

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



For November 2022 examinations

1 hour¹

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.
- Read the case study carefully.
- A clean copy of the Business Management formulae sheet is required.
- Answer any **one** question from Section A.
- Answer **the** compulsory question from Section B.
- You are permitted to use a calculator for this examination paper.
- Total marks available: 30 marks.³

Please note the following which will apply for the November 2022 examinations:

¹ Paper 1 has been reduced from 1 hour 15 mins to **1 hour**.

² Candidates only answer **one** question (not two) in Section A.

³ Paper 1 has been reduced from 40 marks to **30 marks**.

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SECTION A

Students of St. Andrew's Cathedral School, answer **one** question from this section.

1. (a) Describe **one** advantage and **one** disadvantage of stratified sampling (line 40). [4 marks]

 (b) Explain the role of staff appraisals (line 73) at ELE PLC's car rental division. [6 marks]

2. (a) Describe **two** features of a public limited company (line 4). [4 marks]

 (b) Explain how changes in any **two** STEEPLE factors in the external environment might pose a threat to ELE PLC's gasoline stations division (see Oliver's report). [6 marks]

3. (a) In the context of ELE PLC, describe the difference between internal and external sources of finance (lines 19 and 58). [4 marks]

 (b) Explain the value to ELE PLC of producing business plans (lines 91). [6 marks]

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

SECTION B

Refer to the addition materials below and answer **the compulsory** questions from this section.

4. A second round of quarterly board meetings were held in 2022, where Monica and Giselle's contrasting proposals were considered in greater depth. Oliver felt that it was important for ELE PLC to innovate over the next decade in order to remain competitive and maintain Zeat PLC's high market share as well as ELE's brand image.

However, Hugo argued that expanding into the Indian market would be invaluable for increasing **brand awareness**. Additionally, India's high-growth market and large population of 1.38 billion people means that ELE PLC can expect high returns on their initial investment, especially as the government has no intention banning the sale of petrol or diesel fuelled vehicles in the foreseeable future.

An agreement was reached by the directors that ELE PLC would need to review its financial position for the year ended 2021 before making any decision about the company's growth options.

Table 1 – Financial data for ELE PLC for year ended 2021 (€ millions)

Item	€m
Accumulated depreciation	10
Cost of sales	110
Current assets	150
Current liabilities	100
Fixed assets	280
Long-term liabilities (debt)	100
Retained profits	90
Sales revenue	330
Share capital	130

The board of directors agreed that only one of the two options would be implemented due to the financial risks and high costs of capital expenditure. In particular, the board members are concerned about the current economic climate across the world.

Option 1: Following the discussions with the board of directors in 2021 (line 91) and the subsequent meetings in 2022, Giselle maintains her recommendation to expand the car rental division to India (line 102).

Option 2: Monica's recommendation of the need for a fundamental change to ELE PLC's car rental division in Europe in order to gain a first-mover advantage by launching a new brand, In3T, with its enhanced by technology (lines 117 – 119).

A final decision needs to be made by the end of 2022. Time is of the essence for ELE PLC, as recent sales forecasts show that gasoline prices are expected to reach an all-time high in Europe for 2023 due to increased political tensions for a major oil supplier in the region.

- (a) (i) Define the term *brand awareness*. [2 marks]
 - (ii) Explain **one** advantage for Zeat PLC having high market share. [2 marks]
 - (b) Using the financial data in Table 1, calculate the gross profit margin (GPM) for ELE PLC for 2021. [2 marks]
 - (c) In the context of the case study, distinguish between ELE PLC's revenue expenditure and its capital expenditure. [4 marks]
 - (d) Using information from the case study and your own knowledge of business management, recommend which of the two options should be implemented. You will find it useful to construct a balance sheet from the data in Table 1 as part of your answer. [10 marks]
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