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**Business management**  
**Standard level**  
**Paper 1**

Friday 30 April 2021 (afternoon)

1 hour

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**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 one question.
- Section B: answer question 4.
- A calculator is required for this examination paper.
- The maximum mark for this examination paper is **[30 marks]**.

## Section A

Answer **one** question from this section.

1. (a) Outline **two** benefits for *MM* of outsourcing human resource management (HRM) (lines 51–54). [4]  
(b) Explain how *MM* has differentiated itself. [6]
2. (a) With reference to *MM*, outline **two** sources of finance suitable for taking over the film studio in India (lines 144–147). [4]  
(b) Explain how a formal system of appraisal may have avoided the problems caused by Clare (lines 86–100). [6]
3. (a) Outline **two** reasons why *MM* may relocate all of its operations to Bengaluru (lines 124–142). [4]  
(b) Explain how the proposed contract with Country X may conflict with *MM*'s ethical objectives (lines 114–123). [6]

## Section B

Answer the following question.

4. A friend of Aarvan owns a film studio, *Satvi Films (SF)*, in Bengaluru. Aarvan has recommended that *MM* take over *SF*. *SF* has a reputation for making high-quality films that are very popular and it is accustomed to making full-length films for the Indian market. It has also made social marketing advertisements for Indian television. *SF* produces films to meet the precise demands of its customers, including producing them to customer specifications and tight deadlines. There are often pressures to get work done on time, especially as *SF* does not allow overtime working. Rachel is concerned that *SF*'s managers are autocratic and that many of its employees lack the freedom to be creative. Although the pay scales at *SF* are lower than average for India, its managers do receive financial rewards, such as bonuses.

To assess the possible takeover, Rachel is analysing financial information for *SF* (**Table 1**).

**Table 1: Selected financial information for *SF* for 2019 and 2020**

	2019	2020
Stocks (\$ millions)	2	4
Cash (\$ millions)	20	10
Debtors (\$ millions)	18	16
Current liabilities (\$ millions)	30	25
Gross profit margin (%)	8	7
Net profit margin (%)	4	2

Aarvan thinks that a takeover of *SF* will reduce *MM*'s production costs and that owning *SF* would make it easier for *MM* to produce the advertisements that customers want. Aarvan knows that the owner wants to sell, so *SF* would be cheap and easy to buy.

However, Javed thinks that *SF* does not have enough experience in making short, attention-grabbing advertisements: its main experience is in making full-length films for cinema release. He also thinks that it would be difficult to manage two very different businesses, each with different conditions of employment.

- (a) Define the term *social marketing*. [2]
- (b) Using **Table 1**:
- (i) calculate the current ratio for *SF* for 2020 (*show all your working*); [2]
- (ii) suggest **one** reason why *SF* may have a liquidity problem. [2]
- (c) Explain **two** factors that may influence the motivation of employees at *SF*. [4]
- (d) Recommend whether *MM* should take over *SF*. [10]

**References:**