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Business management
Standard level
Paper 2

30 April 2026

Zone A morning | **Zone B** morning | **Zone C** morning

Session number

1 hour 30 minutes

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Instructions to students

- Write your session number in the boxes above.
- Do not open this examination paper until instructed to do so.
- A clean copy of the **business management formulae sheet** is required for this examination paper.
- Section A: answer all questions.
- Section B: answer one question.
- Answers must be written within the answer boxes provided.
- A calculator is required for this examination paper.
- The maximum mark for this examination paper is **[40 marks]**.



Section A

Answer **all** questions in this section. Answers must be written within the answer boxes provided.

1. BrandBoost Box (BB)

Maria opened *BrandBoost Box (BB)*, targeting businesses wanting branded goods, such as keyrings, for below-the-line promotion. Maria will brand products using a 3D printer and offer assorted items at \$150 per box. Start-up capital consisted of \$10 000 of her savings and a \$10 000 bank loan at 6 % annual interest rate. Maria plans to buy, rather than lease, a printer.

Maria prepared forecasted costs (**Table 1**) and a sales forecast (**Table 2**) for *BB*'s last four months of 2026.

Table 1: *BB*'s forecasted figures for the last four months of 2026

Printer purchase in September	\$10 000
Monthly costs:	
Advertising	\$475
Loan interest	X
Maintenance	\$25
Materials	\$700
Printer ink	1% of monthly revenue
Salaries	\$3000

(This question continues on the following page)



(Question 1 continued)

Table 2: BB’s sales forecast for the last four months of 2026 including existing orders

Month	Revenue (\$)
September	7500
October	9000
November	10 500
December	15 000

- (a) State **two** features of below-the-line promotion. [2]

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- (b) Using the stimulus, calculate BB’s monthly interest, **X**, in **Table 1** on its bank loan (*show all your working*). [2]

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(This question continues on the following page)



(Question 1 continued)

- (c) Using the financial information in the stimulus, **Table 1**, **Table 2**, and from your answer to part (b), complete the following cash-flow forecast (all figures in \$) for *BB* for the last four months of operation in 2026.

[4]

Opening balance				
Total cash inflows				
Total cash outflows				
Net cash flow				
Closing balance				

(This question continues on the following page)



(Question 1 continued)

- (d) Maria could have leased a 3D printer instead of buying one.

Explain **one** advantage for *BB* of leasing a 3D printer instead of buying one.

[2]

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2. Gennaro Ices (GI)

Gennaro Ices (GI) is an ice cream shop, owned by Gennaro Geromtoli. *GI* has a small overdraft. Gennaro plans to open a second ice cream shop in 2028 if the economy improves. He is considering three locations. Forecasted financial information for these three locations is shown in **Table 3**.

Table 3: Forecasted financial information for the three locations

Location	Cost (\$)	Probability	Expected Revenue (\$)
A	55 000	High returns (0.75) Low returns (0.25)	100 000 40 000
B	75 000	High returns (0.7) Low returns (0.3)	130 000 60 000
C	85 000	High returns (0.8) Low returns (0.2)	140 000 50 000

Unemployment and prices are increasing in the country. Gennaro is concerned that, in 2027, ice cream sales may fall and the cost of his raw materials may rise. He has decided not to increase his prices.

(a) State **two** features of an overdraft.

[2]

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(This question continues on the following page)



(Question 2 continued)

(b) Using **Table 3**:

(i) construct a fully labelled decision tree;

[3]

(This question continues on page 9)



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(Question 2 continued)

(ii) determine the best option for *GI* (*show all your working*).

[3]

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(c) Comment on the impact on *GI*'s gross profit margin if Gennaro's concerns for 2027 are correct.

[2]

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Section B

Answer **one** question from this section. Answers must be written within the answer boxes provided.

3. Batteries for U (BFU)

Batteries for U (BFU), a privately held company, provides replacement batteries and repairs mobile phones. It is owned by Jo and Jim Mainoo. Jo manages their shop. Jim repairs broken mobile phones. They are both working more than 40 hours per week.

BFU has been praised for recycling batteries by *Wastefree*, a non-governmental organization (NGO) supporting a zero-waste society.

(a) State **two** features of a non-governmental organization (NGO).

[2]

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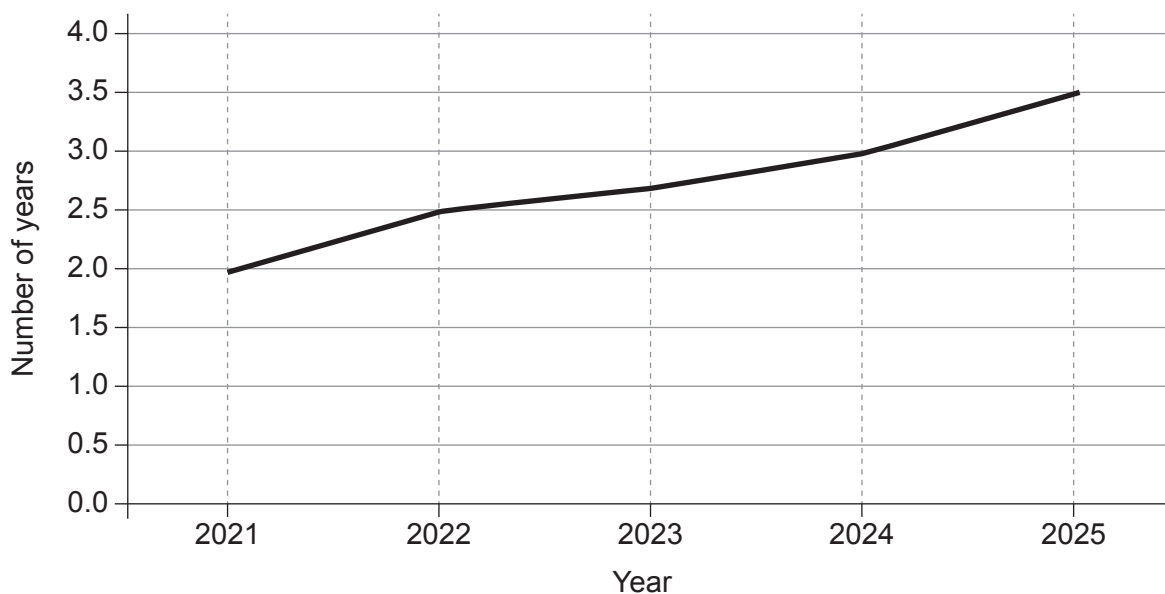
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Mobile phone owners keep their phones longer by buying batteries to extend the life of their phones.

Figure 1 shows how long consumers kept their existing mobile phone on average, and **Figure 2** shows *BFU*'s sales revenue for 2021–2025.

Figure 1: How long consumers keep their existing mobile phone on average

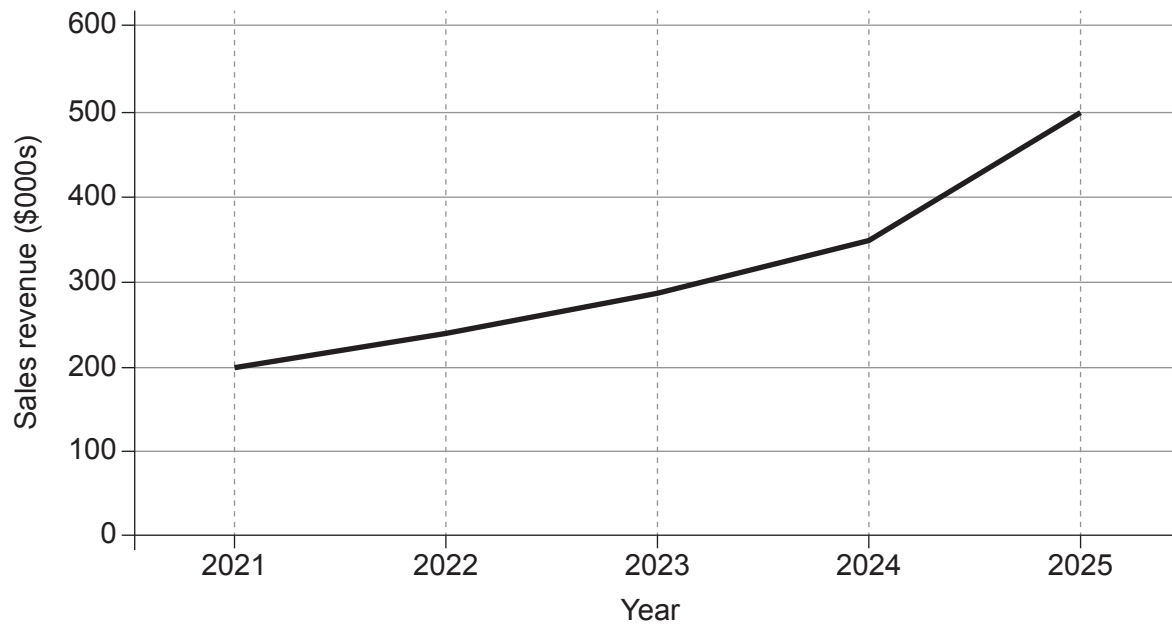


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(Question 3 continued)

Figure 2: *BFU*'s sales revenue for 2021–2025



(b) Using data from **Figure 1** and **Figure 2**, comment on *BFU*'s sales revenue.

[2]

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(This question continues on the following page)



(Question 3 continued)

BFU's success was built on providing personal customer service, competitive pricing, completing repairs within 24 hours, and stocking parts for any mobile phone made in the last 5 years. Battery manufacturers frequently reduce battery prices. *BFU* reviews costs and prices monthly, unlike its main competitor which reviews costs and prices every six months. *BFU* uses a cost-plus (mark-up) pricing method with a fixed mark-up of 50 %.

(c) Explain **one** advantage for *BFU* of using a cost-plus (mark-up) pricing method.

[2]

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Table 4: Selected financial information for *BFU* for the year ending and as at 31 December 2025

	\$000s
Capital employed	1500
Cash	24
Cost of sales	175
Current liabilities	40
Debtors	1
Non-current liabilities	500
Profit before interest and tax	175
Sales revenue	500
Stock	25

(This question continues on the following page)



(Question 3 continued)

(d) Using **Table 4**:

(i) calculate *BFU*'s current ratio (*show all your working*); [2]

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(ii) calculate *BFU*'s acid test (quick) ratio (*no working required*); [1]

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(iii) calculate *BFU*'s return on capital employed (ROCE) (*no working required*). [1]

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Some mobile phones do not have replaceable batteries. In 2027, regulations require replaceable batteries in all mobile phones sold in the European Union (EU). These regulations will increase the size of the EU market for replacement batteries. Jo believes this change in regulations will cause a rapid entry of competitors into the EU market. *BFU*'s shop is in the EU.

2025 was *BFU*'s most profitable year, with profits of \$175 000. *BFU* has retained profits of \$75 000.

Jim and Jo are considering two growth options:

- **Option 1:** Open a new shop every year. Jo estimates it would cost \$200 000 to purchase premises for each new shop, financed with retained profits and loan capital.
- **Option 2:** Sell *BFU* franchises. Jim believes *BFU* could sell four franchises in 2026 by spending \$90 000 on marketing to create awareness of this franchise opportunity. *BFU* would charge franchisees a fee of \$50 000 plus 10 % of annual sales revenue. Franchisees provide their own premises. Jim would be responsible for providing a 10-day training course for each franchisee.

(This question continues on the following page)



(Question 3 continued)

- (e) Using the information in the stimulus, recommend whether Jo and Jim should choose growth **Option 1** or growth **Option 2**.

[10]

(This question continues on the following page)



(Question 3 continued)



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4. **Stralcon Medical Services Corporation (SMS)**

Stralcon Medical Services Corporation (SMS) a publicly held company, was founded in 1922. In its first two decades (1922–1942), *SMS* only manufactured traditional medical equipment, such as stethoscopes used to listen to the heart and lungs.



Its market is Europe. In 1942, because of the Second World War, *SMS* began manufacturing other types of medical supplies, like bandages. *SMS* use of flow production, kept per unit cost low and margins high. The company's revenue and profits grew.

(a) State **two** features of a publicly held company.

[2]

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(This question continues on the following page)



(Question 4 continued)

SMS has a hierarchical organizational structure, with four levels of hierarchy and narrow spans of control. At all levels, managers directly supervise only four people.

(b) Draw an organization chart for *SMS*.

[2]

By 2023, *SMS*' management believed that the markets had become saturated for their two traditional product lines:

- medical equipment
- medical supplies, such as bandages.

To see continued revenue growth, *SMS*' management thought that the company needed a new revenue stream. The marketing research department was asked to find alternative sources of revenue. The marketing researchers conducted quantitative and qualitative research and discovered that the population of Europe was ageing. They learned through focus groups that this ageing population needs easier access to medical services.

(c) Referring to *SMS*, distinguish between quantitative and qualitative research.

[4]

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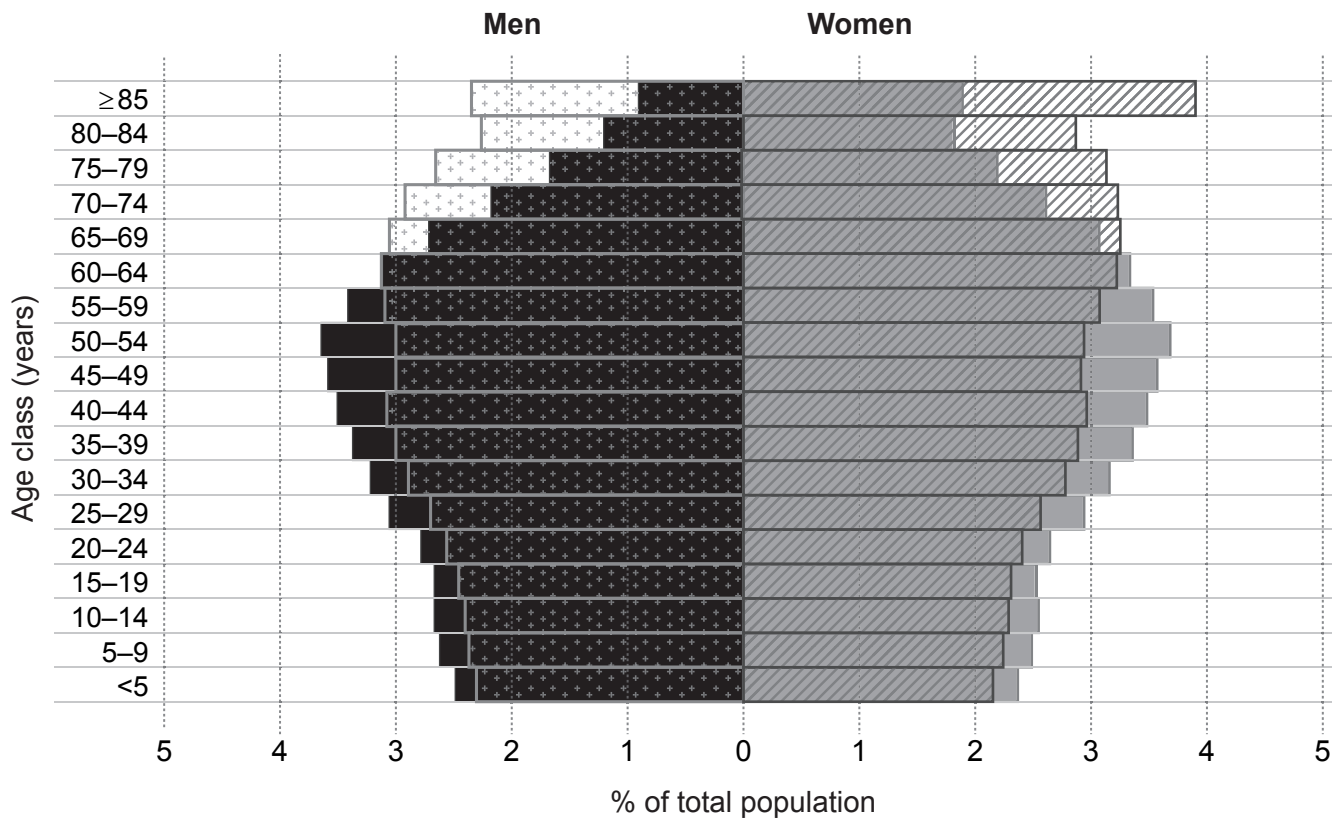
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(Question 4 continued)

Figure 3: A population pyramid showing the population, by age and gender, of the 27 EU countries for 2019 and a forecast for 2050



Key:

Men: 2019 Women: 2019
 2050 2050

(d) Comment on the data in **Figure 3**.

[2]

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(This question continues on the following page)



24EP19

Turn over

(Question 4 continued)

Based on their quantitative and qualitative research of the population of Europe, the marketing research department recommended that *SMS* begin manufacturing medical devices that patients can use at home (remote medical devices), which then transmit data to their doctors over the internet. For example, a device to measure blood pressure.



The marketing researchers conducted further research into the changing external environment, and came to several conclusions about the market for remote medical devices:

- The market was growing rapidly. All competitors' products included new Boston Consulting Group (BCG) matrix stars and many BCG question marks.
- Many companies entering this market fail.
- Remote medical devices are constantly changing and typically have a life cycle of four years. Most traditional surgical devices and medical supplies have product life cycles of 20 to 30 years.
- Producing remote medical devices is not simply a secondary sector activity.
- Consumers of remote medical devices require considerable service and support.
- Producing new high-tech remote medical devices has certain legal risks.
- Patients may become dependent on these devices which could break, or an interruption to internet service could occur.

The organizational structure of *SMS* has not changed for 100 years. The chief executive officer (CEO) is looking at whether this hierarchical structure is suitable for operating in a changing external environment.

(This question continues on the following page)



(e) Using the information in the stimulus, discuss the appropriateness of *SMS*' organizational structure given changes in the external environment.



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