



22055014

**BUSINESS AND MANAGEMENT  
STANDARD LEVEL  
PAPER 2**

Tuesday 17 May 2005 (morning)

1 hour 30 minutes

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**INSTRUCTIONS TO CANDIDATES**

- Do not open this examination paper until instructed to do so.
- Answer three questions.

## 1. Get Going

*Get Going* is a charity that was created fifteen years ago to provide wheelchairs to disabled people. After a successful start, the business has been experiencing financial problems. This has led to low motivation among employees and some are considering leaving the charity. Recent changes in the organization from a tall to a flat structure have led to communication problems and the chief executive is keen to solve the issues. Rumours have started about job losses and this has led to employees becoming more unhappy and fearing change.

- (a) Explain how the aims and objectives of a charity may be different from those of a profit making organization. *[4 marks]*
  
- (b) Examine the effects on *Get Going* of moving from a tall to a flat organizational structure. *[6 marks]*
  
- (c) Identify **two** examples of formal and **two** examples of informal communications that might be used in *Get Going*. *[4 marks]*
  
- (d) Evaluate **two** solutions to the problems of poor communications in *Get Going*. *[6 marks]*

## 2. Heroes Taxis

Roberto, Helena and Isabel have decided to set up a chauffeur service, *Heroes Taxis*, offering travellers transport from the centre of Madrid to the airport and from the airport to the centre of the city. They need a loan from the bank and to support their application the bank has asked them to produce a marketing plan and a break-even analysis. Helena has estimated fixed costs of \$416 per week and the partners have decided to charge each customer \$40 per journey. The variable costs of each trip are \$8.

The price of oil has recently increased, raising fuel prices for all areas of the transport industry. Concerns have also been expressed about a recent decision to increase the number of night flights into Madrid airport, as well as requests from airlines to build a new runway funded partly by increasing air fares to passengers.

- (a) What are the main elements that Roberto, Helena and Isabel should include in their marketing plan? [5 marks]
- (b) Using the information provided produce a break-even chart. [6 marks]
- (c) Use the chart to find
- (i) the break even point; [1 mark]
  - (ii) margin of safety at 115 customers per week; [1 mark]
  - (iii) profit/loss at 25 customers per week; [1 mark]
  - (iv) profit/loss at 115 customers per week. [1 mark]
- (d) Analyse how *Heroes Taxis* would be affected by changes to its external environment. [5 marks]

### 3. Fast Food Express

*Fast Food Express*, a franchise, has recently opened in an area of low income in a large city. The area has high levels of overweight residents who suffer from poor health. One impact of opening the restaurant has been an increase in litter, which has led to rat infestation. As a result some of the residents have sent letters to the media expressing their wish to have the restaurant closed. The restaurant is keen to improve its image in the community to avoid closure.

- (a) Explain what is meant by a franchise. [2 marks]
  
- (b) Identify **three** types of stakeholder and explain their relationship to the restaurant. [6 marks]
  
- (c) Describe **three** activities that the restaurant could undertake to improve its image in the community. [6 marks]
  
- (d) Discuss ethical approaches that may help *Fast Food Express* to address issues of social responsibility. [6 marks]

#### 4. Licky Lolly Ltd

*Licky Lolly Ltd* is a manufacturer of ice cream and frozen desserts in Namibia. It is the market leader in that country with a market share of 61 %.

Its four main products are as follows:

Ice	Market share	Market growth	Quality	Price
Sherbet Bomb	High	High	High	Low
Fizz	Low	High	Low	Medium
Milky Ice	Low	Low	Low	High
Cool Choc	High	Low	Medium	Medium

- (a) What is meant by market share and how is it measured? [3 marks]
- (b) Produce a product position map for *Licky Lolly Ltd* products. [5 marks]
- (c) Construct a Boston Matrix diagram for the four products. [4 marks]
- (d) Analyse the price, quality, market share and market growth of each of the products, making a recommendation as to how each of the products could be developed by *Licky Lolly Ltd*. [8 marks]

## 5. Brownlow Ltd

The following financial information is given for *Brownlow Ltd* for 2003 and 2004:

	<b>2003</b>	<b>2004</b>
Sales revenue	20 000	24 000
Fixed assets	1 20 000	1 20 000
Stock	8 000	9 000
Cost of sales	9 000	12 000
Cash in bank	2 000	2 500
Creditors	20 000	30 000
Share capital	52 000	52 000
Long term liabilities	40 000	40 000
Debtors	10 000	12 500
Overheads	3 000	3 000
Reserves	28 000	22 000

- (a) Prepare a profit and loss account for 2003 and 2004. *[5 marks]*
- (b) Prepare a balance sheet for 2003 and 2004. *[5 marks]*
- (c) Using **four** appropriate ratios analyse the liquidity and profitability of the company and comment on its performance. *[10 marks]*
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