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**Business management**  
**Standard level**  
**Paper 2**

2 May 2025

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

Candidate session number

1 hour 30 minutes

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**Instructions to candidates**

- 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. Caramelo

*Caramelo*, a publicly held company, produces candies (sweets), such as lollipops, jellies, and mints, in a factory located in Murcia, Spain. *Caramelo* is a market-orientated business.



The latest market research shows that consumers increasingly prefer healthier options to candies, such as fruit. Juan Barreiro, the chief executive officer (CEO), wants to diversify *Caramelo*'s product range by producing fruit bars and energy bars. A new factory (plant) is needed to produce the bars. The estimated cost of the new factory is \$600 000. Juan suggested issuing shares to raise the necessary finance, but shareholders were unsure. They suggested a long-term bank loan of \$550 000 instead.

Selected financial information for *Caramelo* is shown in **Table 1**.

**Table 1: Selected information from *Caramelo*'s financial statements for the year ended and as at 31 December 2024 (all figures in \$000s)**

Accumulated depreciation	500
Borrowings – long-term	100
Cash	100
Cost of sales	700
Debtors	100
Expenses	600
Property, plant, and equipment	2000
Retained earnings/profit	450
Share capital	1000
Stock	100
Trade creditors	250

(a) State **two** features of a market-orientated business.

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**(Question 1 continued)**

(b) Using **Table 1**:

- (i) prepare a statement of financial position (balance sheet) for *Caramelo* as at 31 December 2024;

[4]

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16EP03

**Turn over**

**(Question 1 continued)**

(ii) calculate *Caramelo's* current ratio (*show all your working*).

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(c) Explain **one** option *Caramelo* could use to finance the new factory.

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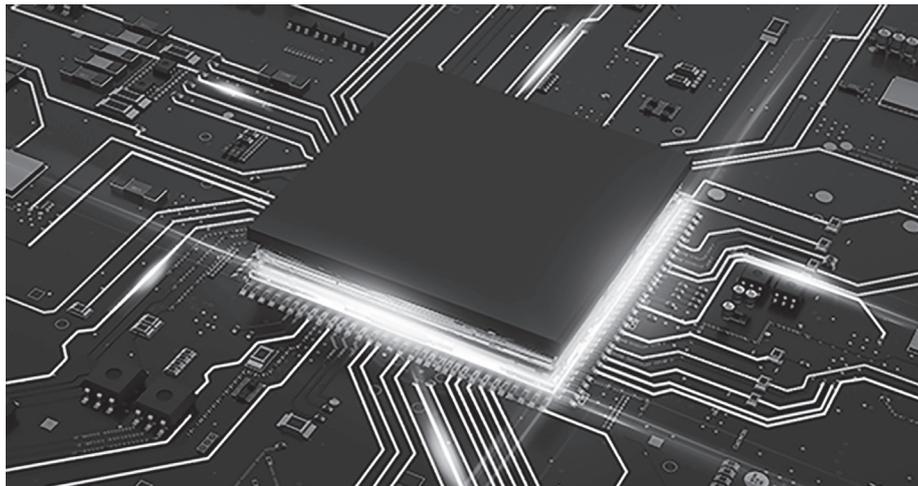
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2. Famous Technology (FT)



Famous Technology (FT) produces computer chips\* using mass production. FT uses job enrichment in its factory.

FT's products are recognized for their quality and durability. However, competition in the technology field is strong, and FT's sales are declining. A total of 70% of FT's employees have worked at the factory for 15 years. FT uses job enrichment, such as involving employees in the design of new chips. FT's Operations Department has launched a new chip that makes computers perform faster. The chip is more expensive to produce than previous FT chips. The marketing manager has forecasted sales of 70 000 chips for the new computer chip.

Financial information for the new chip is shown in Table 2.

Table 2: Financial information for FT's new computer chip

Direct cost per chip	\$50
Fixed costs	\$2 500 000
Price per chip	\$100

\* computer chips: small electronic devices made primarily of silicon that contain millions of computer components

(a) State **two** examples of fixed costs.

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16EP05

Turn over

**(Question 2 continued)**

(b) Using **Table 2**:

- (i) construct a fully labelled break-even chart for *FT*, to scale, for the new computer chip;

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- (ii) calculate the margin of safety (*show all your working*).

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**(Question 2 continued)**

(c) Explain **one** advantage for *FT* of using job enrichment.

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### Section B

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

#### 3. GenX Tyre Company (GX)



*GenX Tyre Company (GX)* manufactures car (automobile) tyres. Many car tyres are produced using rubber and steel. *GX* uses the rubber and steel from used tyres as its raw materials. These used tyres would usually be discarded, which is a major source of pollution. Using a unique manufacturing process, *GX* can manufacture tyres at a similar cost as other tyre manufacturers. *GX*'s unique selling point/proposition (USP) is that its manufacturing processes are environmentally sustainable, which consumers like. *GX* has experienced considerable internal growth over the last five years.

(a) Define the term *unique selling point/proposition (USP)*.

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In its operations, *GX* uses several circular business models. *GX* has contracts with other businesses, such as car repair centres, car dealerships, and tyre retailers, which collect used tyres from customers when they buy new ones. These businesses then deliver the used tyres to *GX*, which pays for the cost of delivery.

*GX* puts the used tyres through a multi-stage process in which the tyres are chopped into tiny pieces. In a later stage, magnets extract steel threads from within the rubber. At that point, *GX* has the rubber and steel needed to make new tyres.

**(This question continues on the following page)**





**(Question 3 continued)**

- (c) Using **Table 3**, explain **one** reason why *GX*'s rapid growth in sales revenue has weakened its liquidity.

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The board of directors are discussing whether *GX* has grown too quickly. Some directors think that *GX* should slow its sales growth, retain profit, and stabilize the business's financial position. Other directors, however, believe that *GX* should take advantage of the high demand for its tyres. Furthermore, many alternative uses for *GX*'s rubber exist in the market, such as artificial grass (turf) on football fields (pitches). These other directors want *GX* to grow externally by forming joint ventures with businesses in industries other than tyres.

In a month, the directors will vote on two options that will determine *GX*'s direction for the next five years:

- **Option 1:** Slow sales growth, retain profit, and stabilize the business's financial position.
- **Option 2:** Develop joint ventures with other businesses that use rubber but do not make tyres.

- (d) Using information in the stimulus, discuss whether *GX* should choose **Option 1** or **Option 2**.

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4. Forché

Forché is a privately held company that manufactures a small number of expensive, luxury cars (automobiles). Originally located in Paris, France, the company relocated to Modena, Italy, in 1987. Forché manufactures its cars in Modena. For minor repairs to its cars, Forché flies an engineer to customers. For major repairs, customers must deliver (ship) their car to Modena.

(a) State two advantages of operating as a privately held company. [2]

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Forché relocated because of the tradition of high-quality car labour in Modena, which has long been a centre for manufacturing expensive, luxury cars. Many young people from the region want to enter the industry, but gaining the required qualification is academically challenging. From a promotional perspective, Forché has benefitted from Italy’s reputation for luxury cars.

Currently, Forché has 3200 employees (see Table 4).

Table 4: Number of each type of employee at Forché, 2020 and 2025

Year	Executives	Office workers	Middle managers	Factory workers	Total employees
2020	32	50	625	1500	2207
2025	64	128	928	2080	3200

A total of 561 of Forché’s factory workers have university degrees in engineering, have successfully completed a 12-month training period, and are likely to become middle managers. The other 1519 factory workers went to demanding secondary schools specializing in industrial skills and afterward completed a two-year training period. Forché’s management is concerned about its ability to attract a sufficient number of qualified factory workers for its operations.

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**(Question 4 continued)**

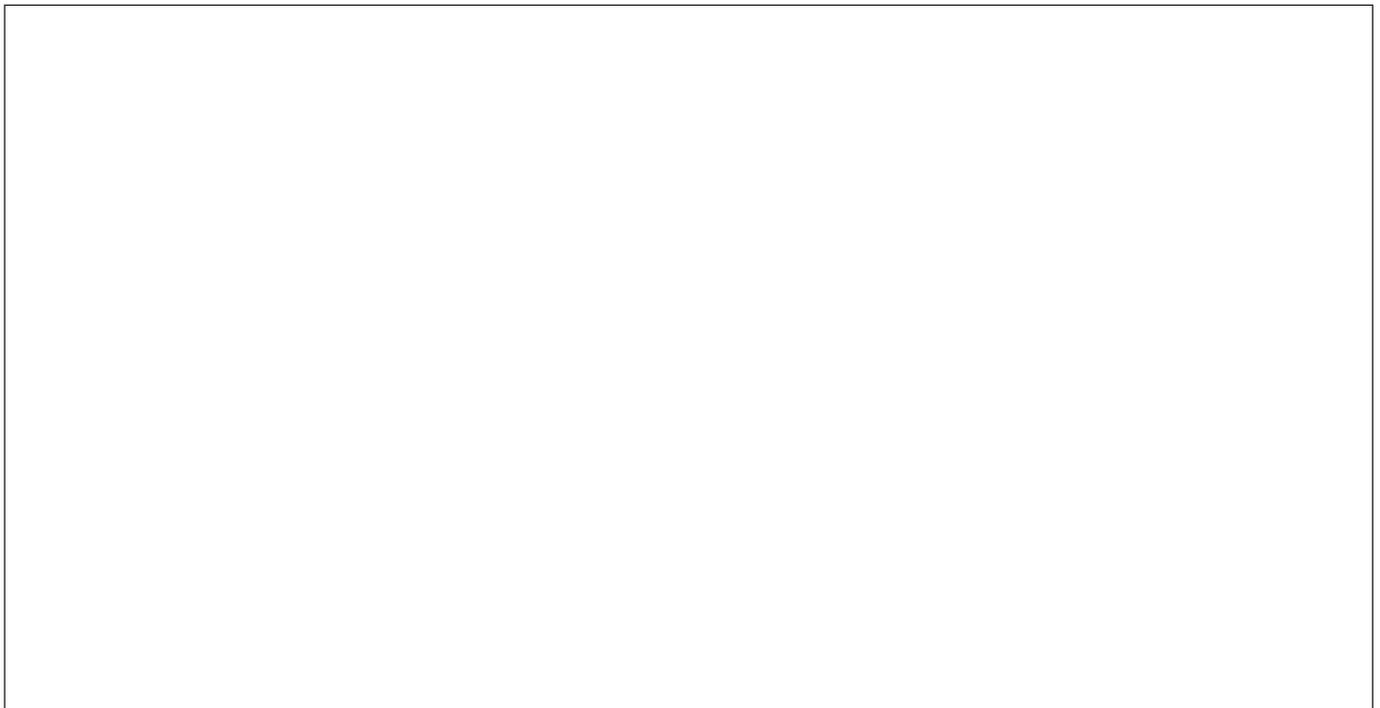
- (b) (i) Using **Table 4**, draw a fully labelled stacked bar chart showing *Forché's* employees by type in 2020 and 2025.

[4]



- (ii) Draw a fully labelled pie chart showing the educational level of *Forché's* factory workers in 2025.

[2]



**(This question continues on the following page)**



**(Question 4 continued)**

Few *Forché* workers leave the company. However, many of the non-university educated factory workers often complain among themselves that their jobs can be boring and thus demotivating. When the non-university educated factory workers complete their training, *Forché* places them in a job that they will do for the rest of their working lives. *Forché's* management thinks that holding the same job for life is the best way to build expertise.

- (c) Explain **one** change *Forché* could make to human resource management that would improve the motivation of its non-university educated factory workers.

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More people than ever can afford a *Forché* car, which costs \$800 000. *Forché* has averaged a 10% increase in car sales each year for the past five years, with the biggest increase in sales in the United States (USA) and China.

To meet the growing demand, *Forché's* management is considering two options:

- **Option 1:** Expand the factory in Modena.
- **Option 2:** Offshore some production to California, USA, a location that has many wealthy people and universities with prestigious engineering programmes. However, the USA does not have a strong tradition of secondary schools specializing in industrial skills.

- (d) Using information in the stimulus, discuss whether *Forché* should choose **Option 1** or **Option 2** to meet growing demand.

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**References:**

1. [image of candies] saemilee, 2013. *Candy - stock illustration*. [image online] Available at: <https://www.gettyimages.co.uk/detail/illustration/candy-royalty-free-illustration/179152510> [Accessed 20 September 2024]. Source adapted.
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16EP16