

IB Business Management – Paper 1 Case Study Pack
Case Study: ELE PLC
HL Mock examination



For November 2022 examinations

1 hour 15 min¹

INSTRUCTIONS

- Do not open this examination paper until you have been instructed to do so.
- Students of St. Andrew's Cathedral School will need a clean copy of the ELE PLC 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.
- This examination does not contain a Section C.²
- You are permitted to use a calculator for this examination paper.
- Total marks available: 40 marks.³

Please note the following points apply to the May 2022 examinations:

¹ Paper 1 (HL) has been reduced from 2 hours 15 mins to **1 hour 15 mins**.

² Section C has been removed,

³ Paper 1 (HL) has been reduced from 60 marks to **40 marks**.

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SECTION A

*Students of St. Andrew's Cathedral School, answer **two** questions from this section.*

1. (a) Distinguish between internal recruitment and internal promotion (lines 69 and 72) at ELE PLC. [4 marks]

 (b) Explain **two** benefits and **one** drawback of ELE PLC creating a 10-year business plan (line 91). [6 marks]

2. (a) Outline **one** opportunity and **one** threat that ELE PLC could face if the Board of Directors decides to enter the Indian market (line 102). [4 marks]

 (b) Explain the potential impacts of the increasing popularity of electric cars on ELE PLC's costs **and** revenues (see Oliver's report, line 95). [6 marks]

3. (a) Describe **two** features of a takeover (line 19). [4 marks]

 (b) Explain how the appraisal methods used by ELE PLC's car rentals division could impact the level of employee motivation (lines 73 – 80). [6 marks]

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

SECTION B

Read the additional information below and answer **the compulsory** questions from this section.

4. At last month's meeting, Oliver presented the following data for discussion with the other directors. Based on previous rounds of meetings, the Board had shortlisted three growth strategies (see below). The data are based on forecasts of the economic conditions in Europe for Options 1 and 3, and in India for Option 2.
- **Option 1** – Hugo's recommendation to redevelop ELE PLC's existing gasoline stations as convenience stores. The cost of Option 1 is expected to be €110 million.
 - **Option 2** – Giselle's recommendation to expand the car rentals division to India. The cost of Option 2 is expected to be €110 million.
 - **Option 3** – Monica's recommendation to launch the new brand, In3T, in Europe. This includes using only electrically powered cars with enhanced technologies including a smartphone app for customers. The cost of Option 3 is expected to be €130 million.

Table 1 – Data for decision tree analysis

Option		Economic conditions	Probability	Forecast revenue (€m)
1	Redevelop gas stations to convenience stores	Improve	60%	180
		Unchanged	20%	120
		Worsen	20%	80
2	Expand car rentals division to India	Improve	65%	200
		Unchanged	15%	100
		Worsen	20%	40
3	Launch In3T, including all-electric powered cars	Improve	60%	200
		Unchanged	20%	130
		Worsen	20%	60

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At the meeting, Oliver also presented the following economic forecasts for Belgium, France, Spain, the UK, and India.

Table 2 – Economic performance indicators for selected countries

Indicator	Belgium	France	Spain	UK	India
Economic growth	0.5%	-0.2%	0.2%	0.8%	1.7%
Unemployment rate	5.5%	7.4%	12.5%	3.8%	7.8%
Inflation rate	9.6%	6.1%	10.8%	10.1%	6.7%
Interest rate	0.5%	0.5%	0.5%	1.75%	5.4%
Corporate tax rate	25%	26.5%	25%	19%	25.17%

Source: adapted from Trading Economics (<https://tradingeconomics.com/indicators>)

Due to the ongoing COVID-19 pandemic across the world, the directors wish to minimize risks but realise ELE PLC needs to grow and evolve if it is to continue to be profitable and remain competitive. The board of directors has therefore agreed to invest in only one of these growth options. However, they are far from being able to agree which growth strategy to pursue. The fact that Emma and Lucas remain the majority shareholders of the company but are no longer on the board of directors only makes this decision more challenging.

- (a) Define the term *overheads* (line 128). [2 marks]
- (b) Explain **two** appropriate external sources of finance that ELE PLC could use to redevelop its gasoline station sites as convenience stores (lines 98 - 99). [4 marks]
- (c) Explain how changes in any **two** STEEPLE factors in the external environment might pose a threat to ELE PLC's car rentals division in its existing markets (see Oliver's report). [4 marks]
- (d) With reference to the case study and your knowledge of business management, recommend which growth option ELE PLC should pursue. You will find it useful to construct a decision tree using the data provided above and to include the findings in your answer. [10 marks]