

Chapter 18

Business Expansion Workpack

Reasons – Offensive, Defensive, Psychological

Strategies - Organic and Inorganic Growth
(Franchise, Merger, Takeover, Alliance)

Finance for Expansion

Short and Long Term Implications

2021 Short – Q1

Match the two lists by placing the letter of the correct explanation under the relevant number below.

Column 1 is a list of business terms;

Column 2 is a list of possible explanations for these terms. MS: 3,2,2,2,1

Column 1: Terms	Column 2: Explanations
1. Merger	A This occurs when one company purchases more than 50% of the shares in another company.
2. Economies of Scale	B Two businesses work together on a project but remain separate legal entities.
3. Acquisition	C Purchasing a company and selling off its assets to increase return for investors.
4. Diversification	D Two or more businesses join together to create a new legal entity.
5. Strategic Alliance	E A business spreads risk by not being dependant on one market or one product.
	F The cost of producing each unit decreases due to an increase in production/bulk buying of raw materials.

1	2	3	4	5

2018 Q3 - Short

Circle the correct option in the case of each of the following statements.

- (i) An acquisition (takeover), is a form of *inorganic growth/ organic growth*.
- (ii) In a merger, *businesses trade under their own names/ a new legal entity is created*.
- (iii) In a strategic alliance, businesses share expertise, and the agreement is *permanent/ temporary*.
- (iv) Expansion can be financed by debt capital which *includes / does not include* ordinary share capital.
- (v) Economies of scale are defined as *unit (average) cost / total costs* decreasing as output increases.

MS: 3+2+2+2+1

2012 Q7 (C)

Read the information supplied below and answer the question which follows.

SuperToys Ltd, a large retail chain with 45 shops throughout Ireland, had sales of €100 million in 2011. It has just commissioned a firm to design and manufacture a new range of soft toys for babies. These will be available for sale in its shops from Summer 2013. SuperToys Ltd plans to open its first shop in the UK in 2014.

Discuss the possible reasons for business expansion and growth at SuperToys Ltd. (20 marks)

MS: 2 @ 7 marks (3+3+1) 1 @ 6 marks (3+2+1)

The Business Guys

2020 Q5 (A) Read the information supplied and answer the questions which follow.

Apple takeover of Beats Electronics

In 2014, Apple confirmed an acquisition/takeover of headphone maker and music streaming service Beats Electronics for a reported fee of \$3 billion dollars. As part of its business expansion, Apple conducted market research.

- (i) Explain what is meant by a **takeover**.
(ii) Outline **two** advantages and **one** disadvantage of a takeover as a method of business expansion.

MS: (i) 5m (3+2) (ii) 3 x 5m (2+3)

(i)

(ii)

2011 Q6 (A)

Read the information supplied and answer the questions which follow.
Kilronan Ltd produces a range of chilled food products. Made from natural ingredients, the firm's award winning products have become household names. It is now one of the leading brands in Ireland and supplies all the major supermarket chains. Kilronan Ltd is considering either a 'merger' or a 'takeover' as a method of expansion within the Irish market. It is also considering how it will finance growth.

(i) Illustrate the difference between a *merger* and a *takeover* as methods of business expansion.

(ii) Discuss the benefits and risks of a merger as a method of expansion for Kilronan Ltd. (25 marks)

MS: (i) 2@ 5 marks (2+2+1) (ii) 3 @ 5 marks (2+2+1)

(i) A merger _____

E.g.

A takeover _____

E.g.

(ii) _____

2018 Q5 (A)

Read the information supplied and answer the question which follows.

Supermac's is an Irish fast food franchise which was set up in Ballinasloe 40 years ago by Pat McDonagh. In May 2017 **Supermac's** took home the award for "Franchise of the Year" at the Irish Franchise Awards.

Source: www.hospitalityireland.com

Outline the advantages and disadvantages for a business in the fast food sector of choosing franchising as a method of business expansion. (20 marks)

MS: 2@7(4+3) 1@6(3+3) At least one of each required.

Advantages

Link:

Link:

Disadvantages

Link:

Link:

2010 Q6 (A)

Read the information supplied below and answer the questions which follow.

Marie Nolan is the owner of 'Marie's Pizzas' a successful pizza restaurant with a home- delivery service. Demand for take-aways has increased, as more people are eating at home due to the economic downturn. Marie is planning on expanding her business through franchising and her accountant recommends that a business plan should be prepared before going ahead. Evaluate franchising (benefits and risks) as a method of expansion for the Pizza business. (20 marks)

MS: 3 @ 5 marks (2+3) min 1 benefit/1 risk; Evaluation 5m (2+3)

E.g. _____

E.g. _____

E.g. _____

Evaluation: in my opinion _____

2019 Q6 (B)

- (i) Outline the benefits and risks of a strategic alliance as a method of business expansion.
(ii) Explain one other method of business expansion.

MS: (i) 3@5 (2+3) (ii) 2+4+4

Benefit

1. _____

2. _____

Risk

1. _____

(ii)

Method: _____
First point: _____

Second point: _____

2009 Q5 (A)

- (i) Explain the term 'business alliance'.
(ii) Illustrate the advantages of an alliance as a form of business expansion.
(20 marks)

MS: 5m (2+3) 3 @ 5m (2+3)

(i) _____

(ii) _____

E.g. _____

E.g. _____

E.g. _____

2013 Q6 (B)

'For a business to survive it needs to grow and expand.'

Evaluate two methods of business expansion. (20 marks)

MS: 2 x (2+3+3+2) – State 2m Explain 6m (3+3), Evaluate 2m

Evaluation: in my opinionEvaluation: in my opinion

2020 Q5 (C)

Evaluate debt capital versus equity capital as methods of financing expansion for a business.

MS: 4@4(2+2) EV (0,2,4)

State: _____

Debt: _____

Equity: _____

Evaluation: _____

State: _____

Debt: _____

Equity: _____

Evaluation: _____

State: _____

Debt: _____

Equity: _____

Evaluation: _____

State: _____

Debt: _____

Equity: _____

Evaluation: _____

2013 Q6 (C)

Discuss the short-term and long-term implications of business expansion using the following headings:

Organisation Structure; Product mix; Profitability; Employment. (20 marks)

MS: 4 @ 5 marks (4+1)

Organisation structure

ST: _____

LT: _____

Product mix:

ST: _____

LT: _____

Profitability:

ST: _____

LT: _____

Employment:

ST: _____

LT: _____
