

M23/BUSMT/SP1/ENG/MOCK

Business management
Standard level
Paper 1

1 hour 15 minutes

Instructions to candidates

- Do not open this examination paper until instructed to do so.
- A clean copy of the **business management case study** is required for this examination paper.
- Read the case study carefully.
- A clean copy of the **business management formulae sheet** is required for this examination paper.
- **Section A: answer two questions.**
- **Section B: answer question 4.**
- A calculator is required for this examination paper.
- The maximum mark for this examination paper is **[40 marks]**.

Section A

Answer **two** questions from this section.

1. (a) Describe **one advantage** and **one disadvantage** of SVT being a public limited company [4]
- (b) Explain possible economies of scale that may apply to SVT. [6]
2. (a) With reference to SVT, explain **one advantage** and **one disadvantage** of using secondary market research (line 134) [4]
- (b) With reference to Yannick and Ariadne, explain the differences between a situational and an autocratic leadership style (line 19). [6]
3. (a) With reference to SVT, explain **one advantage** and **one disadvantage** of an organizational structure based on product. [4]
- (b) Explain how internal and external growth have helped SVT to grow. [6]

Section B

Answer the following question

4. SVT decided to produce the portable water purifiers “WF15” within the consumer products division. The board of directors finally decided to set a cost plus (mark up) pricing strategy for the “WF15”. Sales of household filters have exceeded forecasts and reached 10,000 filters for the year. All profits have been reinvested into developing the portable water purifier.

The portable water purifier “WF15” is now fully developed and tested. The price and costs of the water purifiers once production has begun are estimated in the following table (Table 1).

Table 1: Estimated cost and price data for WF15

Fixed costs	\$30,000 per year
Variable costs	\$2.1 per item
Price	\$2.5 per item

The water portable purifiers will be first sold in Sudan. “Sudan Clean Water” (SCW) is a nationwide not-for-profit organization established by wealthy Sudanese that leave abroad. SCW’s objective is to provide clean potable water to all areas of Sudan. SVT is considering to form with them a joint venture for the sales and distribution of the portable water purifiers “WF15” in Sudan. SCW will have the majority ownership in the joint venture and will provide its expertise and local knowledge to help solve the sales and distribution of the purifiers in Sudan. SCW will sell and distribute “WF15” through volunteers that are present in all areas of Sudan. The volunteers will also train the locals on how to use the product. SCW will also provide senior managers for the human resources and marketing of the joint venture while SVT will be responsible for the production of the water purifiers. SCW will promote “WF15” through social media and sponsorships of local football events.

However, SVT’s board of directors are worried about the success of the joint venture and the brand image of the portable water purifiers although this joint venture is an opportunity to make a real change to access to potable water in Sudan especially in rural remote areas.

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4. (a) Define **two** characteristics of a not-for-profit organization. [2]
- (b) (i) Using the information in **Table 1**, calculate the break-even output for the portable water purifiers “WF15” (*show all your working*). [2]
- (ii) Comment on the usefulness to SVT of break-even analysis. [6]
- (c) Recommend whether SVT should enter into a joint venture with SCW. [10]

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