of which appear in Appendix 1). This is a legal requirement and the final accounts need to be checked and audited (approved) by an independent chartered accountant.
- Many private limited companies are family-owned businesses, such as PST, as there is less risk and exposure (due to limited liability).
- *Accept any other relevant feature of private limited companies that is clearly stated.*

Mark as 1 + 1

Award [1 mark] for each correct key feature that is stated, up to the maximum [2 marks]. There is no need to explain or develop the answer.

- (b) Describe one method of measuring PST's financial performance (line 99).

[2 marks]

Possible measures include changes in PST's:

- Sales revenue
- Profit (net profit after interest and tax)
- Profitability
- Profit margins (gross profit and net profit margins)
- Liquidity ratios (current and acid test ratios)
- Management of cash flow / working capital cycles
- Debt to equity ratio (gearing ratio)
- *Accept any other relevant/correct measure of a firm's financial performance, written in the context of PST.*

Mark as 1 + 1

Award **[1 mark]** for a suitable measure of the company's financial performance and **[1 mark]** for a suitable description.

(c) Explain the importance of training (lines 53 – 56) for PST. [6 marks]

Training is the process of developing the knowledge and skills of workers in order to enhance their confidence and competence in the workplace. Training is of importance to *PST* because:

- Induction training for new staff at *PST* helps to acquaint them with the policies, processes and physical environment of the organization. For example, new staff working on the fishing trawlers will get introduced to the crew members and receive specific instructions/training on how to use the equipment on the trawlers. They will also learn about *PST*'s health and safety protocols.
- On-the-job training on board the trawlers, in the office or the warehouse is necessary for workers to feel safe, competent and content in carrying out their work. In particular, the training on the trawlers is necessary because the latest technologies are used on the trawlers, so upskilling is important, even for experienced and long-serving employees of *PST*.
- Off-the-job (training that takes place away from the normal place of work) is important for health & safety and safeguarding training (at the local college). This helps workers to carry out their jobs carefully without risks to their physical wellbeing or harm to others. Pekka and Tapio have the responsibility to make sure *PST* has a safe and healthy working environment, especially in job roles with high-risk activities such as fishing far out at sea, during turbulent weather conditions. Safeguarding training is particularly important for the trawler captains as they take their fishing crews out to sea for several days at a time.
- Training and development help workers to feel more competent, confident and motivated (as they feel valued by the company). This helps to improve labour productivity at *PST* and employee loyalty (lowering the firm's labour turnover rate).
- It can prevent costly mistakes being made, which could increase outage costs, product recalls, financial compensation claims and possible damage to the firm's corporate image.

Award **[1 to 2 marks]** for an answer that shows minimal understanding of the demands of the question. The explanation of the importance of training may be superficial or lacks depth. Award a maximum of **[2 marks]** if there is no application made to the *PST* case study.

Award **[3 to 4 marks]** for an answer that shows some understanding of the demands of the question. There is a good explanation of the importance of the importance of training, but the response may lack detail in areas. There is some appropriate use of business management terminology and partial application to the *PST* case study.

Award **[5 to 6 marks]** for an answer that shows good understanding of the demands of the question. There is a thorough explanation of the importance of training. There is accurate and appropriate use of business management terminology throughout the answer, with effective application made to the *PST* case study.

2. (a) Describe one advantage and one disadvantage of *PST's* high price strategy (line 91). **[4 marks]**

Possible advantages include:

- The higher (premium) price of *PST's* fish products enables the company to benefit from higher profit margins (higher contribution per unit).
- There could be an expectation (or hope) that customers will buy more of *PST's* fish due to the perception that their products are of higher quality due to the premium price.
- It can act as a barrier to entry because *PST* invests heavily in its premium branded fish products. This makes it more difficult for new entrants to offer competing products at the same (high) price without being established or investing large amounts of money to market themselves.

Possible disadvantages include:

- Higher prices tend to reduce sales volume, as price-conscious customers may not be able or willing to pay premium prices for *PST's* fish (there are substitutes products available from other fishing businesses in Finland).
- Higher unit costs of production due to a relatively smaller scale of operations (mass produced products tend to be of lower quality). By focusing on quality output, *PST* might restrict itself to lower sales volume. This limits its ability to exploit economies of scale, so *PST* has higher unit costs of production.
- Marketing and branding expenses are necessary to ensure customers are informed about and persuaded to buy *PST's* fish. Higher priced products need investment in marketing to develop brand awareness and a strong brand image.

*Accept any other advantage or disadvantage for *PST* of premium (high) prices, that is described in the context of the case study.*

Mark as 2 + 2.

*Award [1 mark] for a valid advantage and disadvantage that is identified, and [1 mark] for the description written in the context of *PST*.*

Award up to [2 marks] for each advantage and disadvantage, up to the maximum of [4 marks] for this question.

- (b) Using Ansoff's matrix, explain market penetration and diversification (line 111) in the context of *PST*. [6 marks]

The Ansoff matrix is a management planning tool used to illustrate four generic growth options based on new and existing products, and new and existing markets. It allows decision-makers such as Pekka and Tapio to identify opportunities for market penetration, product development, market development, and diversification.

		Products	
		Existing	New
Markets	Existing	Market Penetration	Product Development
	New	Market Development	Diversification

Market penetration is a growth strategy in Ansoff's matrix that involves *PST* trying to provide existing and services targeted at its existing markets. This is Pekka's preferred growth strategy, by investing in updated and larger trawlers. This will help the company to compete with foreign competitors by catching larger volumes of fish. It is the least riskiest growth strategy, which suits Pekka given his risk-averse character.

Diversification is the growth strategy in Ansoff's matrix that would involve *PST* providing new products in new markets, i.e. selling new goods and/or services to new customers. This is Tapio's preferred growth strategy, such as opening *PST*'s own fish shops, offering services and facilities to other fishing businesses in Finland, and finding alternative uses for the three existing trawlers. This is the highest risk growth strategy, but suits Tapio who is open-minded (line 84) and does not feel the need to micromanage her teams.

Award [1 to 2 marks] for an answer that shows some understanding of the demands of the question. The response may be superficial, and the explanation lacks depth of understanding of the Ansoff's matrix. Award a maximum of [2 marks] if there is no application made to the *PST* case study.

Award [3 to 4 marks] for an answer that shows an understanding of the demands of the question. There is an explanation market development and diversification, but the response may lack detail. There is appropriate use of business management terminology and attempts at application to the *PST* case study.

Award [5 to 6 marks] for an answer that shows a clear understanding of the demands of the question. There is a good explanation of market development and diversification. There is accurate and appropriate use of business management terminology throughout the answer, with effective application of the *PST* case study.

3. (a) Define the term *intangible assets* (Appendix 1).

An intangible asset is a non-physical item owned by a business that has monetary value, so are recorded on the firm's balance sheet. Examples include brands, symbols, and trademarks of the organization and the goodwill of customers.

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

Note: application to the PST case study is not required or expected for full marks.

Award **[1 mark]** for a definition that demonstrates only partial understanding of intangible assets.

Award **[2 marks]** for a definition that demonstrates a clear understanding of intangible assets, like the example above.

(b) Describe one benefit for *PST* of low labour turnover (line 40). **[2 marks]**

Possible benefits for *PST* could include:

- Having low labour turnover means that workers are generally more productive because they are accustomed to how things work at *PST*, such as the procedures and processes need to unload, chill and freeze fish once the crews return from sea.
- It is a sign or measure of employee loyalty, i.e. low labour turnover (of 7.5% in 2019) suggests the workers are content and motivated to work at *PST*. Hence, they are likely to be more dedicated to their jobs.
- It enables Pekka and Tapio to focus their time, money and energy on other aspects of business operations, rather than hiring and training new staff.
- *PST* saves on both time and money needed for recruitment, induction and training of new/replacement workers. This helps to reduce operational costs for *PST*.

Mark as 1 + 1

Award **[1 mark]** for identifying an applicable benefit of low labour turnover and **[1 mark]** for a suitable description, written in context of the *PST* case study.

(c) **Explain the importance of fixed assets (Appendix 1) to PST. [6 marks]**

- Fixed assets are the long-term assets owned by a business, i.e. they are expected to last for more than twelve months from the balance sheet date.
- Examples include capital equipment (such as satellite technology), tools, machinery and *PST's* three trawlers.
- Fixed assets are absolutely vital for *PST's* operations as it only sells fish products, so needs the fishing vessels to catch the fish for sale to the local market. Essentially, the fixed assets enable production that generate income for the Heikki family.
- For example, a low point for the business occurred five years ago, when the storm caused one of the trawlers to sink (line 8), meaning a loss of production and higher outage costs (line 66).
- In the highly competitive commercial fishing market, *PST* relies on the use of the latest technologies to compete with rival fishing businesses in the industry. Hence, maintaining and/or upgrading its fixed assets take priority.
- *PST's* fixed assets are expected to increase by \$300,000 to \$2.8m in 2020 (Appendix 1), i.e. an increase of 12%, suggesting the company's capital expenditure is an investment in the future of the business.

Award **[1 to 2 marks]** for an answer that shows minimal understanding of the demands of the question. The response may be superficial, and the explanation lacks depth of understanding of fixed assets. Award a maximum of **[2 marks]** if there is no application made to the *PST* case study.

Award **[3 to 4 marks]** for an answer that shows some understanding of the demands of the question. There is an explanation of the importance of fixed assets but the response may lack detail or any reference to Appendix 1. There is appropriate use of business management terminology and an attempt at application to the *PST* case study.

Award **[5 to 6 marks]** for an answer that shows a good understanding of the demands of the question. There is a good explanation of the importance of fixed assets. There is accurate and appropriate use of business management terminology throughout the answer, with effective use of Appendix 1 and application to the *PST* case study.

SECTION B

4. (a) Define the term *environmental sustainability* (line 20). [2 marks]

Environmental sustainability (or ecological sustainability) refers to the ability of an economy or country to maintain the use of renewable and non-renewable resources for future generations. Depletion of the earth's scarce resources, such as fish stocks, is not sustainable as they cannot be continued or used indefinitely.

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

Note: application to the PST case study is not required or expected for full marks.

Award [1 mark] for a definition that demonstrates only partial understanding of environmental sustainability.

Award [2 marks] for a definition that demonstrates a clear understanding of environmental sustainability, like the example above.

- (b) Calculate the labour turnover rate for PST in 2019. [4 marks]

- Labour turnover = (Number of staff leaving per year / Average number of staff) × 100
- Labour turnover = 3 / 40 = 7.5%

Mark as 1 + 1.

Award [1 mark] for the correct working out and [1 mark] for the correct answer, up to a maximum of [2 marks].

Note: there is no need to include the formula for labour turnover in order to get full marks.

- (c) With reference to Appendix 1, calculate the following financial ratios for PST in 2018 and 2019:

- (i) current ratio [2 marks]

Current ratio = Current assets / Current liabilities

Year	Current assets	Current liabilities	Current ratio
2018	\$0.5m	\$0.2m	\$0.5m / \$0.2m = 2.50
2019	\$0.4m	\$0.3m	\$0.4m / \$0.3m = 1.33

Current ratio in 2018 = 2.5 (accept answers expressed as 2.5:1)

Current ratio in 2019 = 1.33 (accept answers expressed as 1.33:1)

Students are **not** expected to show their answers in a table format as above.

Award **[1 mark]** for each correct answer, up to the maximum **[2 marks]**.

Note: calculations are not required nor expected for full marks as the formula is given to students in the formula sheet.

(ii) **quick ratio.**

[2 marks]

Quick ratio = (Current assets – Stocks) / Current liabilities

Year	Current assets	Stocks (inventory)	Current liabilities	Quick ratio (Acid test ratio)
2018	\$0.5m	\$0.2m	\$0.2m	$(0.5 - 0.2) / 0.2 = 1.5$
2019	\$0.4m	\$0.3m	\$0.3m	$(0.4 - 0.3) / 0.3 = 0.33$

Quick ratio in 2018 = 1.5 (accept answers expressed as 1.5:1)

Quick ratio in 2019 = 0.33 (accept answers expressed as 0.33:1)

Students are **not** expected to show their answers in a table format as above.

Award **[1 mark]** for each correct answer, up to the maximum **[2 marks]**.

Note: calculations are not required nor expected for full marks as the formula is given to students in the formula sheet.

(d) **Outline one external constraint on PST's operations.**

[2 marks]

Possible external constraints could include:

- Stricter fishing quotas (line 26) – which limits the ability of PST to catch fish. It also means good catches may no longer be feasible due to these stricter rules.
- The Finnish government is also increasingly imposing limits on the size and types of fish that can be caught. This restricts PST's potential catch in terms of volume and value, thus limiting the company's profitability.
- Foreign competition has intensified due to the recent trade agreements between the Finland government and other countries. The trade agreements allow foreign trawlers to catch more fish than previously allowed, limiting how much fish PST can catch, especially as some foreign trawlers overfish, even though this is illegal.

- Market prices of fish products are also falling due to the intensity of competition in the industry. The large catches of foreign trawlers increase the supply of fish on the market, thereby causing a fall in their market price. It also reduces the amount that *PST* can catch (irrespective of any quotas). This is likely to reduce *PST*'s ability to earn a reasonable income (lines 29 – 30) and threaten its profit margins and long-term profitability.

Mark as 1 + 1

Award **[1 mark]** for stating an appropriate external constraint, and **[1 mark]** for explaining how this affects *PST*'s operations, up to the maximum **[2 marks]**.

- (e) **Using the case study materials and additional information in this section, discuss the costs and benefits for *PST* if it implements a time-based payment system for the trawler crew members. [10 marks]**

Arguments in favour of *PST* switching to a time-based payment system include:

- Stricter regulation of the commercial fishing industry forces *PST* to have better financial management. Salaries and bonuses are the current methods of payment for trawler crews, but this may not be sustainable given that there are stricter quotas and increasing competition from overseas. Furthermore, as *PST* fishes responsibly (lines 22 – 23), the current practice of paying bonuses for good catches may need to be reviewed.
- The liquidity ratios (calculated in part c) suggest growing financial problems for *PST*. Paying good salaries and bonuses (lines 63 – 64) may cause continued liquidity issues for *PST* especially as salaries are fixed costs, so need to be paid even when fishermen are not out at sea. Essentially, this would cause a deterioration in *PST*'s cash flows and profits.
- To remain competitive and to tackle the falling profitability of the company (with the net profit margin expected to fall from 13% to just 8% in 2020), *PST* needs to make cost savings. As salaries amount to \$6m a year, switching to a time-based payment system that only rewards workers when they are out at sea could be financially beneficial – even if \$15 is higher than the industry average. Currently, the trawler crews are paid (a fixed salary) even when the weather is not suitable for fishing.
- There is a growing market for fish consumption (line 39), so trawler crews could benefit from this under a payment system that rewards them for their time out at sea catching more fish. This is more likely to happen if Pekka goes ahead with investing in larger trawlers to compete with its rivals that use bigger fishing vessels. A salary payment system does not reward trawler crews that are more productive (although a bonus system can help to compensate for this).

However, changing from the current payment system for trawler crews also has its drawbacks *PST*, including:

- Give the many positive things (strengths) about *PST*, switching payment systems may not be beneficial. For example:
 - A time-rate payment system may not create the necessary financial security needs of the employees.
 - The workforce may no longer be so loyal to the company, or as hardworking (line 37).
 - Despite the historically low labour turnover rate (line 40), trawler crews may be very dissatisfied if they lose their salaries and seek employment with other fishing businesses. Although Pekka believes “fishermen are unlikely to move to jobs in other markets”, there is no evidence to support this claim.
 - Pekka has always had an excellent working relationship with his team, but this could be jeopardized if workers become disgruntled with the new payment system, especially during times of bad weather when their pay would drop to \$8 per hour. Prolonged periods of poor weather would mean a significant fall in the income received by trawler crews.
- If the proposed payment is not deemed to be attractive, *PST* may struggle to hire female staff to work on the trawlers. This would go against the recognition for greater diversity of the workforce (lines 75 – 78).
- Perceived inequities due to the trawler captains continuing to receive a fixed salary, whereas the crew are switched to a time-based payment system. This would mean the trawler captains are paid irrespective of the weather conditions or the size of the catch. However, the crews are only paid \$15 per hour when out at sea. Inclement weather conditions would now mean their pay is halved to \$8 per hour. According to J.S. Adams’ equity theory, this would lead to a demotivated workforce.
- *PST* is expected to spend \$6m on salaries in 2020. This represents just over 50% of the projected sales revenue in 2020 (see Appendix 1). However, last year (2019), the amount spent on salaries represented only 41.4% of the company’s sales revenue. Hence, there is a need for *PST* to consider cost cutting, so a time-rate payment system may be a feasible solution.
- Although solutions are needed, cost cutting is not the only way forward. The Finnish government is supportive of ethically managed fishing businesses (lines 41 – 42), so *PST* should consider this opportunity for financial support. These might be in the form of tax concessions and/or subsidies to reduce the operation costs of the business. In this way, there might not be a need to switch payment systems for the loyal and hardworking trawler crews.
- *Accept any other relevant reason, written in the context of the PST case study.*

Award [1 to 2 marks] for a general answer showing a limited understanding of the demands of the question. There is minimal, if any, application to *PST*.

Award [3 to 4 marks] for a simplistic answer that shows some understanding of the demands of the question, but with unsophisticated or superficial application of the case study and additional stimulus material.

For [5 to 6 marks] the answer must identify the advantages and disadvantages of switching from the current payment system (salaries and bonuses) to a time-rate payment system. However, there is limited development of the response or explanations are unsubstantiated.

Award a maximum of [6 marks] for answers that only the advantages or disadvantages of switching payment systems, but written in the context of PST.

For [7 to 8 marks] the answer must make effective use of the case study and additional stimulus material in Section B. The answer considers both the costs and benefits for PST switching from the current payment system to a time-rate payment system. However, the discussion points are not always fully justified.

For [9 to 10 marks] the answer must be well developed, with consideration of both the costs and benefits of switching from the current payment system (salaries and bonuses) for the trawler crews to a time-rate payment system. There is effective use of the information in the case study and the additional stimulus material in Section B in order to support the discussion points.

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK
Higher Level Mock Examination
Paper 1
Case Study: *P&S Trawlers (PST)*



For use in May 2020

2 hours 15 minutes

INSTRUCTIONS

- Do not open this examination paper until you have been instructed to do so
- Students will need a clean copy of the *P&S Trawlers* 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) Describe **two** benefits for *PST* of being an ethically managed fishing business (lines 22 – 23 and 41 – 42). [4 marks]
- (b) Explain the appropriateness of Pekka Heikki's paternalistic management style at *PST*. [6 marks]
2. (a) Describe **two** benefits for *PST* of low labour turnover (line 40). [4 marks]
- (b) Training is important at *PST* (lines 53 – 57). With reference to *PST*, explain the differences between on-the-job and off-the-job training. [6 marks]
3. (a) Define the following terms:
- (i) *fixed assets* (Appendix 1). [2 marks]
- (ii) *shares* (line 15). [2 marks]
- (b) Explain the advantages for the Heikki family converting *PST* into a private limited company (line 10). [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. In a recent meeting, the Heikki family discussed the various threats and opportunities facing the business. Tapio had conducted some research in preparation for this meeting, and presented the following information.

Item 1

- Although Finland is the largest fishing nation in the Baltic Sea region, the weather has a major bearing on fishing as the Baltic Sea freezes in the winter. Ice covers an average of 218,000 km² (about 5 times the size of Denmark and Estonia, which also have coastlines along the Baltic Sea).
- In February 2020, the government approved gender equality legislation to double the paternity leave for fathers to almost 7 months paid leave. This gives fathers the same amount of paid time off as mothers.
- Finland has an ageing population, largely caused by the fall in the birth rate by about 20% between 2010 and 2018.
- Finland and the EU impose strict regulations on commercial fishing. The Finnish Fishing Act and the EU's Common Fisheries Policy aim to ensure the sustainability of fish stocks.
- Tourism is vital for the economy. More than 750,000 tourists visit Santa Claus in Lapland, Finland each year. Coastal tourism is also an important industry in some parts of Finland.

Table 1: Economic forecasts for Finland (2020)

Economic growth rate	2.2%
Wage rate growth	3.4%
Business confidence index	-9.90 points
Consumer confidence index	-4.60 points
Corporate tax rate	20% (no change)

<https://tradingeconomics.com/finland/indicators/SAIScsp20248>

- (a) Define the term *threats* (line 36). [2 marks]
- (b) With reference to **Appendix 1**, calculate the following financial ratios for *PST* in 2019 and 2020 (projected) to 2 decimal places:
- (i) current ratio [2 marks]
- (ii) quick ratio. [2 marks]
- (c) Use Appendix 1 to calculate the value of *PST*'s net profit from 2018 to 2020 (projected) **and** comment on your findings. [4 marks]
- (d) Using the case study and additional stimulus information, discuss how the predicted changes in the Finnish economy may affect *PST*. [10 marks]

You may find it useful to refer to your answers in Question 4(b) and 4(c) when answering this question.

SECTION C

Answer **the** following question.

5. Shae and Patsy have requested that Pekka and Tapio to devise a business plan to facilitate discussions about the future strategic direction of *PST*. The siblings presented the following information, enabling the shareholders to discuss two possible growth strategies for their business:

Option A (i): diversification into the tourism industry by renovating the existing trawlers to cater for the growing popularity of coastal tourism in Finland. This option is favoured by Tapio.

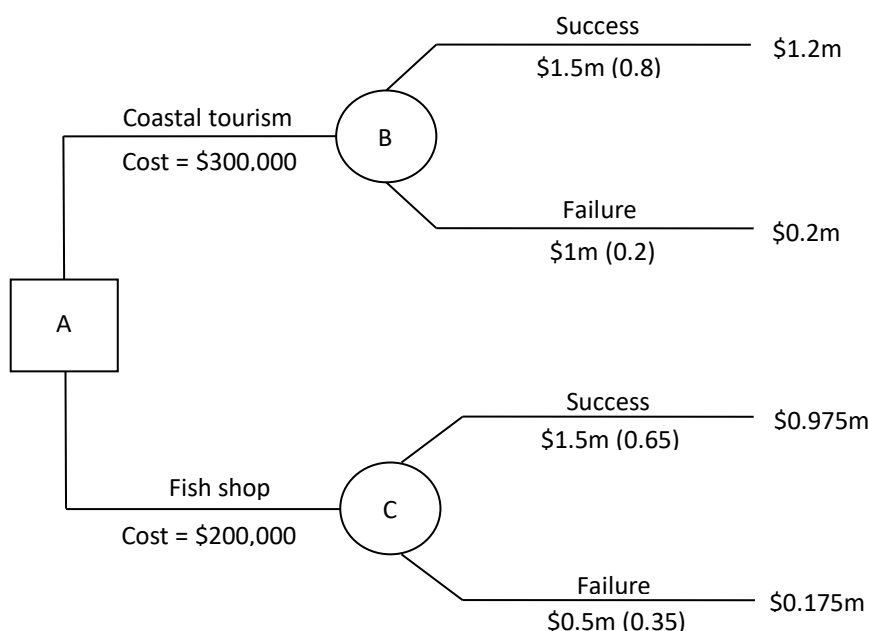
Option A (ii): diversification by opening *PST*'s own fish shop (line 112). Given the current financial situation of *PST*, Tapio suggests opening one store in the first instance to test the market. She is less confident about this option than diversification into the tourism industry.

Option B: greater capital expenditure to replace the existing trawlers with three larger and more modernized trawlers in order to compete with domestic and foreign fishing businesses. This market penetration strategy is favoured by Pekka.

Item A: Summary of information presented by Tapio

Tapio has proposed that as part of its growth strategy, *PST* should spend money on upgrading the existing trawlers to transport tourists along the long and beautiful coastlines of Finland. The number of coastal tourists in the country has increased rapidly in recent years. Finland has 187,888 lakes (larger than 500m²) and 179,584 islands – more than any other country in the world. Hence, Tapio believes that there are plenty of opportunities for new entrants in the industry to compete and succeed.

Tapio has projected that it will cost \$100,000 to renovate each trawler to make them suitable for passenger tourists, whilst maintaining the ability to continue fishing in the Baltic Sea. She has also found a suitable location for a fish shop, which is estimated to cost *PST* a total of \$200,000 to set up before trading. Tapio also presented the following decision tree for consideration and discussion:



Item B: Summary of information presented by Pekka

Pekka has proposed that as part of its growth strategy, *PST* should replace the existing trawlers, trading them in for larger and more modernized vessels. This would enable *PST* to operate more cost-effectively as the new boats and on-board technologies would enable the company to operate more productively and efficiently, which would also enable the trawler crew members to be out at sea for shorter periods of time. The new and larger trawlers would also only need to be serviced once a year, further reducing *PST*'s outage costs.

The capital expenditure on replacing the existing trawlers is expected to generate the following net cash inflows over the next 7 years (the predicted useful life of the new trawlers). The initial cost of the upgrade is forecast to be \$1.2m. Based on Pekka's research, there should also be some residual value to be used towards purchasing new trawlers. The company uses a 25% depreciation rate.

Year	Projected net cash inflow (\$)
1	200 000
2	250 000
3	350 000
4	400 000
5	350 000
6	250 000
7	200 000
Total	2 000 000

Table 2: Discount factors

Based on interest rate trends in Finland over the past decade, *PST* uses a 5% discount factor for the calculation of the net present values of its investment options.

	5% discount factor
Year 1	0.9524
Year 2	0.9070
Year 3	0.8638
Year 4	0.8227
Year 5	0.7835
Year 6	0.7462
Year 7	0.7107

With reference to the additional stimulus material above (Sections B and C) and information from the case study, and using both qualitative *and* quantitative analysis, recommend whether *PST* should opt to diversify into the coastal tourism industry (**Option Ai**), open its own fish shop (**Option Aii**) or invest in new and larger trawlers (**Option B**).

[20 marks]

BUSINESS MANAGEMENT – PAPER 1 CASE STUDY PACK
Higher Level Mock Examination – Mark scheme
Paper 1
Case Study: *P&S Trawlers*



For use in May 2020

TEACHERS' NOTES

- These are suggested answers only
- Teachers should use their professional judgement in awarding answers that may not be included in this mark scheme
- The data included in Section B are provided for illustrative purposes only, in order to give students practise for the final examination in May 2020
- The additional data and information in Section C are for illustrative purposes only, again to give students examination practise.

SECTION A

1. (a) Describe two benefits for *PST* of being an ethically managed fishing business (lines 22 – 23 and 41 – 42). **[2 marks]**

Possible benefits could include:

- It helps to enhance *PST*'s corporate image and reputation – and to maintain its culture of fishing responsible and in a sustainable manner. This can give *PST* a competitive edge as it maintains the goodwill/support of customers and the local community. Consumers tend to respond positively to businesses that act ethically.
- Being ethically managed, with ethical objectives and business practices, helps to create a positive/friendly working environment (line 51) at *PST*. This creates many competitive advantages such as improving employee loyalty/commitment and improved staff motivation.
- It helps to avoid legal issues and problems – acting ethically means that *PST* operates in line with the law (such as quotas and environmental protection), thereby avoiding costly legal fees and sanctions if the law were to be broken.
- The Finnish government is supportive of ethically managed fishing businesses (lines 41 – 42), so this can be financially beneficial to *PST* if the government provides such businesses with tax concessions and/or subsidies to cut production costs.
- *Accept any other relevant benefit that is described in the context of the PST case study.*

Mark as 2 + 2

Award [1 mark] for identifying each applicable benefit of low labour turnover and [1 mark] for a suitable description, written in context of the PST case study, up to the maximum [4 marks].

- (b) Explain the appropriateness of Pekka Heikki's paternalistic management style at *PST*. **[6 marks]**

Examples of Pekka's paternalistic leadership style include:

- Supervising the fishing crews to unload the fish when they return to port from (potentially) spending several days at sea; despite the fact that they are likely to be highly experienced, given the low labour turnover rate.
- Taking responsibility for mentoring the trawler captains; again, they are likely to be highly experienced and loyal employees, yet Pekka is directly involved in mentoring them and supports the trawler captains if/when disciplinary matters arise.

- Being strict with all aspects of and procedures related to the operations he is responsible for:
 - management of the trawlers and the fishing crews
 - rigorous application of health and safety laws
 - compliance with government regulations and quotas, and
 - accurate record-keeping of the fish caught
 - insisting that there is no room for taking risks (especially when out at sea).

Whether or not it is appropriate to be paternalistic is debateable. There is an excellent working relationship between Pekka and his team (line 60) so being paternalistic might be appropriate and conducive to the culture at *PST*. However, Pekka could be seen to over manage (or micromanage) his team, given they are all experienced and receive regular training – which he does not necessarily need to be involved in. After all, Pekka should be leading the company with Tapio, focusing on the strategic direction of *PST*, rather than managing the organization.

Accept any other relevant explanation, written in the context of PST.

Award [1 to 2 marks] if the answer shows minimal understanding of the demands of the question. The answer lacks detail and makes minimal use of appropriate business and management terminology or application to PST.

Award [3 to 4 marks] for an answer that demonstrates some understanding of the demands of the question. At the lower end of the mark band, the response is mainly theoretical and lacks clear application to the P&S Trawlers case study. At the upper end, there is some understanding of the appropriateness of Pekka's paternalistic management style at PST, although the explanation lacks depth.

Award [5 to 6 marks] for an answer that demonstrates a good understanding of the demands of the question. The answer shows a detailed explanation of the appropriateness of Pekka's paternalistic management style at PST. There is appropriate use of business management terminology throughout the answer, with effective application of the PST case study.

2. (a) Describe two benefits for *PST* of low labour turnover (line 40). [4 marks]

Possible benefits of low labour turnover for *PST* could include:

- Having low labour turnover means that workers are generally more productive because they are accustomed to how things work at *PST*, such as the procedures and processes need to unload, chill and freeze fish once the crews return from sea.
- It is a sign or measure of employee loyalty, i.e. a culture of low labour turnover suggests that workers are content and motivated to work at *PST*. Hence, they are likely to be more dedicated to their jobs. This also makes teamwork more feasible, which is essential at *PST*. (lines 51 – 52).

- It enables Pekka and Tapio to focus their time, money and energy on other aspects of business operations, rather than hiring and training new staff.
- *PST* saves on both time and money needed for recruitment, induction and training of new/replacement workers. This helps to reduce the company's operational costs.
- *Accept any other relevant benefit of low labour turnover, written in the context of PST.*

Mark as 2 + 2

Award [1 mark] for identifying each applicable benefit of low labour turnover and [1 mark] for a suitable description, written in context of the PST case study, up to the maximum [4 marks].

(b) Training is important at *PST* (lines 53 – 57). With reference to *PST*, explain the differences between on-the-job and off-the-job training. [6 marks]

- Training is the process of developing the knowledge and skills of workers in order to enhance their confidence and competence in the workplace.
- On-the-job training takes place at the normal place of work, i.e. on board the trawlers, in the office or the warehouse.
- Off-the-job training takes place away from the normal place of work, such as training at the local college (line 56).
- At *PST*, new staff receive extensive induction training (line 54) to help acquaint them with the policies, processes and physical environment of the organization. For example, new staff working on the trawlers will get introduced to the crew members and specific instructions on how to use the equipment on the trawlers. This would be an example of on-the-job training at *PST*.
- Health & safety training (line 56) helps to ensure *PST* workers can carry out their jobs carefully without risks to their physical wellbeing or harm to others. Pekka and Tapio have the responsibility to make sure *PST* has a safe and healthy working environment, especially in job roles with high-risk activities such as fishing far out at sea, during turbulent weather conditions. The training takes place at a local college (line 56), so this is an example of off-the-job training.
- Safeguarding is the process of protecting individuals in the workplace. It may include training to learn about those who might be vulnerable, recognize signs of neglect and abuse, increasing trust in teams and organizations, and having policies to enable staff to report and record cases of neglect, harm or abuse. Safeguarding is particularly important for the trawler captains as they take their crew out to sea for several days at a time. As the training for this takes place away from the place of work, it is an example of off-the-job training.
- Mentoring of the trawler captains (line 57) can be in the form of on-the-job training (i.e. on-board the trawlers) or off-the-job training (such as advice about conflict resolution).
- *Accept any other well-explained difference, written in the context of the PST case study.*

Award a maximum of **[2 marks]** if the explanation is imprecise or lacks clarity. The answer is likely to be theoretical and lacks clear application to PST.

Award a maximum of **[4 marks]** if the answer shows some understanding of the demands of the question but lacks depth in the explanation of the differences between on-the-job and off-the-job training. There is an attempt at application to the PST case study.

Award up to **[6 marks]** for an answer that shows a clear understanding of the demands of the question. There is appropriate use of business management terminology throughout the answer, and the explanation (of the differences between on-the-job and off-the-job training) is in-depth and applied well to the PST case study.

3. (a) Define the following terms:

(i) fixed assets (Appendix 1). [2 marks]

Fixed assets are items or resources owned by *PST* that are of monetary value but are not intended for resale within the 12 months of the balance sheet date. Hence, they are relatively illiquid assets. They are used repeatedly to generate working capital for the company. Examples include *PST*'s three trawlers, fishing equipment, its office and the warehouse.

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

Application to the PST case study is not required nor expected for full marks, but has been included for illustrative purposes.

Award [1 mark] for a definition that shows some understanding of fixed assets.

Award [2 marks] for a definition that shows a clear understanding of fixed assets, similar to the example above.

(ii) shares (line 15). [2 marks]

Shares represents a unit of ownership in a limited liability company with all the shares representing the total capital of the company. It is the money raised by issuing shares to shareholders and acts as an internal and permanent source of finance for *PST*.

Students are not expected to word their definition exactly as above. Application is not expected nor required for full marks.

Award [1 mark] for a definition that shows some understanding of shares.

Award [2 marks] for a definition that shows a clear understanding of shares, similar to the example above.

(b) Explain the advantages for the Heikki family converting *PST* into a private limited company (line 10). [6 marks]

Possible advantages for the Heikki family / shareholders include:

- Limited liability – the owners of *PST* have limited liability, which reduces the risks for *PST* operating in an ever-more competitive, expensive and uncertain industry (lines 11 – 12). The family cannot lose more than they have invested in the company if the business fails. This helps to protect the Heikki family's other/personal assets.
- Easier to raise finance compared to partnerships – Selling shares to friends and family can raise additional funds for the expansion of *PST*. Although the family would want to keep share ownership within the Heikki family, this is an option available to limited liability companies that the shareholder may vote for at a future date.
- Better control – Shares in a private limited company cannot be bought or sold by the general public, i.e. shares can only be sold with the approval of existing shareholders. This enables the Heikki family to maintain control of their family business, whilst benefiting from the other advantages of being a limited liability company. This also reduces any chance/risk of a hostile takeover from a rival fishing business.
- Limited number of shareholders – Unlike a public limited company that does not impose any maximum number of shareholders, being a private limited company can be important to retain the ethical values and sustainable fishing practices of *PST*.
- Continuity is assured – Unlike a partnership, should one of the existing shareholders wish to leave *PST* or passes away, the company can continue in its existing format. With a partnership (prior to 2010), the business would have ceased to continue operations upon the withdrawal or death of a partner. Although it would still be relatively straightforward to set up a new partnership, this can be both time consuming and bureaucratic.
- *Accept any other relevant advantage, written in the context of PST.*

Award **[1 to 2 marks]** for an answer that shows minimal understanding of the demands of the question. The response may be superficial and lacks depth. Award a maximum of **[2 marks]** if there is no application made to *PST*.

Award **[3 to 4 marks]** for an answer that shows some understanding of the demands of the question. There is an explanation of the advantages of a private limited company, but the explanations lack detail. There is some appropriate use of business management terminology and partial application to the *PST* case study.

Award **[5 to 6 marks]** for a good explanation of the advantages for the Heikki family converting *PST* into a private limited company. There is accurate and appropriate use of business management terminology throughout the answer, with effective application of the *PST* case study.

SECTION B

4. (a) Define the term *threats* (line 36). **[2 marks]**

A threat refers to any external factor that hinders or risks the operations and profitability of an organization. Examples include the threat of foreign competition, technological/mechanical breakdowns, and adverse weather conditions.

Award [1 mark] for a definition that shows some understanding of threats.

Award [2 marks] for a definition that shows clear understanding of threats, similar to the example above.

- (b) With reference to Appendix 1, calculate the following financial ratios for *PST* in 2019 and 2020 (projected) to 2 decimal places:

- (i) current ratio **[2 marks]**

Current ratio = Current assets / Current liabilities

Year	Current assets	Current liabilities	Current ratio
2019	\$0.4m	\$0.3m	$\$0.4\text{m} / \$0.3\text{m} = 1.33$
2020	\$0.3m	\$0.4m	$\$0.3\text{m} / \$0.4\text{m} = 0.75$

Current ratio in 2019 = 1.33 (accept answers expressed as 2.5:1)

Current ratio in 2020 = 0.75 (accept answers expressed as 1.33:1)

*Students are **not** expected to show their answers in a table format as above.*

Award [1 mark] for each correct answer, up to the maximum [2 marks].

Note: calculations are not required nor expected for full marks as the formula is given to students in the formula sheet.

- (ii) quick ratio. **[2 marks]**

Quick ratio = (Current assets – Stocks) / Current liabilities

Year	Current assets	Stocks (inventory)	Current liabilities	Quick ratio (Acid test ratio)
2019	\$0.4m	\$0.3m	\$0.3m	$(0.4 - 0.3) / 0.3 = 0.33$
2020	\$0.3m	\$0.15m	\$0.4m	$(0.3 - 0.15) / 0.4 = 0.38$ (2 d.p.)

Quick ratio in 2019 = 0.33 (accept answers expressed as 0.33:1)

Quick ratio in 2020 (projected) = 0.38 (accept answers expressed as 0.38:1)

*Students are **not** expected to show their answers in a table format as above.*

*Award **[1 mark]** for each correct answer, up to the maximum **[2 marks]**.*

Note: calculations are not required nor expected for full marks as the formula is given to students in the formula sheet.

- (c) **Use Appendix 1 to calculate the value of *PST*'s net profit from 2018 to 2020 (projected) and comment on your findings. [4 marks]**

Net profit margin (NPM) = (Net profit / Sales revenue) × 100

	NPM (%)	Sales (\$m)	Net profit (\$)
2018	11	12.7	11% of \$12.7m = \$1,397,000
2019	13	14.5	13% of \$14.5m = \$1,885,000
2020 (projected)	8	11.9	8% of \$11.9m = \$952,000

There is expected to be a decline in *PST*'s NPM in 2020. Whilst 2019 was a good year, a NPM of only 13% means that for every \$100 of sales revenue, *PST* only earns \$13 in net profit, i.e. \$87 is spent on *PST*'s cost of goods sold and expenses. The NPM in 2020 is only 8%, meaning *PST* has poor cost control. Its net profit is expected to fall below \$1m in 2020, a decline of almost 32% from the net profit of \$1.397m in 2018.

*Award up to **[2 marks]** for an answer that shows some knowledge of the demands of the question. The answer lacks accurate calculations, or the explanation is rather generic (with minimal or superficial application at best).*

*Award up to **[4 marks]** for a detailed answer that shows good knowledge of the demands of the question. The calculations are accurate, and the explanation is clear and applied to the *PST* case study.*

- (d) **Using the case study and additional stimulus information, discuss how the predicted changes in the Finnish economy may affect *PST*.**
[10 marks]

The predicted changes in the Finnish economy may present both opportunities and threats to *PST*.

Opportunities include:

- The Finnish government is supportive of responsible and ethically managed fishing businesses (lines 41 – 42). Eligible businesses may qualify for financial assistance for development and investment projects and/or receive tax concessions and/or subsidies. This can help to reduce costs of production for *PST*, thereby reducing the burden and challenges that the company faces.
- Tourism is vital for the economy (Item 1) and is the second largest industry in Finland (line 17). Hence, there are many opportunities for *PST* to diversify into a growing sector of the economy. For example, the popularity of coastal tourism in Finland (Item 1) could provide *PST* with opportunities for Tapio to find alternative uses for the three trawlers (line 113).
- The economy is expected to grow by 2.2% (Table 1), meaning the average person in the country will have higher income. This is potentially beneficial to *PST* as customers tend to spend more money (on fish and other products) when their income levels increase.
- More people are switching from eating meat to eating fish (line 39), which creates more commercial opportunities for the fishing industry. This social trend could help *PST* to survive in the future.
- *Accept any other relevant opportunity, written in the context of *PST*.*

However, threats include:

- The weather is clearly a potential threat to *PST*'s operations, especially in the winter months (Item 1). If the Baltic Sea freezes, it would halt all fishing activities for *PST*. As workers are salaried staff (Appendix 1), *PST* would still need to pay the workers, despite there being no output during this time.
- The new government regulation on gender equality legislation (to double the paternity leave for fathers) is likely to cost *PST* more in labour costs, especially as most of the workers at the company are males. Doubling the period of paid paternity leave to almost 7 months can be very harmful to *PST*'s liquidity position.
- The ageing population is likely to affect *PST*'s workforce planning, whilst the significant fall in the birth rate (by about 20% between 2010 and 2018) may have long term implications for the company's workforce and number of customers.
- The imposition of strict regulations on commercial fishing (The Finnish Fishing Act and the EU's Common Fisheries Policy) could seriously limit *PST*'s fish catch, especially given the presence of intense competition from foreign trawlers in Finnish waters (lines 94, and 114 – 115).

- Wage rate inflation of 3.4% (Table 1) is likely to mean that *PST* needs to increase its wages by approximately this amount, in order to remain as an attractive employer. It is probable that this will have a negative impact on the company's finances, at least in the short term.
- The fall in both business and consumer confidence (Table 1) suggests that firms and customers are less likely to invest or spend more money in 2020, due to the pessimistic forecast for the Finnish economy. This would clearly be a threat to *PST*'s operations. This could partly explain the huge fall in *PST*'s projected net profit, falling from \$1,885,000 in 2019 to \$952,000 in 2020 – a drop of almost 50%.
- *PST*'s liquidity ratios (Question 4b) between 2019 and 2020 are a cause for concern. The current ratio is expected to fall from a rather low 1.33 to just 0.75 – which means the firm does not have sufficient liquidity because for every \$1 of current liabilities, *PST* only has \$0.75 of liquid assets. If it cannot easily sell its fish stocks, the quick ratio shows that *PST* only has \$0.38 in current assets for each \$1 of current liabilities.
- *Accept any other relevant threat, written in the context of PST.*

Note: it is not necessary (nor is it expected) for students to use all of Item 1 or Table 1 for full marks.

Whether these predicted changes create more opportunities or threats (positive or negative impacts) for *P&S Trawlers* is not definitive. The projected changes signify to *PST* that they must adapt to changing market trends and the resulting opportunities and threats to the economy. It will also depend on *PST*'s risk profile (Pekka is more risk-averse whereas Tapio is more open-minded in general).

Award [1 to 2 marks] for a general answer showing a limited understanding of the demands of the question. There is minimal, if any, use of the case study or the additional information in Section B.

Award [3 to 4 marks] for a simplistic answer that shows some understanding of the demands of the question, but lacks clear application of the case study and use of the additional stimulus material.

*For [5 to 6 marks] answers must identify the positive and negative impacts on *PST* due to the predicted changes in the Finnish economy. However, there is limited development of the responses or explanations are unsubstantiated in some areas.*

Award a maximum of [6 marks] for answers that only consider the opportunities or threats from the predicted changes in the Finnish economy.

*For [7 to 8 marks] answers must make effective use of the stimulus material in the case study due to the predicted changes in the Finnish economy. The answer considers both opportunities and threats to *PST* due to the predicted changes in the Finnish economy. However, the discussion points are not always fully justified.*

For [9 to 10 marks] answers must be well developed, with consideration of both the opportunities and threats of the predicted changes in the Finnish economy. There is effective use of the available information in the case study, including in Section B, to support the discussion points.

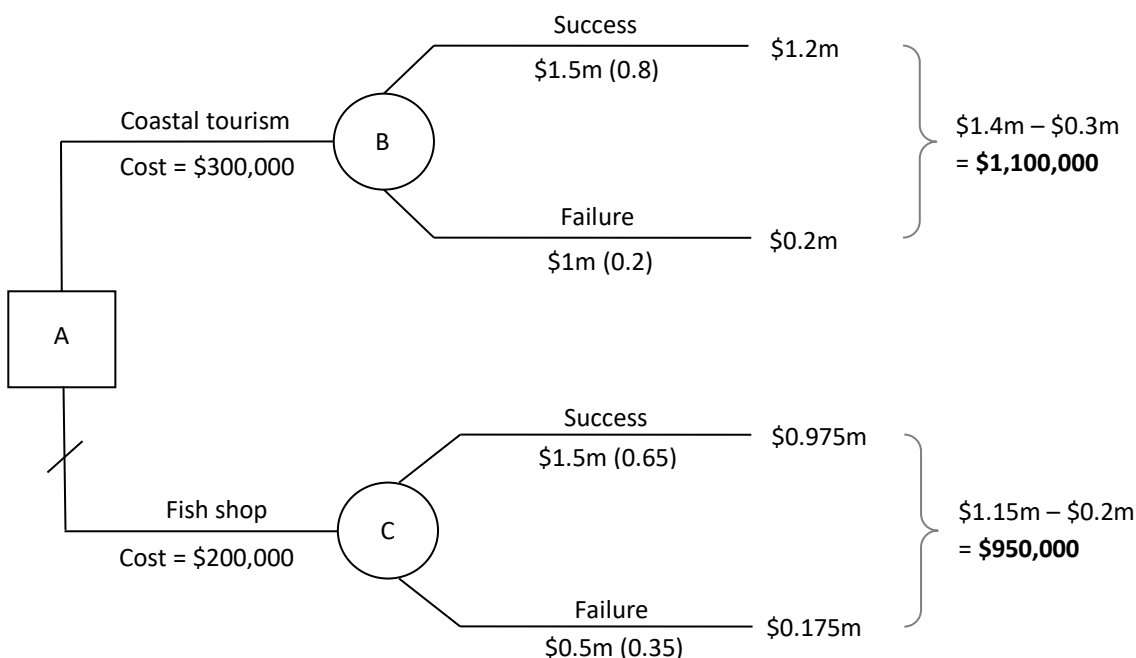
SECTION C

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 whether *PST* should opt to diversify into the coastal tourism industry (Option A) or invest in new and larger trawlers (Option B). [20 marks]

Arguments in favour of choosing **Option A** (diversification) might include the following:

- **Diversification** is the growth strategy in Ansoff's matrix that would involve *PST* providing new products in new markets, i.e. selling new goods and/or services to new customers. This is Tapio's preferred growth strategy, such as finding alternative uses for the three existing trawlers (line 113). This is the highest risk growth strategy, but suits Tapio who is open-minded (line 84) and does not feel the need to micromanage her teams.
- Based on the decision tree presented by Tapio, *both* Option A (i) and Option A (ii) would be feasible on financial grounds:



- Diversification into the coastal tourism industry is expected to generate a net return of \$1.1m, which is slightly higher than the expected return for opening a fish shop.
- However, the initial capital expenditure of Option A (ii) is only \$200,000 compared to the \$300,000 needed for Option A (i) to upgrade the trawlers to cater for tourists.
- The tourism industry is Finland's second largest industry (line 17), and likely to become the largest industry given the growing number of tourists in the country, and the challenges that face businesses in the commercial fishing industry. This also makes Option A (i) slightly more attractive than Option A (ii).
- The strict regulations on commercial fishing in Finland and the EU present major challenges for *PST* and other businesses in the industry. Hence, any forecasts in favour of Option B may not materialise, given the The Finnish Fishing Act and the EU's Common Fisheries Policy aim to ensure the sustainability of fish stocks for future generations. Hence, diversification seems more feasible as a long-term business strategy.
- Despite the relatively higher risks of diversification, the financial costs of a product development strategy (as advocated by Pekka) is significantly higher. The cost of Option A (ii) is \$300,000 and for Option A (i) it is only \$200,000 whereas the cost for Option B is a staggering \$1.2m. Hence, Option A (diversification) could carry less risk for *P&S Trawlers*.
- *Accept any other relevant qualitative or quantitative analysis that may impact PST's decision-making.*

Arguments against choosing **Option A** (diversification) might include the following:

- As Tapio favours Option A (diversification) and Option A (i) in particular, it could be questioned whether the decision tree analysis carries undue bias. For example, she predicts 80% chance of success for Option A (i) and only 60% chance of success for Option A (ii). The validity and reliability of the decision tree analysis is only as good as the data used to generate the expected outcomes.
- Given Tapio is not so confident that opening a fish shop will be successful, Option A (ii) might not be such a good idea. It seems further market research is needed, should the shareholders wish to consider this strategic option.
- Diversification carries much risk as a growth strategy, given that *P&S Trawlers* is not familiar with the tourism industry or the retail industry (selling fish in its own shop).
- Currently, local fish shops (line 88) are a key stakeholder group of *P&S Trawlers*, who supply their fish to these retailers. Option A (ii) involves *PST* opening their own fish shop, so this would provide direct competition with one of their major customer groups.
- *Accept any other relevant qualitative or quantitative analysis that may impact PST's decision-making.*

Arguments in favour of choosing **Option B** might include the following:

- **Market penetration** is a growth strategy in Ansoff's matrix that involves *PST* trying to provide existing and services targeted at its existing markets. This is Pekka's preferred growth strategy, by investing in updated and larger trawlers. This will help the company to compete with foreign competitors by catching larger volumes of fish. It is the least riskiest growth strategy, especially as the Heikki family have been involved in the commercial fishing industry for many generations (line 1).
- Based in Pekka's net cash inflow forecasts, Option B will have a relatively short **payback period** of 4 years, when there is sufficient cumulative net cash inflow to recoup the \$1.2m capital expenditure on the new modernized trawlers:

Year	Projected net cash inflow (\$)	Cumulative net cash inflow (\$)
1	200 000	
2	250 000	450,000
3	350 000	800,000
4	400 000	1,200,000
5	350 000	1,550,000
6	250 000	1,800,000
7	200 000	2,000,000
Total	2 000 000	

Thereafter, the project is expected to generate positive net cash inflow of \$800,000 for the remaining three years of the trawlers' useful life.

- The **average rate of return** for this investment is forecast to be 9.52%, i.e. for every \$100 of capital expenditure on the new trawlers, the annualised profit is \$9.52. This is significantly higher than the 5% discount rate, so suggests an attractive return on the investment. The ARR is calculated as follows:
 - Total profit = \$2m - \$1.2m = \$0.8m
 - Annualised profit = \$0.8m / 7 years = \$114,286 (accept \$114,285.71)
 - ARR = \$114,286 / \$1.2m = 9.52%
- The **net present value** is an attractive \$451,555 – which represents a real rate of return of 37.63% on the capital investment. The NPV is calculated as follows:

Year	Projected net cash inflow (\$)	Discount factor	Present value (\$)
1	200 000	0.9524	190 480
2	250 000	0.907	226 750
3	350 000	0.8638	302 330
4	400 000	0.8227	329 080
5	350 000	0.7835	274 225
6	250 000	0.7462	186 550
7	200 000	0.7107	142 140
Total	2 000 000		1 651 555
Cost	(1 200 000)		(1 200 000)
NPV			451 555

- Another consideration is the need for training and (possibly) recruitment costs. With Option B, there is minimal training required as the existing trawler crew have adaptable skills for working on the new/larger trawlers. However, if *PST* pursues Option A, there will need to be training as staff have to be retrained as coastal tourist guides or to work in the fish shop.
- *Accept any other relevant qualitative or quantitative analysis that may impact PST's decision-making.*

Arguments against **Option B** might include the following points:

- The significant capital expenditure cost of \$1.2m. Given the current financial position of *PST* (Appendix 1), it could be difficult for the company to secure external sources of finance – it was a forecast of a zero-dollar cash balance in 2020. Furthermore, the investment represents almost 43% of the projected value of *PST's* fixed assets (of \$2.8m).
- With a depreciation rate of 25%, the value of the trawlers falls to just **\$160,181** by the end of the 7th year of the investment project. Whilst this is a positive scrap value, it also means that the trawlers will have declined to just 13.35% of the original value of the capital expenditure of \$1.2m. It also means that each trawler has a residual value of just \$53,394 (from an initial capital investment of \$400,000 per trawler). As fishing boats are getting more expensive (line 12), the projected residual value of the new trawlers does not seem very attractive. The depreciation can be calculated as follows (rounded to nearest whole dollar):

Year	Book value of trawlers (\$)	Depreciation (at 25%)	Net book value (\$)
1	1,200,000	300,000	900,000
2	900,000	225,000	675,000
3	675,000	168,750	506,250
4	506,250	126,563	379,688
5	379,688	94,922	284,766
6	284,766	71,191	213,574
7	213,574	53,394	160,181

Or by the calculation: $\$1,200,000 \times 0.75^7 = \mathbf{\$160,181}$ (accept \$160,180.66)

- The adverse weather which freezes the Baltic Sea in the winter will prevent *PST's* new trawlers being able to go out to sea. Hence, the quantitative forecasts and analysis may not materialise, thus overestimating the financial returns of the investment.
- *Accept any other relevant potential argument against Option B, written in the context of the PST case study.*

In conclusion, the intensity of competition in the commercial fishing market could mean that it is an opportune time for *PST* to revise its strategic goals. Businesses with a revised and relevant focus on changing consumer needs have a greater chance of survival and success. The commercial fishing industry is already saturated and increasing rules and regulations in the industry will make it ever more challenging for relatively small businesses to survive or thrive. With falling profit margins (due to higher costs but falling market prices), focusing on quality alone may not be enough for *PST* to stand out in an industry with fierce rivalry.

Diversification would also enable *PST* to benefit from additional revenue streams; broadening its customer base should help to improve its financial performance in the long run. Nevertheless, there are high risks with any diversification strategy as *PST* do not know the coastal tourism industry very well. Change management and conflict resolution strategies may also be required as it could be challenging to convince Pekka (and perhaps his parents) to focus beyond the fishing business, which has been the family tradition for many generations.

Interpreting the assessment criteria

Further guidance on the assessment criteria is provided below. There are 5 assessment criteria (KARSI) for Section C:

Criterion A: **K**nowledge and understanding of tools, techniques and theories

Criterion B: **A**pplication

Criterion C: **R**easoned arguments

Criterion D: **S**tructure

Criterion E: Individual and societies

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

Examples of relevant theories, management tools and techniques include:

- Ansoff's growth strategies
- Capital expenditure
- Corporate social responsibility (CSR) and ethical business objectives
- Costs, revenues and profit
- Decision tree analysis
- Depreciation
- Human resource planning, including training needs and labour turnover
- Investment appraisal – payback period, average rate of return, and net present value
- Ratio analysis
- Sustainability
- SWOT analysis, with specific focus on opportunities and threats
- STEEPLE analysis of the external business environment and the impact on the operations of *PST*.

Award up to [2 marks] for an answer that shows some understanding of at least two business management tools, techniques or theories, but these are not developed, or if there is no use of the additional stimulus material.

Award up to [4 marks] if at least two relevant business management tools, techniques and theories are clearly understood and developed, with appropriate application of the additional stimulus material.

Note: it is not expected that a student uses all of the additional sources (items) provided.

Criterion B: Application

Award up to [2 marks] for an answer with some limited context/application to P&S Trawlers, but the answer is not developed well. The use of reasoned arguments is likely to be limited.

Award up to [4 marks] if there is relevant and competent application of the stimulus materials in the case study and Sections B and C. The answer is written in the context of the PST case study (i.e. the content in the pre-issued case study and the additional stimulus material).

Criterion C: Reasoned arguments

Award up to [2 marks] if the answer shows some limited arguments, but these are not justified. There may be limited, if any, application of the additional stimulus material.

Award up to [4 marks] if relevant arguments are justified/substantiated and there is use of the additional stimulus material. The arguments are discussed in a balanced way, and a conclusion is drawn regarding P&S Trawlers' organizational objectives and growth strategy.

Criterion D: Structure

This assessment criterion awards marks for:

1. an introduction
2. a body
3. a conclusion, and
4. fit-for-purpose paragraphs (written in the written response).

Award up to [3 marks] if any three of the four elements are present, or the answer is mainly organized and presented in a clear way.

Award up to [4 marks] if all four elements are present, i.e. the answer is clearly organized.

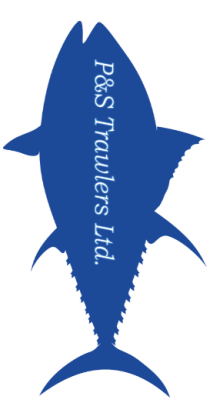
Criterion E: Individuals and societies

Stakeholders that might be considered include: Pekka, Tapio, Shae and Patsy Heikki, PST's 40 employees, the Finnish government, and customers (hotels, restaurants, fish shops and local residents).

*Award up to **[2 marks]** if one group or individual stakeholder of P&S Trawlers is considered appropriately, or if both individual and group stakeholders are considered in a superficial way.*

*Award up to **[4 marks]** if two or more individuals and group stakeholders of P&S Trawlers are considered in a balanced way. There is effective application of the additional stimulus material.*

When awarding the marks for each assessment criterion, refer to **pages 65 to 68** of the Business Management Guide for a detailed breakdown of the mark bands for Paper 2 Section C.



Job rotation **Business**

Management

Overdraft

Marketing strategy

European Union (EU)

Customers

Supermarket

Current assets

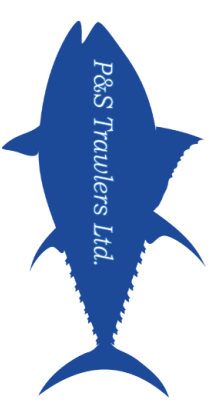
Level 7

Education

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Working environment



Marketing

Trade agreements

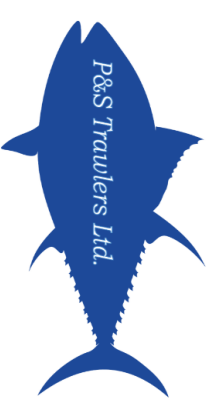
Labour turnover

Premium price

Creditors

Fixed assets

Accounting
Workforce



Intangible assets

Outsource Partnership

Financial performance

Induction training

Employees

Competition

Net profit margin

Mentoring



Current liabilities

Tourism

Equal opportunities legislation

Management

Financial position

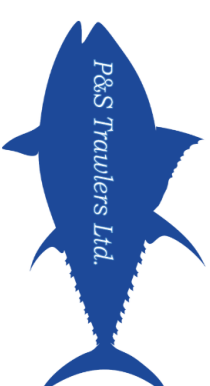
Credit period

Sales revenue

Working relationships

Environmental sustainability

Private Limited Company



Subcontractors

Market prices

Market uncertainties

Company shares

quotas

Trade agreements

Outage costs

Regulation

Other titles for IB Business Management, Economics, Geography and Psychology

