



22095011



International Baccalaureate®
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**BUSINESS AND MANAGEMENT
HIGHER LEVEL
PAPER 1**

Thursday 21 May 2009 (afternoon)

2 hours 15 minutes

INSTRUCTIONS TO CANDIDATES

- Do not open this examination paper until instructed to do so.
- Read the case study carefully.
- Section A: answer two questions.
- Section B: answer the compulsory question.
- Section C: answer the compulsory question.

SECTION A

Answer **two** questions from this section.

1. (a) Define the terms *sole trader* **and** *tertiary sector*. [4 marks]
- (b) Explain why the setting of strategic objectives is important in managing *Les Maisonnettes*. [4 marks]
- (c) Examine **two** advantages and **two** disadvantages of *Les Maisonnettes* restructuring as a private limited company (*line 24*). [7 marks]
2. (a) (i) Identify **two** appropriate sources of finance for *Les Maisonnettes* to fund the development of the barns (**Option 2 or 3**) (*lines 162-177*). [2 marks]
- (ii) Define the term *gearing* (*line 177*). [2 marks]
- (b) Using data from appendices 3 and 4, calculate the gearing ratio and return on capital employed (ROCE) of Sophie’s business in the financial years 2005 **and** 2008. [4 marks]
- (c) Analyse the reasons for the changes in gearing ratio and return on capital employed (ROCE) you have identified in part (b). [7 marks]
3. (a) (i) Define the term *market share* (*line 155*). [2 marks]
- (ii) Identify **two** methods of secondary research available to Sophie. [2 marks]
- (b) Explain **two** ways in which *Les Maisonnettes* can differentiate themselves from *Sanctuary*. [4 marks]
- (c) Examine the importance to *Les Maisonnettes* of adopting a total quality management (TQM) approach. [7 marks]

SECTION B

Answer *the compulsory* question from this section.

4. (a) Comment on the appropriateness of Sophie’s leadership style. *[4 marks]*
- (b) Explain the impact of the external environment on *Les Maisonnettes*’ workforce planning. *[8 marks]*
- (c) With reference to the external environment, to what extent will the proposed rewards package of *Les Maisonnettes* ensure successful recruitment and motivation of employees? *[8 marks]*

Additional information

There is no additional information in this paper for Sections A and B.

SECTION C

Answer **the compulsory** question from this section.

5. In January 2009, Sophie received a letter from the *Association Française D’Ecotourisme (AFE)* informing her of a European Union (EU) initiative on climate change. From 2010, EU grants and subsidies will be available to regional governments to promote environmental activities, including eco-tourism. Businesses may bid for grants to support capital developments, which not only promote sustainability, but also offer employment opportunities in rural areas. The wages of newly recruited employees will be subsidized for up to two years. The *AFE* letter includes details of existing eco-tourist businesses in the region (*Item 4*). Although it is not certain that *Les Maisonnettes* will be awarded a grant or subsidy, the business meets the scheme’s criteria and the local *AFE* official is confident that *Les Maisonnettes* can expect assistance up to the value of €200 000 in the first year of operation, if the business expands. The *AFE* believe that 10 other holiday ventures in the region will apply for grants and concentrate on eco-tourism. All are small, farm-based projects, similar to *Les Maisonnettes*, with one exception. The exception is the hotel *Le Soleil*, which is part of a large European chain offering a wide range of leisure facilities such as spas, fitness centres and golf.

This news causes Sophie to take action. She meets with her bank manager and establishes an expansion budget for *Les Maisonnettes* based on the potential grant and additional borrowing secured on the shop. These developments confirm in Sophie’s mind that she wants to grow the brand of *Les Maisonnettes*. She decides that she will prepare two business proposals to support her application for the EU grants. The first proposal will focus on the plans to develop the education centre (**Option 2**) and the second proposal will support the repositioning of *Les Maisonnettes* as a luxurious eco-tourist resort (**Option 3**). Sophie hires a business advisor recommended by the *AFE* to draw up her financial plans and help with marketing issues. He suggests splitting the business into cost and profit centres.

- (a) Identify **two** strengths and **two** weaknesses of the present business operations of *Les Maisonnettes*. [4 marks]
- (b) Explain how the increased economies of scale of *Sanctuary* may provide competitive advantage over smaller operations such as *Les Maisonnettes*. [8 marks]
- (c) Analyse the role of budgets and variances in the strategic planning of *Les Maisonnettes*. [8 marks]
- (d) Applying suitable tools such as Ansoff’s growth matrix and Porter’s generic strategies, and using information contained in the case study and Items 1 to 7, evaluate **the two** expansion alternatives (**Options 2 and 3**) proposed by Sophie. [10 marks]

Additional information

Item 1: End of holiday questionnaire summary for <i>Les Maisonnets</i>, September 2008					
(Figures in %)					
	very poor	poor	satisfactory	good	very good
Accommodation					
Comfort	12	24	60	4	0
Quality of service	8	16	64	8	4
Value for money	0	16	36	36	12
Restaurant					
Quality of food	0	4	30	42	24
Value for money	8	16	48	24	4
Service	12	16	52	8	12
Activities					
Cookery	0	4	24	40	32
Outdoor	4	20	48	24	4
Overall satisfaction	4	8	48	28	12

Item 2: Economic data as at January 2009						
Indicator	France			UK		
	2010	2011	2012	2010	2011	2012
Inflation (%)	1.5	1.9	2.1	2.4	2.7	2.8
Economic growth (% change in GDP)	1.9	1.5	2.0	2.1	1.7	2.2
Interest rates (%)	4.0	4.5	4.25	4.5	4.75	4.0
Exchange rate (£:€)				1.32	1.30	1.35

Item 3: UK newspaper report – March 2008

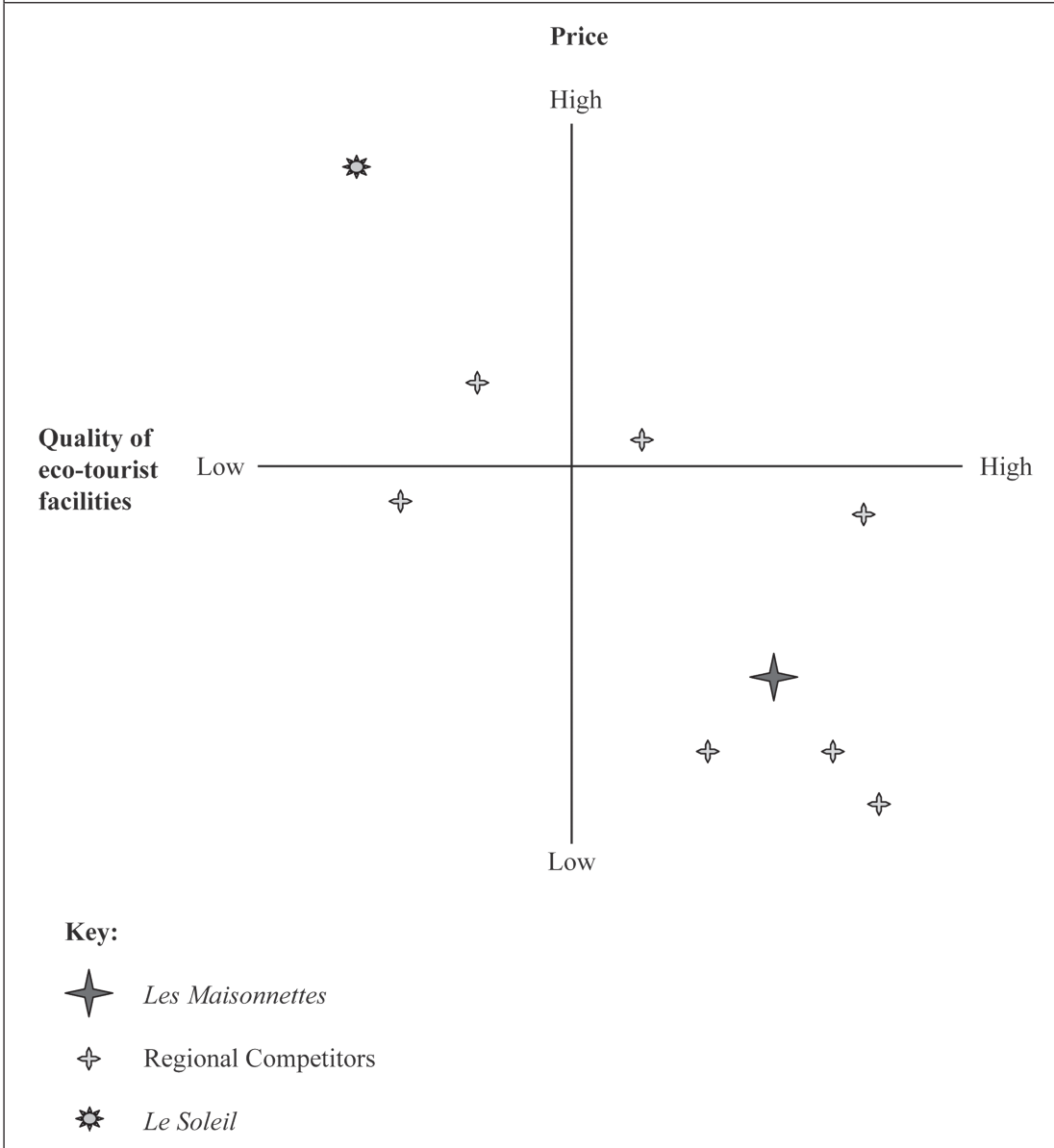
A quarter of holidaymakers believe that travel companies should take a more active role in helping local communities. Currently, those taking socially responsible breaks account for only 1.5% of the 2007 UK travel market.

However, *Mintel** has identified that 17% of adults have recently taken a holiday abroad that can be defined as ethical. This equates to 450 000 holidays each year. By 2010 the outgoing eco-tourism holiday market from the UK will have increased to 2.5 million trips annually.

Green travellers are more likely to have an above-average income or be retired according to the survey.

* *Mintel*: a market research company based in London

Item 4: Customer perception of holiday ventures seeking EU grants



Item 5: Proposed budgets for options 2010-2011

	Budgeted (€)
Option 2	
Sales revenue	375 000
Fixed costs	235 000
Variable cost per guest per day	24
Profit	68 000
Option 3	
Sales revenue	760 000
Fixed costs	465 000
Variable cost per guest per day	62
Profit	210 000

Item 6: Survey by the *British Tourist Authority*, June 2008

	%
	(agree/strongly agree)
Holidaymakers were asked if they agreed with the following statements:	
The reputation of the holiday company on environmental issues is important	70
A holiday should not damage the environment	85
A holiday should benefit people at the destination	71
You are willing to pay more for a holiday to reduce environmental impacts	34
Your holiday should include an experience of local culture and foods	81
Travel agents were asked if they agreed with the following statement:	
What percentage of your customers are interested in ethical holidays?	88

Item 7: Decision tree extract

