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Business management
Standard level
Paper 1

Monday 25 October 2021 (afternoon)

1 hour

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]**.

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Section A

Answer **one** question from this section.

1. (a) With reference to *MM*, describe **two** features of a merger (lines 20–22). [4]
(b) Explain the strategies used by *MM* to achieve sustainability. [6]
2. (a) Describe **one** advantage **and one** disadvantage for *MM* of decentralization (lines 44–45). [4]
(b) Explain how *MM* could reduce stakeholder conflict in relation to its gold mine in Egypt. (lines 103–107) [6]
3. (a) Describe **two** differences for *MM* between marketing its minerals (a product) and marketing its hotels (a service). [4]
(b) Explain strategies *MM* could use to improve cash flow in its palladium mine in South Africa (**Table 1**). [6]

Turn over

Section B

Answer the following question.

4. *MM* is reviewing its hotel and mining operations.

To understand customer opinions about its hotels, *MM* will distribute questionnaires at two of its hotels and use a convenience sampling method. *MM* is also considering introducing flexitime for hotel employees.

For its gold mining operations, *MM* wants to increase its market share worldwide to 1% by 2030. In 2020, *MM* produced 17 tonnes of the global production of 3200 tonnes.

In another development, *MM* wants to enter the rapidly growing lithium market. *MM* has rejected the idea of buying an existing lithium producer and is considering two options: opening its own lithium mine in Australia or entering a joint venture with a lithium mining company.

Option 1: Open a lithium mine in Australia

MM has identified a site in Australia, and the Australian government, which is keen to develop its country’s lithium mining industry, will approve a mining license for it. Development of the mine would take three years and cost \$100 million. **Table 2** shows the forecasted net returns for the first six years.

Table 2: Forecasted net returns for the lithium mine (in millions of \$)

Year	Net returns
0	–70
1	–20
2	–10
3	30
4	60
5	100

MM will sell the lithium to battery manufacturers in China, a market familiar to the Australian mining industry. Transport costs would be high. Environmental pressure groups oppose the mine because of the water and air pollution they think it would create.

Option 2: A joint venture with *CanLith* (*CL*)

CL, a lithium mining company, is seeking expansion with a new mine and needs finance. A joint venture with *MM* would bring *MM*’s expertise and corporate values to the expansion. *MM* and *CL* would have equal ownership of the new mine and jointly manage it. *CL* would appoint a board of directors. However, *CL* has attracted bad publicity because of its poor environmental record, and local people oppose the new mine. Information on the joint venture is shown in **Table 3**.

Table 3: Information on setting up the joint venture

Cost to <i>MM</i>	\$40 m
Time to complete	6 months
Expected average rate of return (ARR) on <i>MM</i> 's investment	15 %

- (a) Define the term *flexitime*. [2]
 - (b) Calculate for *MM*:
 - (i) its market share worldwide in gold in 2020 (*show all your working*); [2]
 - (ii) the average rate of return (ARR) for the lithium mine (*show all your working*). [2]
 - (c) Explain **one** advantage **and one** disadvantage for *MM* of using convenience sampling for its market research. [4]
 - (d) Using the case study and additional information from Section B, recommend whether *MM* should choose **Option 1** or **Option 2**. [10]
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References:

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