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# Business management

## Higher level and standard level

### Paper 1

29 April 2026

**Zone A** afternoon | **Zone B** afternoon | **Zone C** afternoon

1 hour 30 minutes

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#### Instructions to students

- Do not open this examination paper until instructed to do so.
- Read the case study carefully.
- Section A: answer all questions.
- Section B: answer one question.
- You are permitted access to a calculator for this paper.
- The maximum mark for this examination paper is **[30 marks]**.

## **Abraca (ABC)**

*Abraca (ABC)*, a publicly held company, is Country Z's largest concrete producer. *ABC* purchases large quantities of limestone and clay aggregates to manufacture cement to make concrete. Half of the world's buildings are made from concrete.

5 As part of *ABC*'s research into using recycled products as aggregates in concrete, *ABC*'s scientists discovered, by chance, a process to recover gold and other precious metals from electronic circuit boards (e-waste) at room temperature. Previously, the only way to recover precious metals from circuit boards was by burning them at extremely high temperatures, which is a carbon-intensive process. Circuit boards from discarded electronic products, such as computers, mobile (cell) phones and games consoles, create 50 million tonnes of e-waste globally every year. Only 20 % of  
10 this e-waste is recycled, with 80 % of it going to landfill.

In 2024, *ABC* opened a factory to process e-waste. Weekly, this factory processes 100 tonnes of circuit boards. Annually, it recovers hundreds of kilograms of gold, which *ABC* sells to jewellery makers.

*ABC* is considering:

- 15
- increasing efficiencies in its current concrete production
  - methods to reduce its impact on the environment
  - becoming more market-orientated
  - growth options.

20 Operating in the secondary sector, *ABC*'s board of directors know that *ABC*'s concrete production damages the environment. However, *ABC* uses circular business models where possible, and its factories have rooftop solar panels, providing 25 % of its daily electricity requirement.

*ABC* separated the business into two divisions: the Concrete division and the Gold division. *ABC*'s Concrete division uses a cost-plus (mark-up) pricing method.

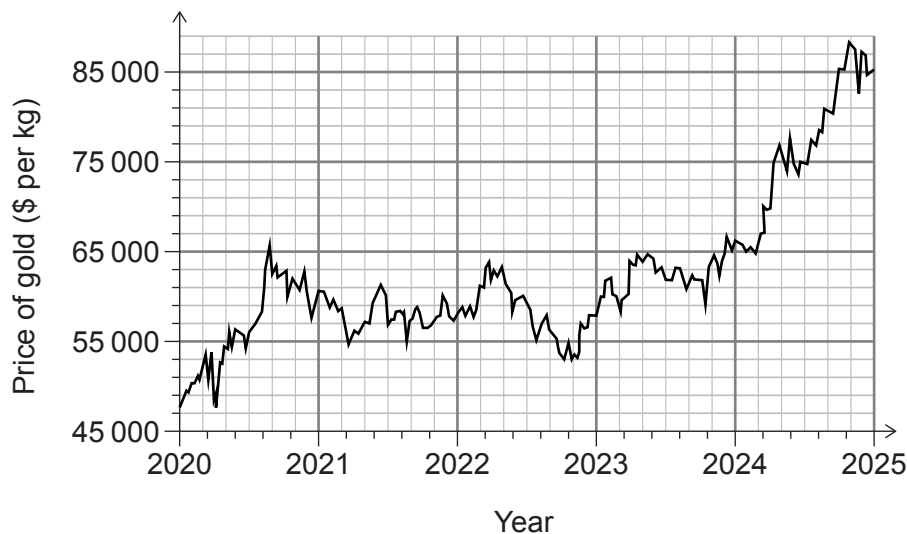
25 *ABC* has built strong brand awareness by promoting the *ABC* brand name through salespeople and advertisements in industry magazines. Sales people take important customers out to lunch to generate orders.

*ABC* aims to reduce costs and improve employee performance, retention and motivation in its Concrete division. Employees' incentives include a financial reward for high attendance and an employee share ownership scheme. A survey conducted in 2024 by *ABC*'s Human Resources (HR) department found that 70 % of employees wanted more variety in their work and more opportunities  
30 to perform complex tasks. In 2025, *ABC* introduced job rotation and job enlargement. The number of employees leaving to take jobs elsewhere has fallen in 2026. However, departmental managers have found meeting production targets harder, as additional employee training is needed.

35 *ABC*'s Concrete division has sufficient stock (limestone, clay and aggregates) for 180 days of production. *ABC* pays suppliers within 30 days of delivery. *ABC* sells its concrete to construction companies, which receive 45 days of trade credit if their monthly orders exceed \$75 000. All other customers receive 30 days of trade credit, which is standard in the concrete industry in Country Z.

Before selling the gold recovered from e-waste to jewellery manufactures, *ABC* checks the price of gold. **Figure 1** shows the price of gold in \$ per kilogram (kg) over a five-year period.

**Figure 1: Price of gold, 2020–2025**



40 *ABC* is and has always been a product-orientated business. Both of *ABC*'s divisions create and develop raw materials sold to other businesses (business-to-business [B2B]). *ABC* has a small Marketing department and no experience of developing marketing campaigns (promotions) targeted at consumers.

45 *ABC*'s marketing director, Horatio Nimitz, suggested to the board of directors that *ABC* missed a marketing and financial opportunity by selling the gold recovered from e-waste to jewellery makers and should stop supplying gold to other jewellery makers. He suggested instead that *ABC*:

- produce a range of expensive gold jewellery
- promote this range as unique ("Made from e-waste gold")
- highlight its role in recycling and protecting the environment
- 50 • charge premium prices.

The board of directors were impressed with Horatio's suggestions and are considering two options:

- **Option 1:** Establish *ABC*'s own jewellery-making business
- **Option 2:** Enter into a five-year strategic alliance with *XYZ*, a large jewellery manufacturer

55 *XYZ*'s products are sold worldwide, and a famous actor wears and promotes its expensive jewellery. As part of the strategic alliance, *XYZ* would design, produce and market *ABC*'s jewellery in return for 50 % of the revenues. *XYZ* owns gold mines in Country S. These have been contaminating the water with leaked toxic metals, which are a danger to human life if they reach water supplies. However, local tests of the water supply have not shown any traces of these toxic metals, so *XYZ* has not taken any action to reduce the leaks.

60 The profit margin of *ABC*'s Gold division is far higher than that of its Concrete division. Over the next four years, *ABC* plans to increase its gold production by 400 %, increasing the quantity of plastic from circuit boards that needs recycling.

As part of the process of gold extraction, e-waste is delivered to *ABC*'s factory and sent to plastic-shredding machinery. *ABC* discussed a contract with a plastic bag manufacturer to purchase  
65 all of *ABC*'s shredded plastic. However, in tests, *ABC*'s shredded plastic did not meet industry requirements. As a result, *ABC* had to store thousands of tonnes of plastic from electronic circuit boards. With limited storage space, *ABC* eventually started sending the plastic overseas to landfill sites in June 2025.

*ABC*'s Concrete division has tested the use of recycled plastic from e-waste as an alternative  
70 to limestone aggregates in making concrete. Recycled plastic is cheaper than stone and would reduce the costs of concrete by 5 %. None of *ABC*'s competitors are considering using recycled plastic in concrete. To do this, however, *ABC* would need to purchase new, expensive plastic-shredding machinery to meet the required industry standard.

In *ABC*'s own laboratory tests, which simulate five years of extreme summer and winter  
75 temperatures, *ABC*'s plastic concrete was a match for traditional concrete.

*ABC* is considering the launch of a new concrete brand, Eco-concrete, in 2027, using plastic in place of limestone aggregates. Information on this new product was released in March 2026, and already a leading construction company in Country Z has questioned the long-term strength of  
80 this new product. Posts on social media suggest that *ABC*'s own laboratory tests have problems and question the product's safety for house building. The Concrete division marketing director has suggested that *ABC* have independent laboratory tests carried out on Eco-concrete. These tests would take 12 months to complete.

## Section A

Answer **all** questions from this section.

1. Define the term *secondary sector*. [2]
2. State **two** circular business models. [2]
3. Describe **two** elements of the marketing mix of *ABC*'s Concrete division. [4]
4. Explain **one** advantage **and one** disadvantage for *ABC* of using non-financial rewards (line 31). [6]
5. Explain **two** actions that *ABC* could take to improve the liquidity of its Concrete division. [6]

## Section B

Answer **one** question from this section.

6. Recommend to *ABC*'s board of directors whether they should choose **Option 1** (establish a jewellery-making business) or **Option 2** (enter into a five-year strategic alliance with *XYZ*). [10]
  7. Discuss whether *ABC* should launch Eco-concrete. [10]
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**References:**

**Figure 1** GoldPrice.org, n.d. [*Gold price performance by year.*] [online] Available at: <https://goldprice.org> [Accessed 27 May 2025]. Source adapted.