



**BUSINESS AND MANAGEMENT
STANDARD LEVEL
PAPER 1**

Tuesday 4 May 2010 (afternoon)

1 hour 15 minutes

INSTRUCTIONS TO CANDIDATES

- Do not open this examination paper until instructed to do so.
- Read the case study carefully.
- Section A: answer two questions.
- Section B: answer the compulsory question.

SECTION A

Answer **two** questions from this section.

1. (a) Define the following terms:
 - (i) *product life cycle (line 32)* [2 marks]
 - (ii) *brand loyalty (line 51).* [2 marks]
- (b) With reference to *N-Pharma* and its new drug *Pharmatics*, distinguish between “above the line and below the line promotion” (*line 45*). [4 marks]
- (c) Apply The Boston Consulting Group (BCG) matrix to *N-Pharma’s* product portfolio. [7 marks]

2. (a) “Since 1980, *N-Pharma* has been a public limited company with its shares traded on the Tokyo Stock Exchange” (*lines 83–84*). Outline **two** key aspects of this form of ownership. [4 marks]
- (b) Prepare a SWOT analysis showing **only** the opportunities and threats for *N-Pharma*. [4 marks]
- (c) Analyse *N-Pharma’s* position using the information in the SWOT analysis (additional information, page 3) and your answer to part (b). [7 marks]

3. (a) Define the following terms:
 - (i) *profitability (line 64)* [2 marks]
 - (ii) *liquidity (line 111).* [2 marks]
- (b) Using data from Appendix 2, calculate the liquidity ratios for the USA subsidiary of *N-Pharma* in the financial years 2008 **and** 2009. [4 marks]
- (c) Analyse the liquidity ratios calculated in part (b) from the perspective of **two** stakeholders of *N-Pharma*. [7 marks]

SECTION B

Answer **the compulsory** question from this section.

4. (a) Define the following terms:
- (i) *delegation (line 59)* [2 marks]
 - (ii) *performance-related pay (PRP) (line 72).* [2 marks]
- (b) *N-Pharma* is considering several strategic options for its future growth, including a takeover (**Option 1(b)**) and a merger (**Option 3**). Distinguish between a merger and a takeover. [4 marks]
- (c) Laura Davies anticipates “that the Australian employees of *N-Pharma* will respond positively to non-financial rewards” (*lines 80–81*). Explain how non-financial rewards might affect job satisfaction and productivity. [4 marks]
- (d) To what extent would a change in Susan James’ leadership style improve productivity and morale at the Canadian subsidiary of *N-Pharma*? [8 marks]

Additional information

Strengths and weaknesses from a SWOT analysis for *N-Pharma*

Strengths

- *N-Pharma* is a well-established multinational company (MNC) with subsidiaries in several countries within the Pacific Rim.
- *N-Pharma* is a well known brand name, attracting customer loyalty.
- *N-Pharma* has a portfolio of drugs at different stages of their product life cycle (*e.g.* Pharmax, Pharmaflo, Pharmaslim, Pharmatics).
- *N-Pharma* has large financial reserves and its shares are regarded by investors as safe and relatively risk free.

Weaknesses

- *N-Pharma* has experienced problems in some of its subsidiaries (*e.g.* human resources (HR) problems in Canada and Australia, liquidity problems in the USA).
- *N-Pharma* has suffered a negative public image because of unethical practices.
- *N-Pharma* operates in a very competitive business environment (generic drugs from competitors are cheaper than *N-Pharma* branded products).