International Baccalaureate®
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BUSINESS AND MANAGEMENT
STANDARD LEVEL
PAPER 1

Thursday 17 November 2011 (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) Describe Andrew Grandin's:

  (i) chain of command at *Reach Out*   *[2 marks]*

  (ii) span of control at *Reach Out*.   *[2 marks]*

  (b) Using the case study, comment on **two** sources of income (current or potential) for *Reach Out* **other than** the therapist scheme.   *[4 marks]*

  (c) Analyse the social **and** economic impacts of the actions of the non-profit organization *Reach Out*.   *[7 marks]*

2. (a) Describe Laura Chan's desired pricing strategy for *Reach Out's* PECS cards.   *[4 marks]*

  (b) Explain **two** reasons why Neil Johnson prepared a STEEPLE analysis for *Reach Out (line 31)*.   *[4 marks]*

  (c) Laura Chan "did not see how marketing objectives could help *Reach Out* achieve its goals" *(lines 148–149)*. Examine how appropriate it is for *Reach Out* to have marketing objectives.   *[7 marks]*

3. (a) Define the following terms:

  (i) *commission (line 40)*   *[2 marks]*

  (ii) *dismissal (line 109)*.   *[2 marks]*

  (b) Using the additional information on page 3 about publishing company B, calculate *(show all your working)*:

  (i) the payback period (to the nearest month)   *[2 marks]*

  (ii) the average rate of return (ARR).   *[2 marks]*

  (c) Neil Johnson "eventually decided to donate the $10 000 himself" *(line 36)*. Analyse the consequences for *Reach Out* of Neil's decision.   *[7 marks]*

SECTION B

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

4.   (a)   Neil Johnson tried to convince Laura Chan that **(Option 2)** would be a
           worthwhile investment by using a break-even model *(lines 130–131)*. Use a
           fully-labelled diagram to illustrate the break-even analysis model *(no figures
           are required)*.   *[4 marks]*

     (b)   Explain the difference between internal and external sources of finance for
           Reach Out.   *[4 marks]*

     (c)   With reference to *Reach Out* and to **one** organization of your choice, explain **two**
           reasons for setting up a business.   *[4 marks]*

     (d)   Laura Chan has a laissez-faire leadership style *(line 115)*. Evaluate the
           effectiveness **and** implications of her leadership style for *Reach Out*. *[8 marks]*

Additional information for question 3 (b)

Financial data for publishing company B

PECS cards setup cost: $100 000.

Estimated return from selling PECS cards over 4 years:

Year 1	$20 000
Year 2	$30 000
Year 3	$40 000
Year 4	$60 000