



**BUSINESS AND MANAGEMENT
STANDARD LEVEL
PAPER 1**

Tuesday 15 November 2005 (afternoon)

1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

- Do not turn over this examination paper until instructed to do so.
- Read the case study carefully and then answer all the questions.

- 1. (a) Identify the main stakeholders in *Gadgets2u.com*. [4 marks]
- (b) Explain possible conflicts that may arise between any **two** of these stakeholders as a result of the proposed international expansion. [8 marks]
- 2. (a) Prepare a PEST/STEP analysis for *Gadgets2u.com*. [8 marks]
- (b) Use the PEST analysis to investigate the threats that *Gadgets2u.com* may face if it decides to expand internationally to “broaden the sales base” (line 160). [10 marks]
- 3. (a) Evaluate **three** strategies to help *Gadgets2u.com* improve communication within the firm. [9 marks]
- (b) Outline the problems that *Gadgets2u.com* may face if it follows Juan Alvarez’s suggestion “to reduce the span of control and make the hierarchy taller to improve efficiency” (lines 47-48). [7 marks]
- 4. The table below shows the key profitability, liquidity and efficiency ratios for 2003 and 2004 for *Gadgets2u.com*. (These ratios have been derived from the balance sheet and profit and loss account in appendices 3 and 4 of the case study.)

Profitability ratios	2003	2004
Gross profit margin (%)	30.95	34.85
Net profit margin (%)	4.96	13.64
Return on capital employed (ROCE) (%)	38.82	72.26
Efficiency ratios		
Stock turnover	7	5
Gearing ratio (%)	277.33	109.69
Debtor days (number of days)	28	25
Liquidity ratios		
Current ratio	1.22	2.53
Acid test ratio	0.59	0.94

With reference to profitability, efficiency and liquidity ratios analyse the changes that have taken place in the financial position of *Gadgets2u.com* between 2003 and 2004. [14 marks]