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Business management
Higher level
Paper 2

30 October 2025

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

Candidate session number

1 hour 45 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 **[50 marks]**.



Section A

Answer **all** questions in this section. Answers must be written within the answer boxes provided.

1. Picnic-Naturale (PN)

Picnic-Naturale (PN) is a non-profit, non-governmental organization (NGO) whose main objective is the conservation of a nature reserve*.

PN has 15 picnic spaces for rent within the reserve. Each picnic space is equipped with a table and seating, and rented picnic spaces are supplied with picnic baskets containing food for four people. *PN* is an exclusive venue that is unaffordable for most local residents.

The picnic spaces are only available for rent eight days per month. Usually, picnic spaces are all rented in advance. However, bad weather has reduced rentals by 20 % for several months. *PN* is considering introducing a customer loyalty programme.

Table 1 shows selected financial data for *PN*.

Table 1: Selected financial data for *PN* (all figures in \$)

Costs	
Cleaning per picnic space per day rented	25
Cost per picnic basket	75
Maintenance of picnic spaces per month	1640
Marketing cost per month	700
Rubbish (garbage) collection per month	710
Staff salaries per month	1950
Revenue	
Rental price per picnic space per day	200

* nature reserve: an area created to protect the natural environment, including animals, plants, soil and water

(a) State **two** benefits of a customer loyalty programme for a business.

[2]

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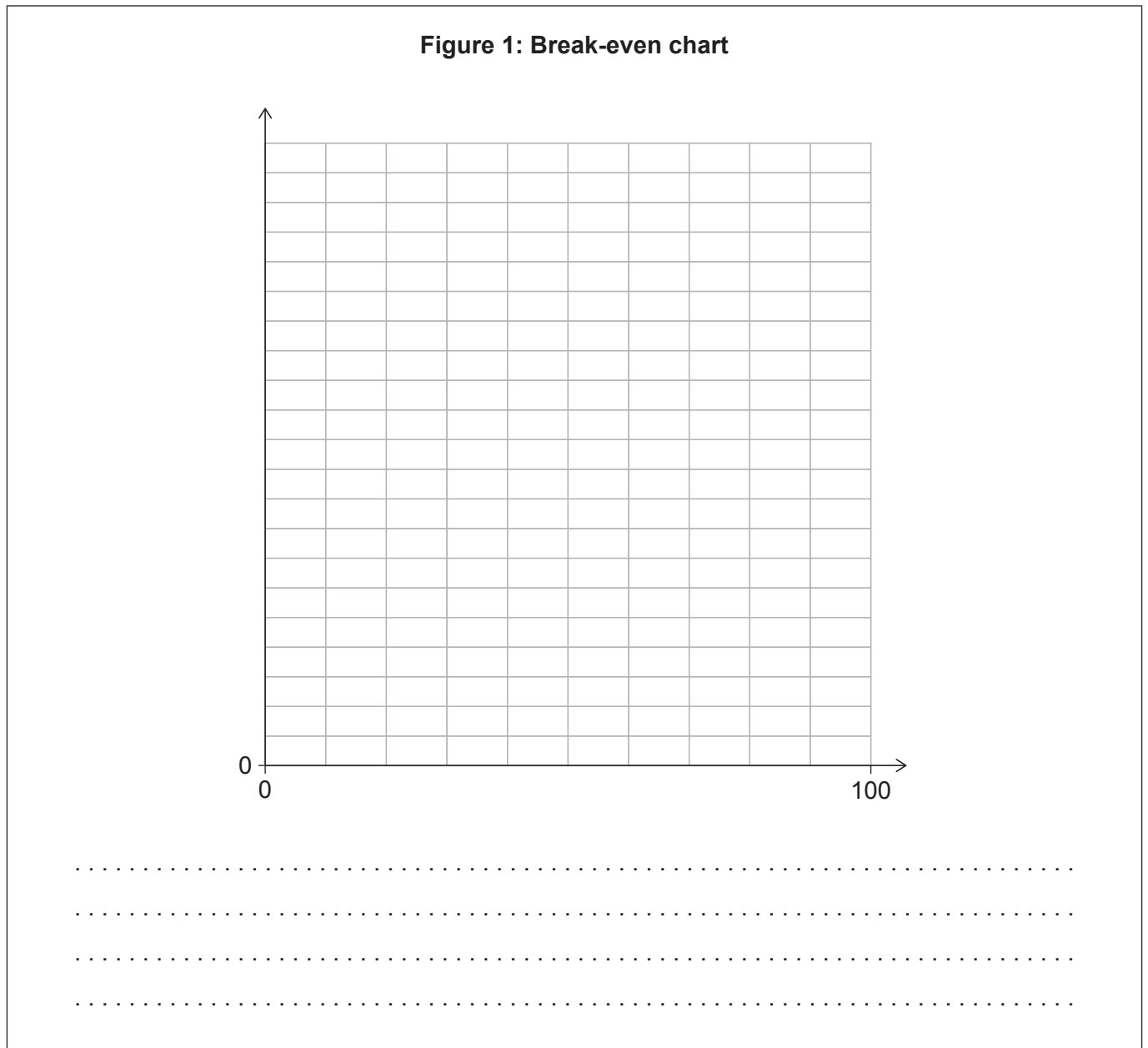
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(Question 1 continued)

(b) Construct a fully labelled break-even chart, to scale, for *PN* (Figure 1).

[4]



(This question continues on page 5)



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will not be marked.



(Question 1 continued)

- (c) Calculate the rental price (per picnic space) needed to achieve a target surplus (profit) of \$1600, assuming that occupancy is at 80% (*show all your working*). [2]

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- (d) Comment on what could happen to the occupancy of picnic spaces if *PN* decided to change the rental price (per picnic space) to achieve the target surplus (profit) of \$1600. [2]

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2. Terrific Cars (TC)

Terrific Cars (TC) produces high-quality cars for people who want innovative and personalized features in their vehicles. The cars are produced in a factory that operates at high capacity utilization.

TC's revenue and profits have fallen since 2022. In addition, in 2025, TC's financial manager plans to invest in a new expansion project costing \$250 million using a new long-term loan. However, the financial manager is worried about the efficiency of TC's operations. Selected financial information for TC is shown in Table 2.

Table 2: Selected financial information for the production of TC's cars for the year ended and as at 31 December 2024 (all figures in \$ millions)

Bank overdraft	50
Borrowings (long-term)	700
Cash	100
Cost of sales	300
Debtors	281
Retained earnings	375
Sales revenue	570
Share capital	500
Short-term loans	100
Stock at 31 December 2024	100
Trade creditors	58

(a) State two disadvantages of operating at a high capacity utilization rate. [2]

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(b) Using Table 2:

(i) calculate TC's creditor days (number of days) ratio for 2024 (no working required); [1]

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(This question continues on the following page)



(Question 2 continued)

(ii) calculate *TC*'s debtor days (number of days) ratio for 2024 (*no working required*); [1]

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(iii) calculate *TC*'s gearing ratio for 2024 (*show all your working*); [2]

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(iv) calculate *TC*'s working capital as at 31 December 2024 (*show all your working*). [2]

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(c) Explain how *TC*'s gearing ratio would change if *TC* received the new long-term loan of \$250 million in 2025. [2]

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3. Gupta Industries (GI)

Gupta Industries (GI), a publicly held company, is producing an induction training programme for its new engineering division.

Table 3: Tasks involved in producing the employee induction training programme

Task	Description of task	When task can start	Duration of task (days)
A	Plan the induction training programme	First task to complete	4
B	Make an induction video	When A is complete	6
C	Make a safety brochure	When A is complete	4
D	Test the induction video	When B is complete	2
E	Test the safety brochure	When C is complete	2
F	Announce induction training programme	When D and E are complete	2

To win a large engineering contract, GI's management have set a deadline for completion of the induction training programme of 15 days. The contract will be lost if the project is delayed beyond the deadline.

(a) State two features of a publicly held company.

[2]

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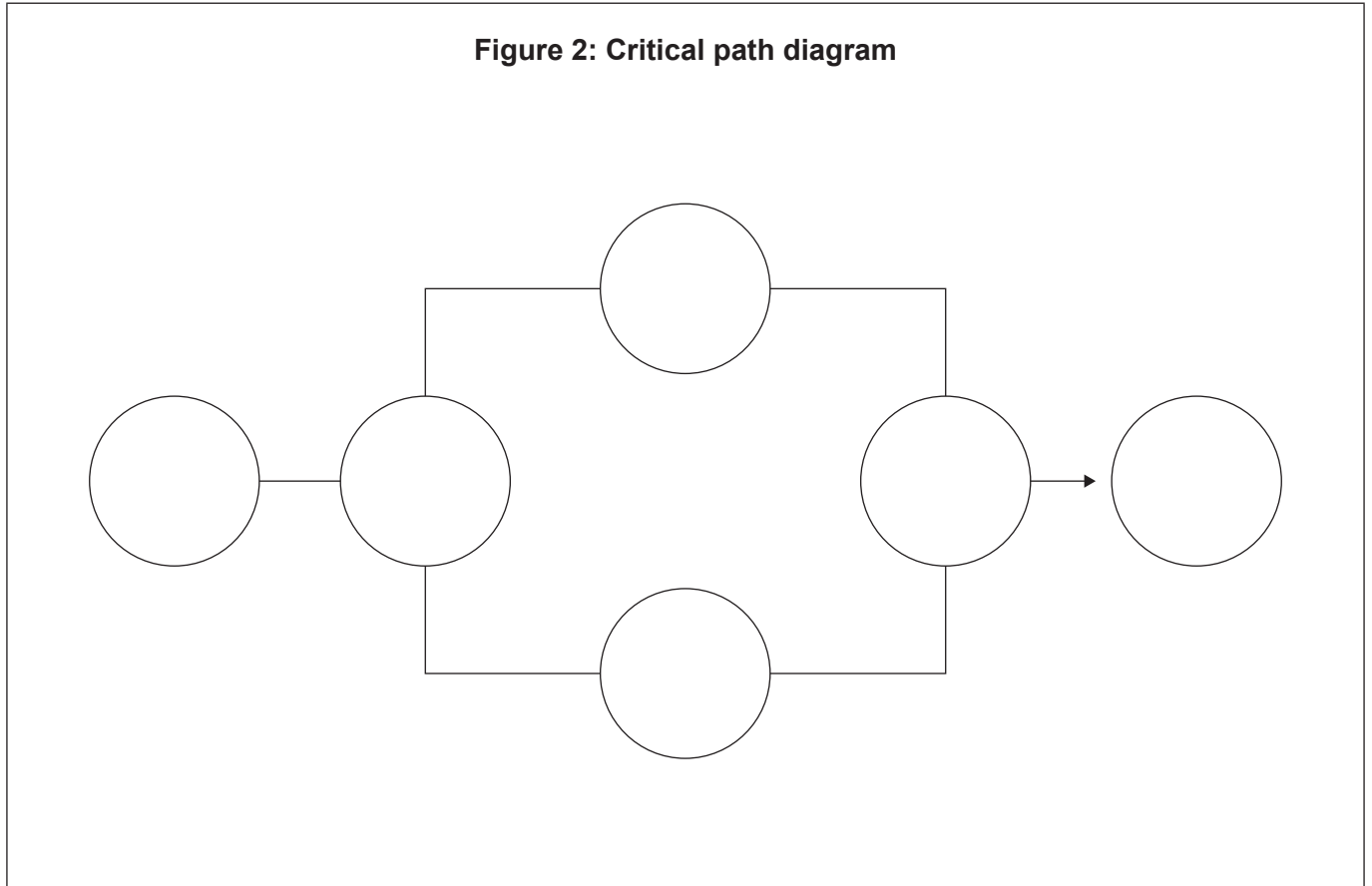


(Question 3 continued)

(b) Using information from **Table 3**:

(i) complete and label the critical path diagram and identify the critical path
(Figure 2);

[4]



(ii) calculate the total float for task C (*no working required*);

[1]

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(iii) calculate the free float for task C (*no working required*).

[1]

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(This question continues on page 11)



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Answers written on this page
will not be marked.



(Question 3 continued)

- (c) Using your answer to (b) (i), explain how *G/* could use any float time to ensure the induction training programme is not delayed beyond the deadline.

[2]

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Section B

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

4. CropSkan Drones (CD)



Archie Campbell's passion for photography began at university. Drone photography was set to be a disruptive innovation, and with his interest in this new technology, he founded *CropSkan Drones (CD)*.

(a) Describe **one** feature of a disruptive innovation.

[2]

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(Question 4 continued)

With specialist cameras attached to relatively cheap drones, *CD* photographs the fields of local farmers. The data gathered is inputted into a computer program that analyses it and provides information on which fields need more, or less, fertiliser (crop food) and/or water to improve crop output. This information is then sold to the farmers.

Customers valued *CD*'s personalized service and face-to-face contact with expert staff. As Archie's reputation in crop management grew, *CD*'s sales and market share increased quickly. *CD*'s sales revenue in 2024 was \$754 400 compared to total market sales of \$2 300 000 in the region. National sales for agricultural drone services in 2024 were \$18 860 000.

- (b) Calculate *CD*'s market share of the **regional** market for agricultural drone services in 2024 (*show all your working*). [2]

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CD's profits increased, but so did customer complaints. *CD* hired a market research agency to examine *CD*'s customer satisfaction using quota sampling based on the size of farm and crop output. Customers rated their satisfaction with *CD* against brand image. Brand image includes factors such as brand awareness, trust and quality perception.

- (c) Explain **one** advantage for *CD* of using quota sampling. [2]

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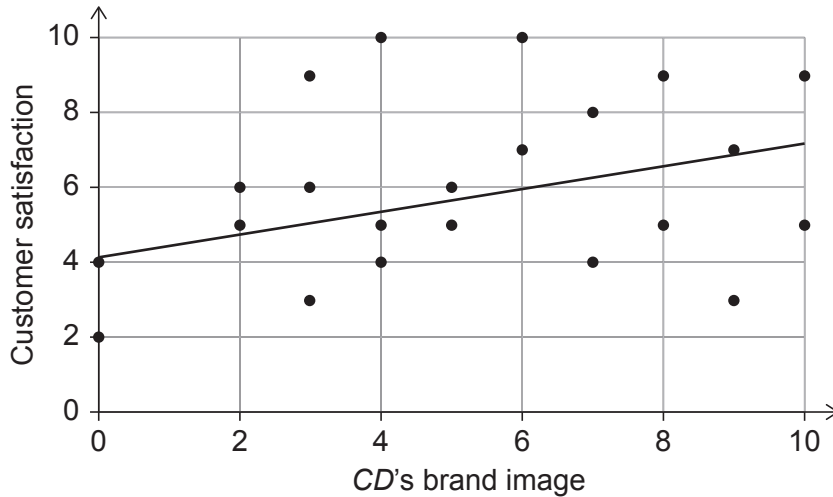
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(Question 4 continued)

The marketing agency provided its findings, which examined the correlation between customer satisfaction rated 1 (poor) to 10 (excellent) and selected variables. **Figure 3** shows the results for one of these variables, *CD's brand image*.

Figure 3: Correlation between customer satisfaction and *CD's brand image*



(d) Comment on the correlation shown in **Figure 3**.

[2]

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Archie also led focus groups of current customers (farmers) from the largest farms to explore customer satisfaction. These focus groups revealed some key points.

Positive points:

- Personalized service
- Management experience
- Value for money
- Data quality

Negative points:

- Customer service wait times
- Data processing delays

(This question continues on the following page)



(Question 4 continued)

(e) Explain **one** disadvantage for *CD* of using focus groups for market research. [2]

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Archie is investigating three possible growth strategies for *CD*:

- **Option 1:** Improve existing customer satisfaction and increase current demand.
- **Option 2:** Buy new drones with automated crop sprayers attached.
- **Option 3:** Expand into new regional markets.

Table 4 shows a summary of the three growth options, with secondary and forecasted data for each.

Table 4: Summary of *CD*'s growth options

Growth option	Forecast market growth	Forecast sales growth	Costs	Competition	Key risk factors
1: Improve existing customer satisfaction and increase current demand	Low–medium	15%	Low: Use existing drones	Medium	Drone maintenance
2: Buy new drones with automated crop sprayers	High	35%	High: New equipment, larger drones, more training	Low–medium	Legal regulations and technical demands
3: Expand into new regional markets	Medium	25%	Medium: Use existing drones in larger numbers	High	Increased data processing needs

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Turn over

5. **Energía Solar (ES)**

Energía Solar (ES), a publicly held company, is a manufacturer of solar panels. The company is based in Country X and sells solar panels only in Country X.

The manufacture of solar panels involves significant capital expenditure. *ES* uses quality circles and has been recognized for its national quality standards. Solar panels are assembled using just-in-time (JIT) production. The production process of solar panels is based on batch production and requires extensive on-the-job and off-the-job training.

ES uses Spanish as its language of communication. Only a few senior managers can speak English.

(a) Describe **one** feature of off-the-job training.

[2]

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ES's workforce has been highly motivated, and labour turnover is below the industry mean (average). *ES* uses intuitive thinking/management and gives employees some input into decision-making. Other than managers, 85% of *ES*'s workforce belong to a trade union. There has been minimal industrial conflict at *ES*.

However, some recent concerns have been raised by management about *ES*'s labour productivity, liquidity position and profitability.

ES's management believe that the introduction of scientific thinking/management would improve productivity and reduce costs in the future and have provided the following selected financial information to support this (**Table 5**).

Table 5: Selected financial information for *ES*, 2024–2026

	2024	2025	2026*
Labour turnover compared to industry mean (average)	Lower	Lower	Likely to increase above mean (average)
Productivity rate (units of output per input)	8	7.2	8.4

* forecasted for when scientific thinking/management has been introduced

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(Question 5 continued)

(b) Explain **one** benefit **and one** cost for *ES* of introducing scientific thinking/management. [4]

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(Question 5 continued)

Table 6: Additional financial information for ES

	2024	2025	2026*
Current ratio	1.6	1.6	1.8
Gross profit margin	20 %	21 %	20 %
(Net) profit margin	12 %	10 %	8 %
Stock turnover (number of days)	38	45	59

* forecasted for when scientific thinking/management has been introduced

(c) (i) Using **Table 6**, comment on *ES*'s liquidity position. [2]

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(ii) Using **Table 6**, explain **one** reason for the difference between *ES*'s gross profit and profit margin in 2024–2026. [2]

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(Question 5 continued)

ES is considering offshoring its production, but to minimize transportation costs back to Country X, two neighbouring countries—Country Y and Country Z—have been identified for the offshoring. ES will continue to sell only in Country X.

ES’s management conducted a STEEPLE analysis of Country Y and Country Z (**Table 7**). Mean (average) annual wage costs in Country X are \$42 000.

Table 7: STEEPLE analysis of Country Y and Country Z

STEEPLE entry	Country Y	Country Z
Economic Mean (average) annual wage	\$55 000	\$28 000
Social Language spoken	English	Spanish
Infrastructure/transport links	Excellent	Good, but limited rail and road options
Trade union membership	70 %	20 %
Political Current government	Stable Change in government likely in 2026	Less stable
Political Government regulation	Low	Medium

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References:

4. SimonSkafar, 2019. *Drone flying over field at sunset - stock photo*. [image online] Available at: <https://www.gettyimages.co.uk/detail/photo/drone-flying-over-field-at-sunset-royalty-free-image/1094620200> [Accessed 10 March 2025]. Source adapted.



24EP24