2226 – 3021M

Diploma Programme
Programme du diplôme
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Markscheme

May 2026

Business management

Higher / Standard level

Paper 1

9 pages

The markbands on page 3 should be used where indicated in the markscheme.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptor.
1–2	• Little understanding of the demands of the question. • Little use of business management tools and theories; any tools and theories that are used are irrelevant or used inaccurately. • Little or no reference to the stimulus material. • No arguments are made.
3–4	• Some understanding of the demands of the question. • Some use of business management tools and theories, but these are mostly lacking in accuracy and relevance. • Superficial use of information from the stimulus material, often not going beyond the name of the person(s) or name of the organization. • Any arguments made are mostly unsubstantiated.
5–6	• The response indicates an understanding of the demands of the question, but these demands are only partially addressed. • Some relevant and accurate use of business management tools and theories. • Some relevant use of information from the stimulus material that goes beyond the name of the person(s) or name of the organization but does not effectively support the argument. • Arguments are substantiated but are mostly one-sided.
7–8	• Mostly addresses the demands of the question. • Mostly relevant and accurate use of business management tools and theories. • Information from the stimulus material is generally used to support the argument, although there is some lack of clarity or relevance in some places. • Arguments are substantiated and have some balance.
9–10	• Clear focus on addressing the demands of the question. • Relevant and accurate use of business management tools and theories. • Relevant information from the stimulus material is integrated effectively to support the argument. • Arguments are substantiated and balanced, with an explanation of the limitations of the case study or stimulus material.

Section A

1. Define the term *employee share ownership scheme*. **[2]**

Employee share ownership is a **financial reward** ***[1]*** that allows employees to get paid in the form of shares in the company ***[1]***.

N.B. *no application required. Do not credit examples.*

Award ***[1]*** *for a basic definition that conveys partial knowledge and understanding and explicitly includes the term "financial reward"*
Award ***[2]*** *for a full definition that conveys knowledge and understanding similar to the answer above.*

2. State **two** types of direct costs. **[2]**

Any cost that is directly tied to the production/creation of the product or service.

Direct costs include:

- costs of (raw) materials (supplies): aggregates, limestone, clay, e-waste
- costs of chemicals (used to produce gold)
- costs of salaries/wages (direct labour)
- packaging/shipping/freight/transport/delivery costs
- fuel, power (electricity) and utilities costs
- machinery (machine, factory equipment) costs

Accept any other relevant direct costs.

Do not accept the generic "production costs".

Award ***[1]*** *for each type of direct cost stated up to a maximum of* ***[2].***

3. Describe **one** of *ABC*'s internal stakeholders **and one** of *ABC*'s external stakeholders. **[4]**

Internal stakeholders include:

- **Employees** such as the technicians that run the machines. For the technicians at *ABC*, morale is high, but they have complained about excessive noise from machines and potential negative effects from the toxic metals. Technicians are expected to be flexible and adaptable.
- **Managers** such as the marketing manager who believes selling recycled gold will provide a unique selling point/proposition (USP). The marketing manager is also concerned about the impact reorganization will have on gold sales and brand loyalty.
- **Managers** such as the production manager who creates forecasts for hanger manufacturing. Or is concerned about potential delays.
- **Managers** such as the HR manager, who is concerned about the impact on the motivation of existing technicians,
- **Part-time employees** to sort through *Banksmart'*s E-waste. These employees will be provided on-the-job training from existing technicians.
- **The board of directors** who are troubled by the negative publicity on social media. They are excited by the prospect of increased profits associated with the strategic alliance.
- **Shareholders**: ABC is a publicly held company

External stakeholders include:

- **Customers** who buy concrete or consumers who buy the gold coins and bars or the hangers. Environmentally conscious customers or jewelers.
- **Suppliers** of the e-waste materials.
- **The (local) community ('local society', 'local people'), including community groups** such as the ones complaining on social media. They are accusing *ABC* of discarding plastic waste (and its impact) in landfills, which may be dangerous for local people and the local environment
- **Creditors** could be accepted as *ABC* will need an initial investment of $4 000 000 for extra storage and a second plastic shredding machine.
- **Possible business partners** such as Banksmart or **the (environmentally sustainable) business** that collaborates with ABC to make gold bars.
- **The government**, as ABC may be bound by national laws about sustainable production or about discarding waste in landfills
- **The (social) media** that made strong accusations against ABC

Accept any other relevant internal/external stakeholder.

*Mark as **[2+2].***

*Award **[1]** for a relevant internal/external stakeholder identified and an additional **[1]** for a description in the context of ABC up to a maximum of **[2].***

4. Explain **two** benefits for *ABC* of having a unique selling point/proposition (USP) (lines 31–32). **[6]**

- **Attract customers** ***[1]*** A USP helps ABC stand out from competitors by offering something unique. Customers are more likely to choose ABC products if they offer something special that customers can't get elsewhere. ***[1]*** Such as the new environmentally conscious customers. ***[1]***
- **Creates a competitive advantage.** ***[1]*** A USP helps differentiate ABC from the competition. If ABC offers something the competition doesn't, customers will prefer ABC's products or services. ***[1]*** By recycling gold from e-waste. ***[1]***
- **Increased sales/revenues** ***[1]*** More people buying from ABC means more money coming in. A strong USP brings more attention, which can boost sales. ***[1]*** Gold is sold using a premium pricing method and are numbered and sold in unique packages highlighting the recycled nature of the gold. ***[1]***
- **Price differentiation** ***[1]*** If ABC's products is unique, ABC don't have to compete just on price. Customers may pay more for something they see as better or different. ***[1]*** i.e. Gold bars are sold using a premium pricing method ***[1]***
- **Higher profits** ***[1]*** Unique products can be sold at a higher price. This means more profit. ***[1]*** ABC has profited highly from recycling gold from E-waste. ***[1]***

Accept any other relevant benefit for ABC of a unique selling point (USP).

*Mark as **[3 +3].***

*Award **[1]** for identifying a benefit of having a unique selling point (USP) an additional **[1]** for explaining the benefit of having a unique selling point (USP) and **[1]** for application of the benefit of having a unique selling point (USP) to ABC up to a maximum of **[3]**.*

*Up to a maximum of **[6].***

5. Explain **one** advantage and **one** disadvantage for *ABC* of using mass/flow production (line 19). **[6]**

Advantages of mass/flow production include:

- **Cost efficiency (economies of scale):** ***[1]*** *ABC* can lower the average cost of extracting gold from
E-waste by producing in bulk. ***[1]*** ABC's machinery can process 100 tonnes of circuit boards weekly. ***[1]***
- **Increased productivity:** ***[1]*** More can be produced in less time. ABC has a continuous, high-output process aimed at maximizing productivity. ***[1]*** *ABC* can (operate and) extract gold from waste 365 days a year.
- **Easier to supervise/maintain**: ***[1]*** ABC's process is organized; managers can easily check that everything is working well. This helps avoid mistakes and keeps things running smoothly. ***[1]*** Computerized manufacturing technology quickly identifies any problems. ***[1]***
- It is assumed that the **process is** much **faster**: ***[1]*** more products can be produced in less time ***[1]*** The use of plastic shredding machines helps separate gold from e-waste much quicker than manual labour.***[1]***
- **Lower labour costs**: ***[1]*** Fewer workers are needed ***[1]*** although the technicians must be 'highly trained'.
- **Could be cheaper:** ***[1]*** thanks to cost efficiency and economies of scale ***[1]*** and lower labour costs ***[1]***

Disadvantages of mass/flow production include:

- **Impact of breakdowns;** ***[1]*** Any machine breakdown stops the entire process. ***[1]*** Last month a breakdown caused the factory to close for two days. ***[1]***
- **Initial investment/costs;** ***[1]*** capital intensive: high initial investment. ***[1]*** The second plastic shredding machine will cost $4 000 000, an expenditure indicative of the high capital cost of this kind of process. ***[1]***
- **High labour costs**: ***[1]*** specialized labour can be expensive ***[1]*** *ABC*'s highly trained technicians are paid a salary, are included in employee share ownership schemes, and receive fringe payments. ***[1]***
- **Employee morale/relations**: ***[1]*** How happy and motivated is the workforce ***[1]*** Technicians' morale is high, but they have complained about excessive noise from machines and potential dangers to health from the toxic metals. ***[1]***
- **Decreased customization:** ***[1]*** Flow production makes producing unique products difficult. ***[1]*** The e-waste can only be transformed to small nuggets (similar to small stones). ***[1]***

Accept any other relevant answer.

*Mark as **3 +3***

*Award **[1]** for identifying an advantage of mass/flow production an additional **[1]** for explaining the advantage and **[1]** for application of the advantage to ABC up to a maximum of **[3].***

*Award **[1]** for identifying a disadvantage of mass/flow production an additional **[1]** for explaining the disadvantage and **[1]** for application of the disadvantage to ABC up to a maximum of **[3]**.*

*Up to a maximum of **[6]**.*

Section B

6. Discuss whether *ABC* should invest in new plastic-melting machinery to create clothes hangers. **[10]**

Arguments **in favour of** investing in the new plastic melting machinery:

- Enhanced brand image as a socially responsible company. *ABC* is considering methods to reduce its impact on the environment. For example, the new plastic melting machinery could be better for the planet (it can reduce the plastic waste that goes to landfill), one of the triple bottom line (TBL) elements. Rapidly changing technology inherently leads to more e-waste which would make this investment a worthwhile venture.
- Enables new product development. *ABC* is considering growth options.
- Could help reduce the negative impact associated with the accusations of plastic in landfills in social media posts.
- Potential profits could reach $100 000 per month if all clothes hangers are sold

Calculations on 3 000 000 clothes hangers:
Break even point: 500 000 divided by (0.50 minus 0.30) = 2 500 000
Margin of safety: 3 000 000 minus 2 500 000 = 500 000
Forecast profit = 500 000 x 0.2 = 100 000

Arguments **against** investing in the new plastic melting machinery:

- The gold extraction has been very profitable. Would an increase in profits of maximum $100 000 per month be worth the investment? The forecast profit is “only” $100 000 a month, which does not seem a lot for ABC, a publicly held company which is Country Z’s largest concrete producer.
- There would be high initial investment costs in the new machinery, and it would need to be updated to keep up with technological change every 3-5 years.
- Is there a market for recycled hangers? Marketing costs could prove to be expensive.
- *ABC* needs to reorganize factory space.
- Reorganization will stop production for 30 days. This could be costly and impact the recycling and sales of gold. Could this attract new competitors?
- External stakeholders such as the local government or environmental groups (are worried and) might pose an environmental threat with the storage of e-waste for those 30 days. How safe is it?
- Increased costs associated with hiring new employees and training them. *ABC* will need additional technicians.
- Potential culture clashes associated with new employees (additional technicians) disrupting the existing good morale (and environment).

Accept any other relevant answer.

Marks should be allocated according to the markbands on page 3.

7. Discuss whether *ABC* should form a strategic alliance with *Banksmart*. **[10]**

Arguments **in favour of** forming a strategic alliance with *Banksmart*:

- Enhanced brand image as a socially responsible company. *ABC* was approached by *Banksmart* attracted by their CSR and goals. For example, the strategic alliance could reduce waste, enhancing *ABC*'s performance on one of the triple bottom line (TBL) elements, planet.
- *Banksmart* has 400 offices across three countries with the need to update technology every 3 years, which would generate a lot of e-waste to extract gold from. *ABC* has been very profitable extracting gold and would keep all of the profits associated with the extraction.
- The strategic alliance would improve *ABC*'s brand and continue to enhance *ABC*'s CSR leading to the possibility of attracting new environmentally conscious consumers as well as strengthening the USP.
- Could help improve *ABC*'s cash flow by $500,000 if forecasts are correct. The board of directors are excited about the prospect of further profits associated with the strategic alliance.
- The success of the strategic alliance could attract further strategic alliances for *ABC*.
- *ABC* will keep all profits associated with the recycling of the e-waste.

Arguments **against** forming a strategic alliance with *Banksmart*:

- High initial investment of $4 000 000 (for extra storage and a second plastic-shredding machine.
- *ABC* will need additional part-time employees, who would require on-the-job training. The training would need to be done by existing technicians and would take them away from their core responsibilities, potentially impacting other areas of the business.
- *ABC* does not have the experience or expertise to erase all confidential *Banksmart* data and software from the computers or identify computers and any computer parts that can be reused and sold. Further training will be required.
- There will be transportation costs associated with the e-waste.
- The motivation of existing employees (technicians) could be damaged as well as the positive corporate culture. Human resource manager is concerned about this issue.
- Reorganization will cause delays as production will stop for 20 days. The reorganization could be costly and impact the recycling and sales of gold.
- The forecasted payback period of 8 years ($4 000 000 / $500 000) is too long, longer than the expected useful life of the machinery.

Accept any other relevant answer.

Marks should be allocated according to the markbands on page 3.