



**ST ANDREW'S
CATHEDRAL
SCHOOL**
FOUNDED 1885

Markscheme IB BM Trial Paper 1 2022



Diploma Programme
Programme du diplôme
Programa del Diploma

Markscheme

2022 Trial IB Examination

Business Management

Paper 1



The markbands and assessment criteria on pages 3–6 should be used where indicated in the markscheme.

Section A			Level descriptor
Q1 (b)	Q2 (b)	Q3 (b)	
Marks			
0			The work does not reach a standard described by the descriptors below.
1–2			<ul style="list-style-type: none"><input type="checkbox"/> Little knowledge and understanding of relevant issues and business management tools (where applicable), techniques and theories.<input type="checkbox"/> Little use of business management terminology.<input type="checkbox"/> Little reference to the stimulus material.
3–4			<ul style="list-style-type: none"><input type="checkbox"/> A description or partial analysis of some relevant issues with some use of business management tools (where applicable), techniques and theories.<input type="checkbox"/> Some use of appropriate terminology.<input type="checkbox"/> Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization.<input type="checkbox"/> At the lower end of the markband, responses are mainly theoretical.
5–6			<ul style="list-style-type: none"><input type="checkbox"/> An analysis of the relevant issues with good use of business management tools (where applicable), techniques and theories.<input type="checkbox"/> Use of appropriate terminology throughout the response.<input type="checkbox"/> Effective use of the stimulus material.

Section B Q4 (d)	Level descriptor
Marks	
0	The work does not reach a standard described by the descriptors below.
1–2	<ul style="list-style-type: none"> • Little understanding of the demands of the question. • Few business management tools (where applicable), techniques and theory are explained or applied and business management terminology is lacking. • Little reference to the stimulus material.
3–4	<ul style="list-style-type: none"> • Some understanding of the demands of the question. • Some relevant business management tools (where applicable), techniques and theories are explained or applied, and some appropriate terminology is used. • Some reference to the stimulus material but often not going beyond the name of a person(s) and/or the name of the organization.
5–6	<ul style="list-style-type: none"> <input type="checkbox"/> Understanding of most of the demands of the question. <input type="checkbox"/> Relevant business management tools (where applicable), techniques and theories are explained and applied, and appropriate terminology is used most of the time. <input type="checkbox"/> Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. <input type="checkbox"/> Some evidence of a balanced response. <input type="checkbox"/> Some judgments are relevant but not substantiated.
7–8	<ul style="list-style-type: none"> <input type="checkbox"/> Good understanding of the demands of the question. <input type="checkbox"/> Relevant business management tools (where applicable), techniques and theories are explained and applied well, and appropriate terminology is used. <input type="checkbox"/> Good reference to the stimulus material. <input type="checkbox"/> Good evidence of a balanced response. <input type="checkbox"/> The judgments are relevant but not always well substantiated.
9–10	<ul style="list-style-type: none"> <input type="checkbox"/> Good understanding of the demands of the question, including implications, where relevant. <input type="checkbox"/> Relevant business management tools (where applicable), techniques and theories are explained clearly and applied purposefully, and appropriate terminology is used throughout the response. <input type="checkbox"/> Effective use of the stimulus material in a way that significantly strengthens the response. <input type="checkbox"/> Evidence of balance is consistent throughout the response. <input type="checkbox"/> The judgments are relevant and well substantiated.

Section A

SL: Answer **ONE** question from this section

HL: Answer **TWO** questions from this section

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

Positive impacts of multinationals on host countries:

- Create jobs
- Boost the country's GDP, improving earnings and living standards
- Introduce new skills and technology
- Intensify competition, leading to greater efficiency

Negative impacts of multinationals on host countries:

- May cause unemployment if the multinational threatens domestic business
- Profits are repatriated to the home country. May also create insecurity as multinationals can pull out of the host country at short notice
- Multinational may exploit resources of the host country. Can be difficult for host country government to control
- Domestic firms may be forced to reduce prices to remain competitive.

Accept any other reasonable positive or negative impact identified.

Award [1] for each relevant impact identified up to a total of [2] provided there is one positive and one and one negative

Award [1] for identifying a relevant impact of ELE by expanding the car rental division into India (application) up to a total of [2].

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

The BCG matrix is a marketing planning tool that helps managers to plan for a balanced product portfolio, i.e. the variety of products owned by a business.

Dogs are products with low market share operating in a low growth market. Dogs do not generate much growth as the market tends to be stagnant or declining, such as ELE's gas station division. With the worldwide shift to electric vehicles expected in the decade ahead, gasoline sales are expected to decline. Hence, ELE is considering a new strategy to convert the gas stations to convenience stores (starting with the least profitable stations).

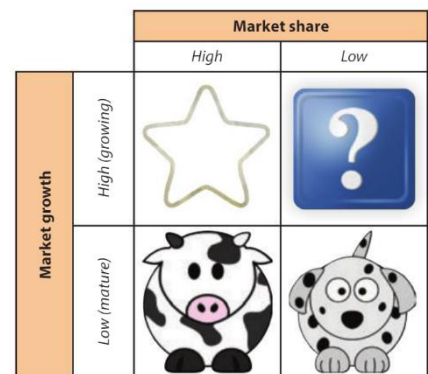


Figure 4.5.e The Boston matrix

Question marks (also called problem children) have high market growth but low market share, usually due to lack of quality or development of the product. None of ELE's divisions are currently described as high growth, so question marks are probably not currently part of their portfolio. However, it could also be argued that the car rental division is a question mark given the case study states that revenue growth is predicted to slow (indicating that it is currently growing) and the competition is fierce, which may indicate that ELE has a low market share.

Star products have high growth and high market share. None of ELE's divisions are currently described as high growth, so stars are not currently part of their portfolio.

Cash cows are products with high market share and low growth. In Oliver's report, Zeat division (air compressors) is said to be saturated (stagnated growth) but consistently profitable. Furthermore, Zeat has a 75% market share, which is very high. Thus, Zeat is a cash cow for ELE.

Award maximum [3] for a theoretical answer.

Award maximum [5] if the analysis is mainly descriptive but in context

Award maximum [3] for a theoretical answer or for only analysing one division well or two divisions of ELE insufficiently.

Award maximum [5] if the analysis of ELE's operations is mainly descriptive but in context.

Marks should be awarded according to the mark bands on page 2.

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

- *Acquisitions (line 7) of gas stations in the 1980's and 1990's*
- *Takeover of Zeat (line 15) – may also be referred to as backward vertical integration.*

*Award [1] for each external growth method identified up to a total of [2].
Award [1] for an accurate description of the external growth method AND application to ELE [2].*

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

Cellular manufacturing (or cell production) organizes workers into independent 'cells' with each team comprising of multiskilled staff with responsibility and autonomy for completing a whole unit of work in the production process.

There are a number of potential benefits, such as improved productivity (which was identified by Lucas as an area for improvement), as well as possibly faster delivery, improved motivation and less absenteeism due to employees feeling more autonomy – they may feel motivated by their role in decision making. Specialisation may also lead to higher productivity. As Zeat became more profitable following the implementation of cellular manufacturing, it would stand to reason that productivity was improved.

However, such autonomy may not suit all employees if they are not wanting more responsibility or do not feel supported in their role. Cellular manufacturing can also be less productive and expensive, with new machinery being acquired by Zeat to implement the changes.

Motivation theory (such as Pink, Maslow, Herzberg) could be relevantly applied to explain impact of autonomy and responsibility on motivation. Also could link to absenteeism and productivity.

Award maximum [3] for a theoretical answer.

Award maximum [5] if the analysis is mainly descriptive but in context

Award maximum [3] for a theoretical answer or for only analysing the benefits or limitations of cellular manufacturing well or two both insufficiently.

Award maximum [5] if the analysis of ELE's implementation of cellular manufacturing is mainly descriptive but in context.

Marks should be awarded according to the mark bands on page 2.

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

Advantages:

- *Cost effective*
- *Less down time*
- *Less risk*
- *Motivational*
-

Disadvantages:

- *Fewer applicants*
- *Dead wood (no fresh ideas)*
- *Time-consuming*
- *Internal politics*

Award [1] for each advantage/disadvantage identified up to a total of [2].

Award [1] for relevant application of stimulus to ELE [2].

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

Relevant growth strategies may

include:

- The acquisitions of gas stations in Europe (lines 5-9) represents market development (selling existing products in new markets).

		Products	
		Existing	New
Markets	Existing	Market penetration	Product development
	New	Market development	Diversification

- The takeover of Zeat represents diversification for ELE as air compressors were a new product and a new market. This strategy is the highest risk. The rental car business also represents diversification, which will extend to market development if they expand to India.
- Expansion of the gas stations to include convenience stores represents product development as it is selling new products in an existing market (medium risk strategy)

Award any other relevant and accurately identified growth strategy.

Marks should be awarded according to the mark bands on page 2.

Award maximum **[3]** for a theoretical answer.

Award maximum **[5]** if the answer is mainly descriptive but in context

Section B

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

First-mover advantage is the strategy of being the first in a market. This allows the business to establish market share, a good reputation and a loyal customer base before other firms have a chance to launch their products.

Award [2] for a correct definition of first-mover advantage.

Award [1] for a partially correct definition of first-mover advantage.

- (b) For Monica's proposal calculate:

- (i) the payback period; [2]

Payback measures the time taken to pay back the original investment.

Original investment = €2 600 000.

Paid back at a net €780 000 per year.

After 3 years paid back €2 340 000 so €260 000 more needed.

$\text{€}260\,000 / \text{€}780\,000 = 0.333$ (a third of a year)

Therefore, payback = 3 years 4 months.

Allow $3\frac{1}{3}$ years, 3.33 years or 40 months

Award [2] if correct answer with units.

Award [1] if correct answer but no units, or a reasonable attempt with errors.

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

$$\text{ARR} = \frac{(\text{total returns} - \text{capital cost}) / \text{years of use}}{\text{Capital cost}} \times 100$$

$$= \frac{(780\,000 \times 5 - 260\,000) / 5}{2\,600\,000} \times 100$$

$$\text{ARR} = 10\%$$

Award [2] if correct answer.

Award [1] if correct answer but no units, or a reasonable attempt with errors.

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

Internal:

- Retained profit (could relate to the takeover of Zeat or expansion of gasoline retail operations (line 50), diversification into car rentals (line 58))

External

- Selling shares – going public. May have financed the expansion of gasoline stations in late 1970's. Note that the owner's combined have a 52% share, so any further share releases will pose a threat to their controlling interest (takeover risk)
- Debt finance (loans or debentures) may have also funded the expansion of gasoline stations, diversification into car rentals (line 58)

Accept any other relevant internal or external source of finance.

Context comes from issues identified in the case and the nature of the business.

Award [1] for each source of finance (one internal and one external) of [2].

Award [1] for putting each positive/negative into context (relevant case study application) up to a total of [2].

- (d) Using data and a relevant tool, evaluate whether ELE should expand the car rental division to India or launch the new brand, In3T, in Europe. [10]

Relevant arguments may include (but are not limited to) the following

Proposal 1: India expansion

- A growth market: rising middle class with economic growth, tourism growth
- No multinational car rental operations in India
- Medium to high risk in terms of Ansoff: increases the necessity for market research.

- *Demand for car rentals amongst tourists in India may be questionable*
- *If a FFA is used, reference should be made in the analysis to driving and restraining forces (relevant terminology, providing balance)*
- *Growth/expansion: advantages/disadvantages of expanding into overseas market, such as high costs associated with purchasing vehicles, cultural and language challenges, leadership differences, etc.*
- *CSR/ethical objectives (could relate to impact of multinationals on host country)*
- *Investment appraisal: including reference to workings in part (b) payback period (shorter than Proposal 2).*

Proposal 2: rebrand

- *Innovation: costs and benefits.*
- *May need to undertake debt finance*
- *Medium risk in terms of Ansoff*
- *Investment appraisal: including reference to workings in part (b) payback period*
- *Accept any other relevant argument*
- *Tools employed may include force-field analysis, investment appraisal (from question 4.b), SWOT, Ansoff or BCG from Section A. Accept other relevant tools*

Marks awarded according to the mark bands on page 3.

Award a maximum of [4] for a purely theoretical answer or with no effective use of case (eg, only repeating case material without development).

Award a maximum of [6] if the move away from tradition mining operations is considered but there is a lack of balance in the assessment).

Award a maximum of [8] if there are no significant judgements.