

Business management
Standard level
Paper 1

Monday 21 November 2016 (afternoon)

1 hour 15 minutes

Instructions to candidates

- Do not open this examination paper until instructed to do so.
- A clean copy of the **business management case study** is required for this examination paper.
- Read the case study carefully.
- A clean copy of the **business management formulae sheet** is required for this examination paper.
- Section A: answer two questions.
- Section B: answer question 4.
- A calculator is required for this examination paper.
- The maximum mark for this examination paper is **[40 marks]**.

Sección A

Answer **two** questions from this section.

1. (a) With reference to *Medimatters*, describe **two** steps in setting up a new business. [4]
(b) Explain suitable sources of finance in order for *Medimatters* to finance the additional setup cost of \$50 000 (line 92). [6]
2. (a) With reference to *Medimatters*, describe **two** benefits of having a marketing plan. [4]
(b) Explain the factors influencing a suitable promotional strategy for the IBAT app. [6]
3. (a) With reference to *Medimatters*, describe **two** features of batch production. [4]
(b) Assuming the production of the lenses is outsourced, explain the differences in how *Medimatters* would manage operations for its products/goods (the lens) and its service (the app). [6]

Section B

Answer the following question.

4. The Indian manufacturer has made a test batch of 100 IBAT lenses and these are being checked by Falit.

Didi has further investigated costs and Emma has conducted market research to identify potential customers. Didi is concerned at how many IBATs *Medimatters* would need to sell for the venture to be worthwhile. He forecasts the following:

- Fixed costs: \$9000 per month.
- Variable costs: \$50 per IBAT.
- Sales price: \$80 per IBAT.

Ahmed considered his role as leader.

- He has consulted widely on a draft business plan and has discussed and agreed the mission and vision statements because he wants to involve everyone.
- The group are all very enthusiastic about IBAT, although some are anxious about the risks involved and have asked for more guidance.
- He spends a lot of time keeping everyone informed of project developments in addition to coordinating all of their efforts.
- Emma has many ideas about expanding into new markets, however, Didi does not agree and has argued with Emma.
- He is prepared to make urgent decisions himself. For example, without consultation he decided that *Medimatters* should become a private limited company.

- (a) Define the term *vision statement*. [2]
- (b) (i) Calculate the forecasted break-even quantity per month for the IBAT (*show all your working*). [2]
- (ii) Calculate the forecasted monthly profit or loss if *Medimatters* sells 400 IBATs per month (*show all your working*). [2]
- (c) Explain **two** relevant secondary market research methods (sources) that Emma could have used to identify potential customers. [4]
- (d) “Ahmed considered his role as leader.” Recommend an appropriate leadership style for Ahmed. [10]