



ST ANDREW'S
CATHEDRAL
SCHOOL
FOUNDED 1885



International Baccalaureate®
Baccalauréat International
Bachillerato Internacional

Business Management
Trial Examination Higher Level
Paper 1

Monday 22nd August 2022 (afternoon session)

Candidate session number

1 hours 15 minutes

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Instructions to candidates

- Do not open this examination paper until asked 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]**

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Section A

Answer **TWO** questions from this section.

1. (a) With reference to proposal to expand the car rental division in India (line 102), explain **one** positive **and one** negative impact of multinationals on host countries. [4]

 (b) Use the *Boston Consulting Group (BCG) matrix* to assess **two** of ELE's business divisions. [6]

2. (a) Outline **two** methods of external growth undertaken by ELE. [4]

 (b) Explain how **two** areas for improvement in the Zeat division may have been addressed by the introduction of *cellular manufacturing* (lines 27-35) [6]

3. (a) Outline **one** advantage and **one** disadvantage of ELE encouraging internal recruitment in the car rental division (lines 69-72). [4]

 (b) Use Ansoff matrix to assess **two** growth strategies adopted by ELE. [6]

Section B

Answer the following question.

4. *Giselle and Monica have provided the following information to the board regarding their proposals for the rental car division of ELE.*

Proposal 1: *Giselle's proposal to expand the car rental division to India.*

- Requires an initial investment of €1 000 000
- Would operate on a national scale (starting with 12 major cities)
- Investment appraisal forecasts a pay-back period of 4 years and 2 months, and an average rate of return (ARR) of 4%

Proposal 2: *Monica's proposal to re-brand the existing car rental division in Europe*

- Requires an initial investment of €2 600 000, with forecast annual returns of €780 000 in the first five years.

(a) Define the term *first-mover advantage* (line 118). [2]

(b) For Monica's proposal calculate:

(i) the payback period; [2]

(ii) the average rate of return on the investment . [2]

(c) Outline the benefit of **one** internal and **one** external source of finance that may have been used to finance ELE's growth [4]

(d) Using information from the case study, data provided and relevant tools, evaluate whether ELE should proceed with Proposal 1 or Proposal 2. [10]
