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Business management
Standard level
Paper 2

30 October 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. Picnic Nature (PN)

Picnic Nature (PN) is a non-profit, non-governmental organization (NGO) whose main objective is the conservation of a nature reserve* located in the hills of a city. *PN* is known as a family-friendly venue that is affordable for residents in the city.

PN has 20 picnic spaces for rent within the reserve. Each picnic space is equipped with a table and benches, and rented picnic spaces are supplied with picnic baskets containing four sandwiches.

The spaces are only available for rent eight days per month.

Table 1 shows selected financial data for *PN*.

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

Costs	
Cost per picnic basket	18
Maintenance of picnic spaces per month	2000
Marketing cost per month	180
Rubbish (garbage) collection per month	440
Staff salaries per month	500
Table cleaning per picnic space per day rented	10
Revenue	
Rental price per picnic space per day	80

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

(a) State **two** features of a non-governmental organization (NGO).

[2]

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(Question 1 continued)

(b) Calculate the break-even quantity/point for *PN* (*show all your working*).

[2]

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(c) Calculate the surplus (profit) for one month if all 20 picnic spaces are rented for eight days (*show all your working*).

[2]

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(Question 1 continued)

- (d) Calculate the rental price (per picnic space) needed to achieve a target surplus (profit) of \$7600 per month (show all your working). [2]

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- (e) Explain what could happen to the number of picnic spaces rented per month if *PN* decides to increase the rental price (per picnic space) to reach the target surplus (profit) of \$7600. [2]

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2. Hear-Ear Tech (HT)

Hear-Ear Tech (HT) produces in-the-ear hearing aids. The hearing aid market was worth \$55 million in 2024. When entering the market four years ago, *HT* used a penetration pricing method despite having a product that was of higher quality than its competition.



Recent market research revealed that consumers consider *HT* to have strong brand value. However, shareholders have expressed concern about future profit margins, as suppliers have warned of price increases next year.

HT is considering changing to a premium pricing method. Selected financial information for *HT* is shown in **Table 2**.

Table 2: Selected financial information for *HT* for the year ended 31 December 2024

Cost to produce one hearing aid	\$1475
Dividends	\$375 000
Expenses	\$1 650 000
Interest	\$0
Selling price of one hearing aid	\$2100
Sales	4500 hearing aids
Tax on profits	25% on profit before tax

(a) State **two** features of strong brand value.

[2]

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(This question continues on the following page)



(Question 2 continued)

- (b) (i) Construct a statement of profit or loss for *HT* for the year ended 31 December 2024
(*show all your working*). [4]

- (ii) Calculate *HT*'s market share in 2024 (*show all your working*). [2]

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(Question 2 continued)

(c) Explain **one** advantage for *HT* of changing to a premium pricing method.

[2]

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Section B

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

3. Mindful Options (MO)

Mindful Options (MO) is a privately held company founded by Kairus Patel. *MO* provides a range of healthy meal plans for customers using organic and nutritious ingredients to support fitness goals and well-being.

(a) Describe **one** feature of a privately held company.

[2]

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MO creates personalized meal plans based on individual preferences and fitness goals. Businesses in this competitive market are facing challenges in sourcing high-quality organic ingredients and keeping operating costs low. The price of organic ingredients is increasing. Variations in harvests and customer demand require changes to the meal plans *MO* offers.

Kairus is the chief executive officer (CEO). There are four managers: marketing, human resource (HR), finance, and operations.

The marketing manager has six employees in their team. The other managers have five employees in their teams.

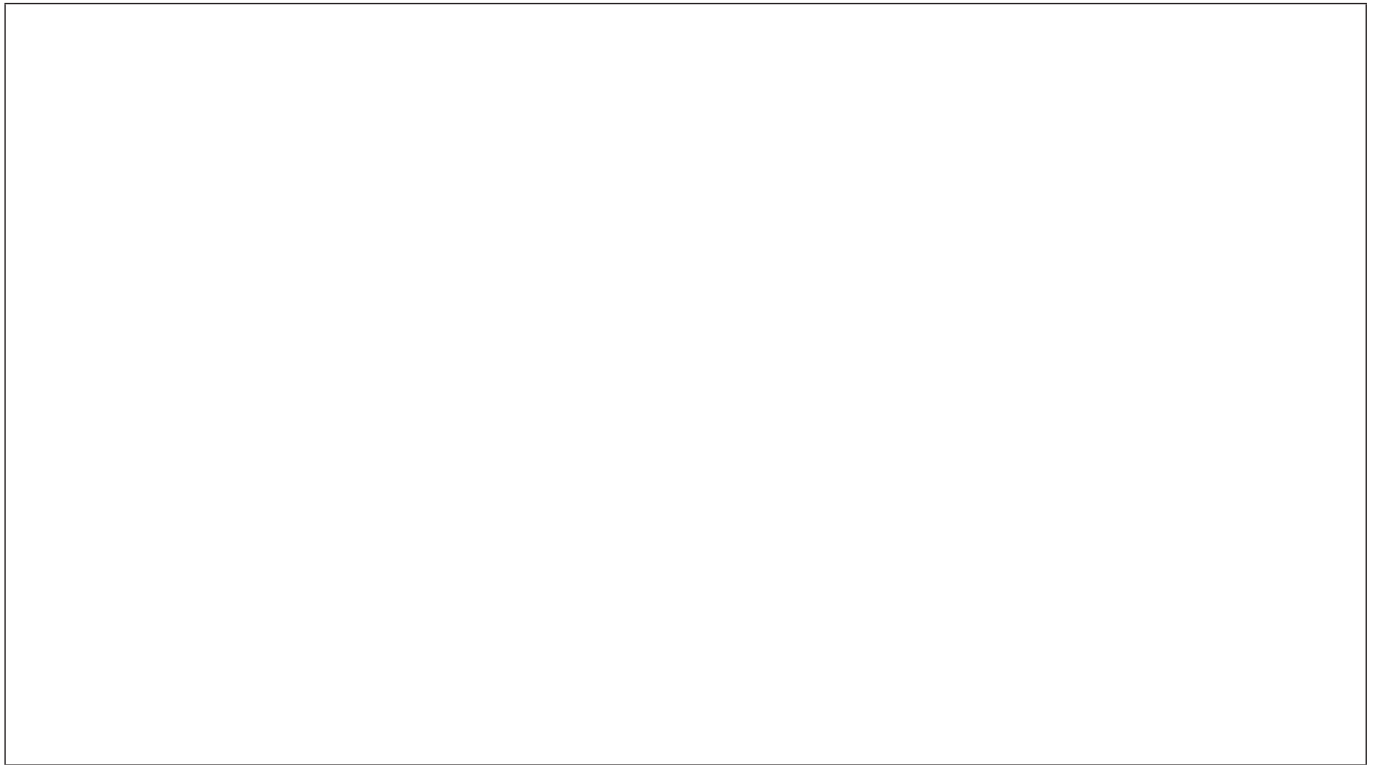
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(Question 3 continued)

(b) Construct *MO's* organization chart.

[2]



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(Question 3 continued)

MO's employees are highly motivated and are proud of *MO's* objective to support the fitness goals and well-being of its customers.

Employees can:

- view the impact of *MO's* contributions through customer feedback
- offer suggestions for improvements to customer well-being programmes
- state their opinions through a survey every six months (see **Figure 1**)
- develop their skills through regular training and receive industry-standard salaries.

(c) Using an appropriate motivation theory, explain **two** reasons for high motivation levels of employees at *MO*.

[4]

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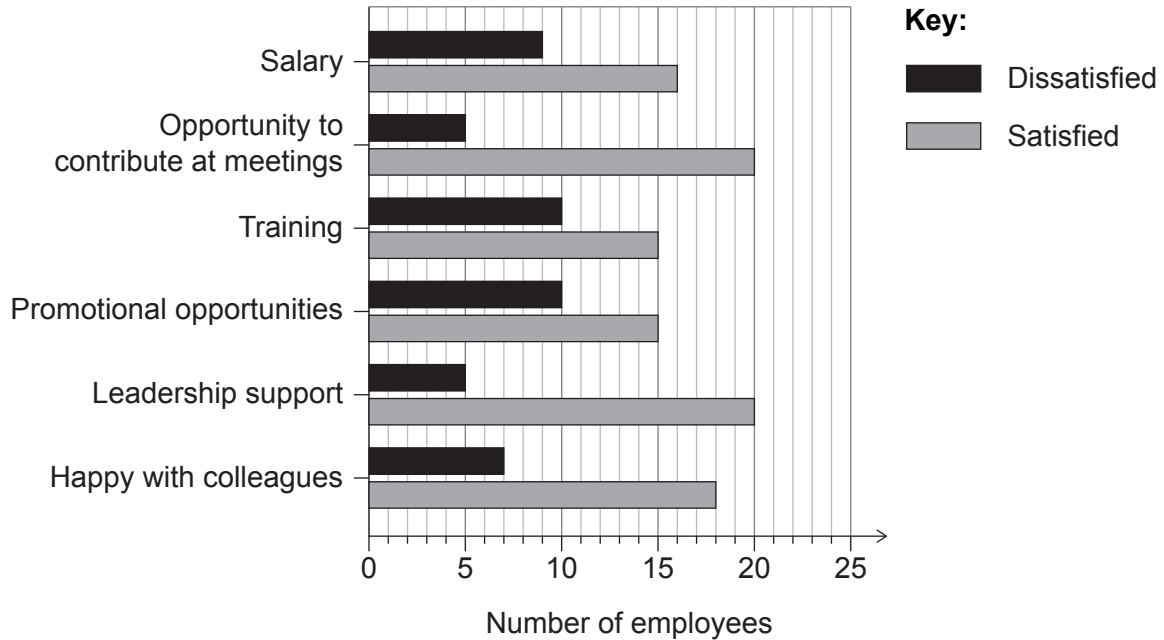
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(Question 3 continued)

MO's latest employee survey results are shown in **Figure 1**.

Figure 1: MO's latest employee survey results, October 2025



(d) Comment on the survey results shown in **Figure 1**.

[2]

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MO is struggling to keep costs under control. Government rules around meeting food safety standards are increasing the average cost per meal. As a result, MO has changed its promotion to word of mouth and social media only.

Customer demand for healthy food is expected to increase, so MO aims to expand further. Kairus has identified two growth options:

- **Option 1:** MO will offer personalized meal plans to a new segment by forming a strategic alliance with a national charity that provides elderly people in the community with three meals a day. MO and the charity will collaborate on promotion of this elderly care meal service.
- **Option 2:** MO will introduce new personalized food items, such as plant-based (free of animal products) alternatives and ready-to-eat meals. This option would require extensive market research. MO will need new distribution channels and pricing methods.

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4. Books to improve (BI)

In 2022, Adriana Garcia founded *Books to improve (BI)*, a non-profit social enterprise that accepts donated books, restores them, and then sends the books to community centres in low-income areas. For start-up capital, Adriana used crowdfunding.

(a) Describe **one** advantage of crowdfunding as a source of finance. [2]

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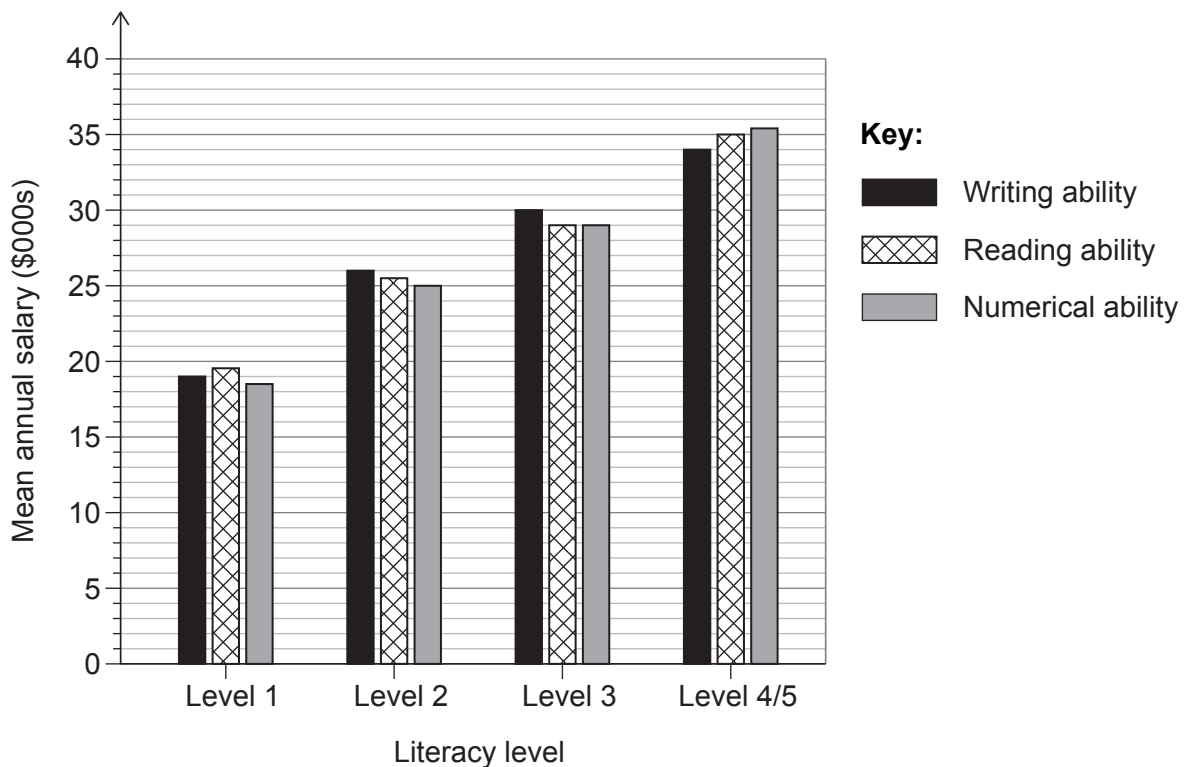
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Adriana was inspired to start *BI* after reading an article about the relationship between literacy level and salary in her country, Country X, as shown in **Figure 2**. Literacy level is measured by:

- writing ability
- reading ability
- numerical ability.

Figure 2: Mean annual salary and literacy levels in Country X



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(Question 4 continued)

- (b) Using **Figure 2**, explain the relationship between literacy levels and mean annual salary in Country X.

[2]

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Table 3 shows the annual salary of employees with different literacy levels in Country X.

Table 3: Annual salary of employees with literacy levels 1–3 in Country X

Literacy level	Annual salary
1	\$18 000
2	\$25 000
3	\$29 000

- (c) Using **Table 3**, calculate the mean annual salary for literacy levels 1–3 (*show all your working*).

[2]

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(Question 4 continued)

BI has made a significant impact: many community centres now have new reading material, and stakeholders are now able to apply for higher-paid jobs.

However, *BI* is experiencing cash-flow problems and needs to find cash donations. Storage, book restoration and delivery costs to community centres are increasing.

Adriana is considering two options:

- **Option 1:** Develop a promotional campaign around a new mission statement, “Bring a book and cash” (BABAC), which encourages people to donate cash as well as books.
- **Option 2:** Open a retail outlet in a large city. As books are donated, *BI* would identify suitable books to sell directly to the community.

Adriana consulted a friend with financial knowledge and obtained the figures shown in **Table 4** for both options.

Table 4: Estimated financial figures for Option 1 and Option 2

	Cost (\$)	Probability	Forecasted revenue over the next 3 years, 2026–2028 (\$)
Option 1: Develop a promotional campaign around a new mission statement	10 000	High return (0.5)	12 000
		Low return (0.5)	–6000
Option 2: Open a retail outlet in a large city	100 000	High return (0.7)	120 000
		Low return (0.3)	80 000

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(Question 4 continued)

- (d) Using **Table 4**, construct a fully labelled decision tree for **both** options **and** identify whether **Option 1** or **Option 2** is best for *BI* (*show all your working*).

[4]

Adriana was interviewed by a journalist for a local newspaper and mentioned the two options she is considering. When the article was published, Adriana was concerned. The journalist had written that *BI* is changing to a for-profit business and questioned whether it was ethical for *BI* to ask for both cash and book donations (**Option 1**). Adriana’s lack of business experience was also mentioned.

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References:

2. PixelCatchers, 2023. *Close up young man putting hearing aid in ear - stock photo*. [image online] Available at: <https://www.gettyimages.co.uk/detail/photo/close-up-young-man-putting-hearing-aid-in-ear-royalty-free-image/1809241444?phrase=man%20wearing%20a%20hearing%20aid&adppopup=true>. [Accessed 7 April 2025]. Source adapted.

- Figure 2** Green, D. A. and Riddell, W. C., 2001. *International Adult Literacy Survey. Literacy, Numeracy and Labour Market Outcomes in Canada*. Canada: Statistics Canada and Human Resources Development Canada. [online] Available at: <https://www150.statcan.gc.ca/n1/en/pub/89-552-m/89-552-m2001008-eng.pdf?st=OmTBywpZ> [Accessed 11 February 2025]. Source adapted.



24EP22

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