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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. Creative Wedding Cakes (CWC)

Creative Wedding Cakes (CWC) is a sole trader that makes wedding cakes to serve up to 20 people. *CWC*'s unique selling point/proposition (USP) is that its cakes are decorated with creative designs using a variety of materials, such as natural flowers, and fruits, and that its ingredients are high quality. This USP has increased the number of *CWC*'s exclusive clients.

CWC's brand awareness is growing, and its sales increased by 25% in 2024.

The owner of *CWC* has forecasted financial information about its wedding cakes for 2026, which is shown in **Table 1**.

CWC has forecasted its fixed and variable costs to increase in 2026. The price per wedding cake will increase from \$55, but *CWC* does not expect the price increase to impact sales.

Table 1: Forecasted financial information for CWC for 2026

Variable cost per wedding cake	\$40
Total fixed costs	\$3000
Price per wedding cake	\$60
Forecasted demand for weddings cakes	250

(a) State **two** features of a sole trader. [2]

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(This question continues on the following page)



(Question 1 continued)

(b) Using **Table 1**:

(i) construct a fully labelled break-even chart, to scale, for CWC for 2026;

[4]

The form contains a large rectangular grid for drawing a break-even chart. The grid is 15 units wide and 15 units high. A vertical axis arrow is at the top left, and a horizontal axis arrow is at the bottom right, with the number '250' written below it. Below the grid are six horizontal dotted lines for writing.

(This question continues on page 5)



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Answers written on this page
will not be marked.



(Question 1 continued)

(ii) calculate *CWC*'s profit for 2026 (*show all your working*).

[2]

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(c) Explain **one** advantage for *CWC* of having a unique selling point/proposition (USP).

[2]

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2. **Brandon Fish (BF)**

Brandon Fish (BF) is a privately held company based in California, United States (USA), that packages tuna fish meat into pouches in Sonora, Mexico. Because of economic reasons, *BF* is planning to temporarily reshore to California in 2026.



To finance the reshoring to California, *BF* is planning to ask for a bank loan rather than selling non-current assets in Sonora.

Forecasted financial information for *BF* once it has reshored to California is given in **Table 2**.

Table 2: Forecasted financial information for *BF* for the year ended 31 December 2026

Direct cost per tuna fish pouch	\$1.20
Dividends to shareholders	10 % of profit per period
Expenses: Administration	\$1 352 000
Expenses: Marketing	20 % of sales revenue
Forecasted sales	6 400 000 tuna pouches
Interest on loans	\$768 000
Price per tuna fish pouch	\$2.50
Tax on profits	20 % on profit before tax

(a) State **two** advantages of reshoring.

[2]

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(This question continues on the following page)



(Question 2 continued)

(b) Using **Table 2**:

- (i) construct a forecasted statement of profit or loss for *BF* for the year ended 31 December 2026 (*show all your working*);

[4]

(This question continues on page 9)



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will not be marked.



(Question 2 continued)

(ii) calculate *BF*'s forecasted profit margin for 2026 (*show all your working*). [2]

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(c) Explain **one** advantage for *BF* of asking for a bank loan to finance the reshoring project. [2]

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Section B

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

3. VinHalx Ltd. (VX)

VinHalx Ltd. (VX) is a privately held company that is 51% owned by the Klopp family. VX manufactures an electric motorcycle, the GG, in Germany.

The GG motorcycle was launched in 2022 and could only be purchased from VX's website. A fully charged battery allows the GG motorcycle to travel a distance of 120 kilometres before recharging is required. Battery performance and reliability are key factors in the GG motorcycle's success. Battery technology is developing rapidly. VX purchases its batteries from three battery suppliers; the batteries cost \$900 each, and one is required for each GG motorcycle.

VX uses a premium pricing method and launched the GG motorcycle at a price of \$12 000.

(a) State **two** features of premium pricing.

[2]

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Table 3 shows selected information for the GG motorcycles for 2022–2024.

Table 3: Number of GG motorcycles sold, sales revenue, and profit for period for 2022–2024

	2022	2023	2024
Number of GGs sold	1700	2000	2750
Sales revenue	\$20.4m	\$24m	\$30.25m
Profit for period	-\$2m	-\$0.5m	\$2.5m

(This question continues on the following page)



(Question 3 continued)

(b) To stimulate its sales, VX reduced the price of its GG motorcycles to \$11 000 in 2024.

Comment on VX's sales revenue for 2022–2024 shown in **Table 3**.

[2]

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(c) VX forecasted a break-even level of output of 2000 GG motorcycles for 2022 and 2023. In 2023, VX paid out \$0.5m to repair faulty GG motorcycles.

Comment on VX's profit for period for 2022–2024 shown in **Table 3**.

[2]

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In 2024, feedback on VX's social media revealed that 40% of potential customers were discouraged because they could not test ride a GG motorcycle before purchasing. In 2025, VX began selling GGs in motorcycle dealerships (businesses that sell vehicles, such as cars and motorcycles) throughout Germany. Dealerships sell motorcycles from different manufacturers, and all motorcycles can be test ridden. VX sells GG motorcycles for \$9000 to dealerships, which raise the retail price up to \$12 000 for retail sales. VX has forecasted sales of 3500 GG motorcycles for 2025.

(This question continues on the following page)



(Question 3 continued)

- (d) Explain **one** advantage **and one** disadvantage for VX of selling GG motorcycles through dealerships.

[4]

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From 2026, VX plans to sell GG motorcycles throughout the European Union (EU). Selected forecasted financial data for VX is shown in **Table 4**.

Table 4: Selected forecasted financial data for VX, 2026–2030

Year	Number of GGs sold	Profit margin (%)	Profit before interest and tax (\$m)
2026	5000	15	4.5
2027	8000	15	7.2
2028	12 000	15	10.8
2029	14 500	10	8.7
2030	15 500	10	9.3
Total	55 000	—	40.5

VX plans to invest \$20 million to increase the production of GG motorcycles. External sources of finance would be used. Interest rates are increasing.

Recently, VX received an offer from *Zenon PLC* (ZN) for a five-year strategic alliance. ZN manufactures cars and has diversified into electric battery production. ZN's first electric battery, due for launch later in 2025, will retail for \$1200 and would increase the number of kilometres the GG motorcycle could travel before requiring recharge by 25%. ZN will sell its electric batteries to VX for \$900 each. In return, ZN demands to be the sole battery supplier for the GG motorcycle. ZN has offered to invest \$20 million in return for a payment of \$500 from each GG motorcycle sold.

(This question continues on the following page)



4. Otramex (OMX)

Otramex (OMX) is a publicly held company located in a developing country. OMX operates in the primary and secondary sectors and is involved in oil production, coal mining, and electricity production. In response to environmental pressure groups and unstable oil prices, OMX invested in wind power, a renewable source of energy. Customers responded positively. OMX expects sales revenue to increase, particularly from electricity production.

- (a) State two activities, other than oil production and coal mining, that belong to the primary sector.

[2]

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Selected financial information for OMX for 2023-2025 is shown in Table 5.

Table 5: Selected financial information for OMX, 2023-2025 (all figures in \$ millions)

	2023	2024	2025
Equity	78	80	85
Non-current liabilities	5.3	5.4	5.6
Profit before interest and tax	26	33	35
Sales revenue	192	240	266

- (b) Using Table 5:

- (i) calculate OMX's return on capital employed (ROCE) for 2023 (no working required); [1]

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- (ii) calculate OMX's sales revenue for 2026 if sales were to increase by 30% (no working required).

[1]

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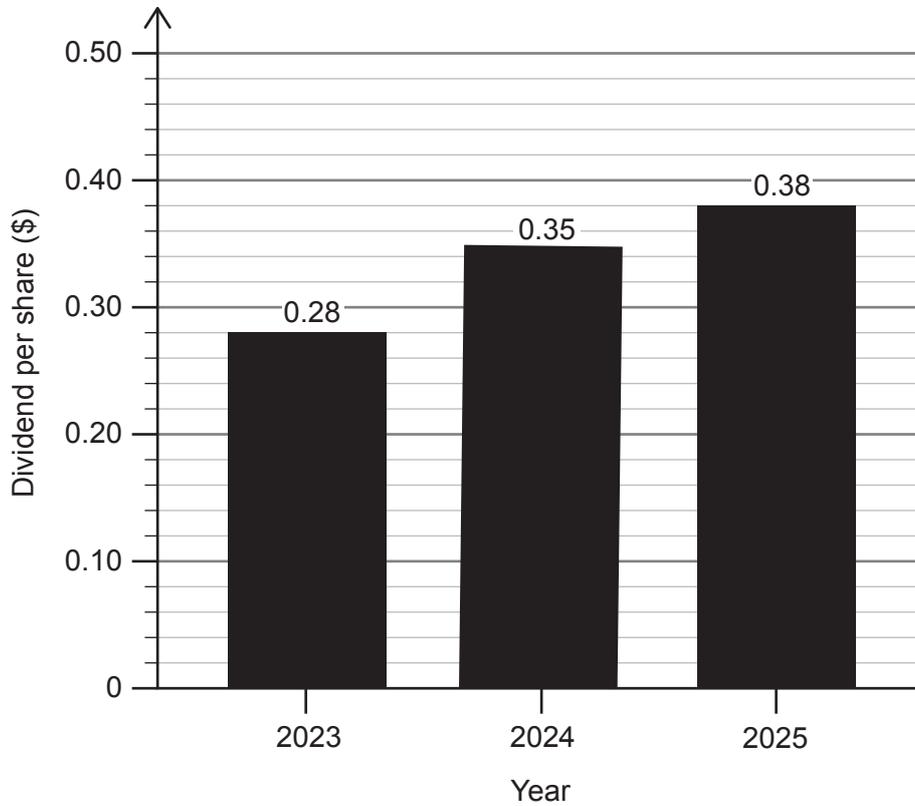
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(Question 4 continued)

Figure 1 shows *OMX*'s dividend per share for 2023–2025.

Figure 1: *OMX*'s dividend per share (in \$) for 2023–2025



(c) Using **Figure 1**, comment on *OMX*'s dividend per share data for 2023–2025.

[2]

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(Question 4 continued)

OMX's chief executive officer (CEO) wants to double the company's investment in wind power to create a low-carbon energy division. This division will generate additional revenues of \$6 million a year. To set up the low-carbon energy division, OMX will have to invest \$21.5 million over six years.

- (d) Calculate the average rate of return (ARR) for the setup of the low-carbon energy division (*show all your working*).

[2]

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However, some OMX board members believe that investing in natural gas is better and want to acquire another energy supplier, *Nugamex (NGM)*, from the developing country. *NGM*'s revenue in 2023 was \$88 million. Over a six-year period, the capital cost for acquiring *NGM* would be \$250 million. The ARR for acquiring *NGM* would be 18.53%.

Regulations are less strict in developing countries, allowing *NGM* to supply natural gas to households. *NGM* has 52 years of natural gas. According to pressure groups, natural gas is an excellent source of energy. It is less expensive than oil or coal and is environmentally friendlier. Although expensive to store, it can be transported and stored in large quantities.

Environmental pressure groups state that the cost to customers of renewable energies should be 33% less than from fossil fuels (oil, coal, and natural gas). Technological advances should bring costs down even further. Because of concerns about global warming, most investors and pressure groups want *OMX* to continue to invest in cleaner energy and stop investing in fossil fuels. *OMX*'s CEO forecasted the sales figures for the different business units (see **Table 6**).

(This question continues on the following page)



(Question 4 continued)

Table 6: Forecasted sales figures for *OMX*'s business units, 2025–2035

Business unit	2025	2030	2035
Coal mining	16 %	16 %	16 %
Electricity production from wind power (low-carbon energy division)	11 %	36 %	61 %
Oil production	73 %	48 %	23 %

(e) Using **Table 6**, draw an appropriate chart showing *OMX*'s production by business unit for 2035.

[2]

(This question continues on the following page)



