

Markscheme

November 2025

Business management

Standard level

Paper 2

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The markbands on page 3 should be used where indicated in the markscheme.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptor.
1–2	<ul style="list-style-type: none"> • Little understanding of the demands of the question. • Little use of business management tools and theories; any tools and theories that are used are irrelevant or used inaccurately. • Little or no reference to the stimulus material. • No arguments are made.
3–4	<ul style="list-style-type: none"> • Some understanding of the demands of the question. • Some use of business management tools and theories, but these are mostly lacking in accuracy and relevance. • Superficial use of information from the stimulus material, often not going beyond the name of the person(s) or name of the organization. • Any arguments made are mostly unsubstantiated.
5–6	<ul style="list-style-type: none"> • The response indicates an understanding of the demands of the question, but these demands are only partially addressed. • Some relevant and accurate use of business management tools and theories. • Some relevant use of information from the stimulus material that goes beyond the name of the person(s) or name of the organization but does not effectively support the argument. • Arguments are substantiated but are mostly one-sided.
7–8	<ul style="list-style-type: none"> • Mostly addresses the demands of the question. • Mostly relevant and accurate use of business management tools and theories. • Information from the stimulus material is generally used to support the argument, although there is some lack of clarity or relevance in some places. • Arguments are substantiated and have some balance.
9–10	<ul style="list-style-type: none"> • Clear focus on addressing the demands of the question. • Relevant and accurate use of business management tools and theories. • Relevant information from the stimulus material is integrated effectively to support the argument. • Arguments are substantiated and balanced, with an explanation of the limitations of the case study or stimulus material.

Section A

1. (a) **State two features of a non-governmental organization (NGO).** [2]

Features include:

- is a not-for-profit entity (social enterprise)
- independent from government control / not run or owned by government
- rely on funding from donations, grants, and other sources
- will have clear goal or purpose / raise awareness of a specific issue / aim to influence policy
- have a formal structure / will have board of directors or trustees
- have a constitution or charter
- may work at local, national, or international levels
- NGOs usually operate for social, environmental, or humanitarian purposes rather than commercial gain
- NGOs often rely on volunteer work, which helps reduce costs and increase community involvement.

Do Not Award:

- Do **not** credit examples (e.g., “Greenpeace” or “UNICEF”) unless accompanied by a feature.
- Avoid giving marks for vague value statements like “They do good things for people.”
- are part of the private sector
- they pay taxes
- they keep all the profits

Award [1] for each relevant feature stated, up to a maximum of [2].

- (b) **Calculate the break-even quantity/point for PN (show all your working).** [2]

Unit contribution = selling price – average variable costs

Average variable costs = 18 + 10 = 28

Rental price = 80

Unit contribution = 80 – 28 = \$52

Break-even quantity/point = fixed cost/unit contribution

Fixed costs = 2000 + 500 + 440 + 180 = 3120

Break-even quantity/point = 3120/52 = 60 spaces

Award [1] for correct working and [1] for the correct answer expressed in spaces or units.

- (c) **Calculate the surplus (profit) for one month if all 20 picnic spaces are rented for eight days (show all your working).** [2]

20 picnic spaces rented for 8 days per month = 160 rents

Total surplus = income – fix costs – variable costs

= 160(80) – 3120 – 160(28)

= 12 800 – 3120 – 4480

= \$5200

Award [1] for the correct working and [1] for the correct answer with \$ sign (\$ sign can appear in working).

Allow for OFR and award [1] if there is one error in calculation.

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

$$\text{Target profit} = \text{TR (PxQ)} - \text{TC (TFC - TVC)}$$

$$7600 = 160(x) - 3120 - 160(28)$$

$$7600 + 3120 + 4480 = 160x$$

$$X = 95$$

Or

$$160 = 3120 + 7600 / x - 28$$

$$160 (x - 28) = 10\,720$$

$$160 (x) - 4480 = 10\,720$$

$$X = 15\,200 / 160$$

$$X = 95$$

Rental price needed \$95

Award [1] for the correct working and [1] for the correct answer with \$ sign. (\$ sign can appear in working).

Allow for OFR and award [1] if there is one error in calculation.

- (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]

- **Decrease in the number of picnic spaces rented:** A significant price increase may lead to a decrease in the number of picnic spaces rented. PN is currently known as a family-friendly venue affordable for most families
- **Shift in customer base:** A higher price could attract a different demographic of visitors. *If PN becomes more expensive, it might shift from serving local families to attracting wealthier tourists, which would undermine its community focus.*
- **Revenue impact:** Increasing prices could potentially increase **revenue per rental space** but is likely to see a fall in sales. *PN's capacity is fixed at 20 spaces × 8 days = 160 rentals per month; if occupancy drops, it cannot compensate by renting more spaces, so total income could fall.*
- **Customer perception:** PN's decision to raise prices could affect customer perception of the organization. *As PN is a non-profit NGO, visitors may view a price increase as inconsistent with its mission of community access and conservation, damaging its reputation.*
- **Need for marketing and communication:** PN would likely need to invest in marketing efforts to justify the price increase and communicate the additional value or benefits offered at the higher rates. *Management could explain that the additional income supports the upkeep of the reserve, aligning the price change with PN's non-profit purpose.*

Do not award:

Will need to rent out less spaces to reach its target surplus of \$7600 as NAQ

Accept any other relevant explanation.

Award [1] for a relevant explanation and [1] for application to PN. Up to a maximum of [2].

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

[2]

Features include:

- (high) Customer loyalty / repeat purchasing.
- Strong brand recognition / will stand out in the market / more recognizable.
- Can charge high / premium prices / price inelasticity.
- Acts as a competitive advantage.
- Easier brand extensions or new product launches under the same brand.
- Lower marketing costs due to recognition and preference.
- Adds financial value to the business (brand equity as an intangible asset).
- Will have an emotional connection with customers.

Do not award:

- References to profits / profitability.
- References to shareholders.
- Will have high market share.
- Will be seen as a good brand.

Accept any other relevant feature.

Award [1] for any relevant feature up to a maximum of [2].

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

[4]

Statement of profit or loss for HT for the year ended 31 December 2024 (\$)

Sales revenue 4500×2100	9 450 000
Cost of sales 4500×1475	<u>(6 637 500)</u>
Gross profit	2 812 500
Expenses	<u>(1 650 000)</u>
Profit before interest and tax	1 162 500
Interest	<u>(0)</u>
Profit before tax	1 162 500
Tax $1\,162\,500 \times 0.25$	<u>(290 625)</u>
Profit for period	871 875
Dividends	<u>(375 000)</u>
Retained profit	496 875

[4] Fully correct statement in IB format (includes title /date / \$) with all working shown, including correct calculations for **Sales Revenue, Cost of Sales, Tax** and **Retained profit**.

[3]:One error e.g.:

- Missing or incomplete title
- no working shown
- one mathematical error
- one error in labelling

[2] Two or three errors e.g.:

- Missing or incomplete title
- no working shown
- mathematical error
- errors in labelling.

[1] Four or more errors **AND** shows some understanding of a P&L account

E.g. has labels and figures for sales revenue, costs of sales, gross profit and retained profit in correct order

NB If candidates show any TWO calculations then this is sufficient to satisfy the requirement to “show all working”

(ii) Calculate HT's market share in 2024 (show all your working).

[2]

$$\begin{aligned}\text{Market share} &= \text{business' revenue} / \text{market revenue} \times 100 \\ &= 9\,450\,000 / 55\,000\,000 \times 100 = 17.18\% \text{ (accept 17\% or 17.2\%)}\end{aligned}$$

Award **[1]** for correct working and **[1]** for a correct answer with % sign.

Allow for own figure rule (OFR) from (i).

(c) Explain one advantage for *HT* of changing to a premium pricing method. [2]

- **Higher profit margins**, as HT can charge more per unit due to its strong brand and reputation for quality / Shareholders are concerned about inflation, which could lead to higher production costs, reducing profit margins.
- **Reinforces brand image** by signaling exclusivity and high quality, consistent with HT's position as a premium hearing-aid provider.
 - **Differentiates HT's products** from lower-priced competitors, attracting customers who associate price with reliability and performance. Consumers perceive *HT* to have high brand value,
 - **Strengthens long-term brand positioning** in high-value market segments.
 - **Aligns price with perceived value**, reducing the risk of undervaluing the product.
 - **Supports customer perception of exclusivity and quality**, fostering loyalty and trust.
 - Added value increases

Do not award:

- Can sell for a higher price
- Revenue will increase
- Profits will increase
- Sales will stay the same
- Sales will increase
- Market share will increase

Award [1] for a relevant advantage of premium pricing explained and [1] for application to HT.

Section B

3. (a) Describe one feature of a privately held company. [2]

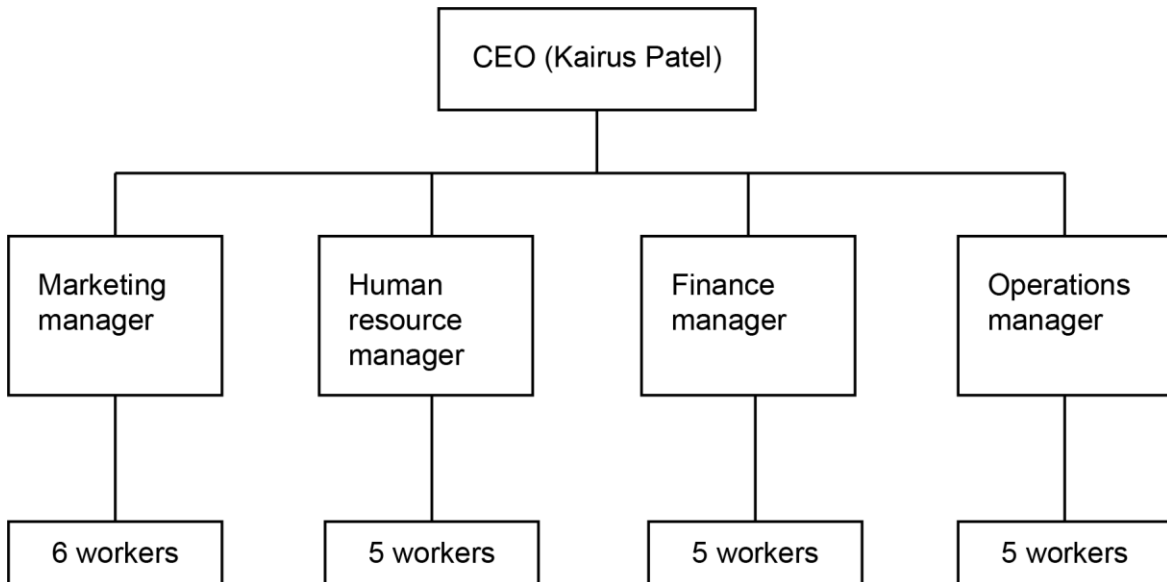
- **Limited liability:** Shareholders are legally responsible for company debts only up to the amount they invested, **so their personal assets are protected.**
- **Shares** are sold privately to family, friends, or associates rather than traded on a stock exchange, **limiting public access to ownership**
- **Registration requirement:** The company must be officially registered and incorporated in the private sector **before operating.**
- A privately held company is owned by a few individuals, and **they control who can buy shares in the company / prevents a hostile takeover**
- Private firms are not required to publish their financial accounts, allowing **them to keep financial information confidential / kept from competitors**
- Profits are shared among a small group of shareholders

Award [1] for a feature identified

Award [2] for some understanding of how the feature works shown in **BOLD** above

Do not award [2] for two identified features

(b) Construct MO's organization chart. [2]



Award [2] for a clearly structured organizational chart that shows:

- **CEO (Karius)** at the top,
- four managers below (Marketing, HR, Finance, Operations),
- clear vertical reporting lines from each manager to CEO (Karius),
- 6 or 5 workers below each manager – these can be shown by 5 small circles or squares

Award [1] for a partially correct chart, that has up to 2 errors such as:

- correct departments shown but one level omitted
- boxes drawn but not labelled
- one manager or worker group missing
- unclear lines of control

N.B. Accept vertical or horizontal format if hierarchy is clear. The chart must indicate the chain of command and span of control clearly.

- (c) **Using an appropriate motivation theory, explain two reasons for high motivation levels of employees at MO.** **[4]**

Application is bold

- **Industry-standard salaries** ensure employees' **basic physiological and safety needs** are met (Maslow) or act as **hygiene factors** (Herzberg).
- **Promotional opportunities** allow employees to achieve **esteem and growth needs** (Maslow) or function as **motivators** (Herzberg).
- **Training and development** provide opportunities for personal growth, fulfilling **self-actualization needs** (Maslow) or representing **job enrichment** as a **motivators** (Herzberg).
- **Opportunities to contribute at meetings** make employees feel **recognized and valued**, satisfying **esteem needs** (Maslow) or acting as **motivators** (Herzberg).
- **Leadership support** builds **belonging and security**, meeting **social and esteem needs** (Maslow) or reflecting **hygiene factors / motivators** (Herzberg).
- **Customer feedback** allows employees to see the **impact of their work**, satisfying **achievement and self-actualization needs** (Maslow/Herzberg).
- **Encouragement to make suggestions** promotes **autonomy and self-esteem**, meeting **esteem needs** (Maslow) or acting as a **motivator** (Herzberg).
- **Positive teamwork and relationships with colleagues** satisfy **social needs** (Maslow/Mayo) or represent a **hygiene factor** (Herzberg).
- **Fair pay** encourages **performance**, reflecting **Taylor's scientific management** when productivity is emphasized.
- **Regular employee surveys** reflect **two-way communication** consistent with **Mayo's Human Relations Theory**.but would be a hygiene factor according to Herzberg

Mark as [2 + 2]

Award [1] for identifying a valid reason for high motivation at MO (from the stimulus or Figure 1), and an additional **[1]** for linking that reason accurately to an appropriate motivation theory

A candidate that explains two elements of a theory eg Herzberg's hygiene and motivation factors with examples or two levels in Maslow but makes no link to the stimulus can be awarded **[2]**.

(d) **Comment on the survey results shown in Figure 1.** **[2]**

Candidates may take two different approaches

A relevant comment is made [1] with numerical data used from the stimulus eg

Over **80 % of** employees are satisfied with salary and leadership support, suggesting these are not areas of concern for MO's workforce.

- Nearly all employees (**over 90 %**) are happy with colleagues, showing strong teamwork and positive workplace relationships.
- Opportunity to **Only** contribute at meetings records one of the highest satisfaction levels (around **90 %**), reflecting a participative organizational culture.
- About **60 %** are satisfied with training and promotional opportunities, indicating that some employees may feel limited in their career development.
- **Only Ten out of twenty-five** employees report dissatisfaction with promotion, which may point to frustration over progression opportunities.

Accept any other relevant comment

Award [1] for a relevant comment and an additional [1] for explicit interpretation of numerical data from Figure 1 up to a maximum of [2].

- (e) Using the information in the stimulus, recommend whether *MO* should choose **Option 1** or **Option 2**. **[10]**

OPTION 1 — Strategic alliance with national charity (*Market development – Ansoff*)

Strengths

- Enables faster expansion through the charity’s **existing meal-delivery network**, reaching elderly customers efficiently.
- Strengthens *MO*’s **public image and credibility** by associating with a recognized national charity.
- Allows **shared promotion and distribution costs**, reducing financial strain given *MO*’s limited funds.
- Reinforces *MO*’s **mission to promote health and well-being**, enhancing brand alignment.
- Builds trust and goodwill among customers and government stakeholders.

Limitations

- Coordination with a large organization may **slow decisions and reduce autonomy**.
- *MO* **lacks experience** serving elderly clients, risking operational inefficiencies.
- Could create **dependency** on the charity’s resources or lead to brand dilution.
- Differences in organizational culture and goals might complicate implementation.

OPTION 2 — New plant-based and ready-to-eat range (*Product development or related diversification – Ansoff*)

Option 2 could be interpreted either as *product development* or, if we consider that ready-to-eat meals might target a different consumer behaviour, as a form of *related diversification*.

Strengths

- Expands *MO*’s **product portfolio**, appealing to health-conscious and sustainable consumers.
- **Differentiates** *MO* from competitors and builds long-term competitiveness.
- Potential for **higher profit margins** via premium pricing.
- Attracts **eco-conscious investors** or partners in sustainable innovation.
- Reduces reliance on current market, **diversifying risk**.

Limitations

- Requires **significant market research and funds to develop new products** and expertise that *MO* currently lacks.
- Demands new marketing, packaging, and logistics, raising costs and complexity.
- **High risk of product failure** if market response is overestimated.
- Could **dilute *MO*’s brand identity** or divert focus from its personalized-meal core business.
- May strain financial and operational resources.

Option 1 appears to be the more suitable short- to medium-term strategy for *MO*. Partnering with the national charity would allow *MO* to expand into a new market segment while sharing promotional and distribution costs, which is crucial given its current financial difficulties. The alliance also reinforces *MO*’s mission to promote health and well-being, enhancing its brand

credibility and social impact. Although Kairus would face coordination challenges and slower decision-making, the overall risk is lower than investing heavily in new product research. Option 2 offers higher long-term growth potential, but it would require significant funding, a new marketing mix, and skills MO does not yet possess. Candidates may recommend **Option 1** as more appropriate due to its lower financial risk, shared resources, and stronger alignment with MO's mission. However, **Option 2** could be justified for long-term growth if candidates recognize the higher risk and explain how MO could manage its funding and market research limitations.

A strong recommendation should:

- clearly identify **one preferred option**,
- justify it through **strategic reasoning linked to MO's context**, and
- acknowledge why the other option is less appropriate **at this stage**

Both options are creditable if the reasoning is coherent and well-supported by stimulus evidence.

Marks should be awarded according to the mark bands on page 3.

NB An Option is considered to have balance if it has at least one advantage and one disadvantage.

However these must be explained not just stated eg "so profit margins will increase" cannot be credited unless an explanation is provided as to why they will increase

Q3 Missing information from the stimulus

- How much the business saved by switching to social media and word of mouth promotion

Option 1

- Option 1 data on how many meals needed to sell to break even and forecast sales data
- Will these meals require new packaging if so at what unit cost.
- Will they just supply the meals and the whole delivery process is done by the charity?
- What are the promotion costs that will be shared

Option2

Cost of market research of new plant based food market

Data on potential sales

Data on annual market growth

Data on number of competitors in this market

Data on competitors pricing methods and methods of promotion

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

No interest payments or repayments → avoids creating long-term liabilities and eases cash-flow pressure / as the money is donated

No loss of ownership/control → unlike equity finance, the entrepreneur retains full control.

Low cost of raising funds → avoids bank charges / interest payments / and reduces transaction fees.

Non-current liabilities do not increase with crowdsourcing, allowing debt levels to remain constant.
Can create awareness of the product or service, reducing the need for further marketing expenditure.

Award [1] for identification of the advantage (no development or reasoning)

Award [2] if the description clarifies how it benefits the business financially or why it is advantageous compared to other sources of finance.

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

Award [2] for the following two answers that do not make explicit reference to numerical data:
There is a clear positive correlation **between literacy level and mean annual salary**. [2]

- There is a direct proportional relationship between **between literacy level and mean annual salary**. [2]

Award [1] for identification of a trend without reference to the data (e.g, making a valid comment without linking it to the numerical data.

Award [2] for a developed explanation with data interpretation (e.g., making a valid comment supporting it with at least one accurate reference to the figure, such as a

- Each rise in literacy level corresponds to an increase of approximately **USD 3 000–4 000** in mean annual **salary**.
- **Salaries** increase steadily from about **USD 19 000–20 000** at Level 1 to around **USD 34 000–36 000** at Literacy Level 4/5.

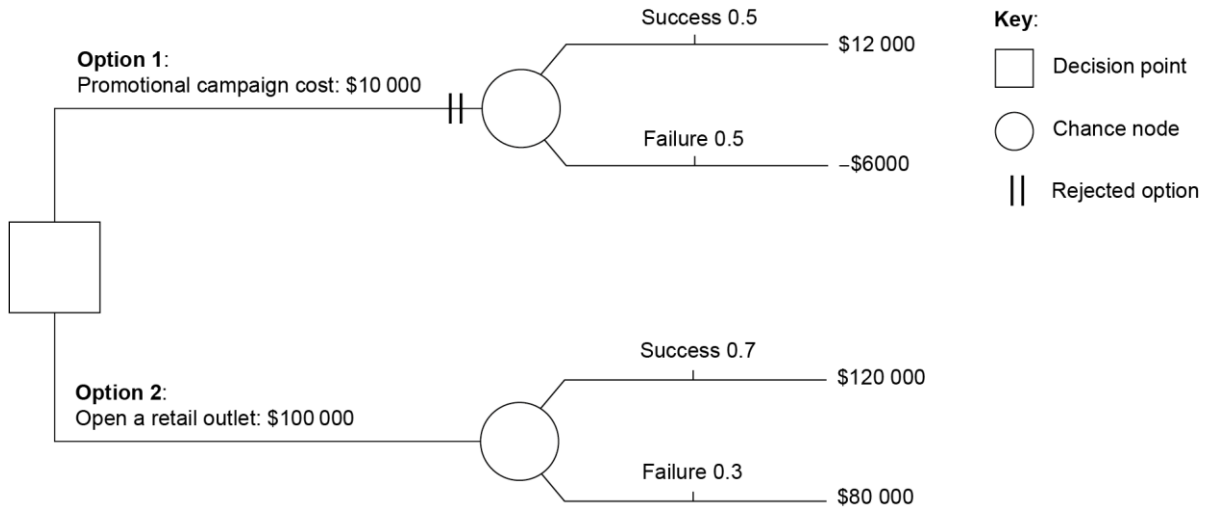
- (c) Using Table 3, calculate the mean annual salary for literacy levels 1–3 (show all your working). [2]

$$\begin{aligned} \$18\,000 + \$25\,000 + \$29\,000 &= \$72\,000 \\ \$72\,000/3 &= \$24\,000 \end{aligned}$$

Award [1] for correct working and **[1]** for correct answer with \$ sign. (\$ sign can be in the working)

Allow OFR and award **[1]** if there is one error in a calculation.

(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]**



There are:

[2] marks for the DT diagram.

[1] mark for two correct EV calculations, including working.

[1] mark for stating the better option, no working required (OFR rule applies if EV calculations are incorrect).

Award [2] for a well-drawn decision tree that includes:

- Decision point
- 2 chance nodes
- A key
- Indicates rejected option
- Has all the figures in place

Award only [1] if the decision tree has errors but shows an understanding of decision tree format

Award an additional [1] for two correct EV (option) calculations with working shown

Expected returns for **Option 1**:

$$= (0.5 \times \$12\,000 + 0.5 \times -\$6000) - \$10\,000$$

$$= (\$6\,000 + (-\$3000)) - \$10\,000$$

$$= \mathbf{-\$7000}$$

Expected returns for **Option 2**:

$$= (0.7 \times \$120\,000 + 0.3 \times \$80\,000) - \$100\,000$$

$$= (\$84\,000 + \$24\,000) - \$100\,000$$

$$= \mathbf{\$8000}$$

Award an additional [1] for stating the correct best option (**OPTION 2**) (working not required), or by indicating it on the decision tree using the rejected option notations. NB OFR rules applies from EV calculations

- (e) Using your answer to part (d) and information in the stimulus, recommend whether Adriana should implement **Option 1** or **Option 2** to solve *BI*'s cash-flow problems. **[10]**

Option 1: Promotional campaign “Bring a Book and Cash” (BABAC)

Arguments in favor

- **Low initial investment:** Requires only **USD 10 000**, feasible given *BI*'s limited liquidity and cash-flow constraints.
- **Mission alignment:** Reinforces *BI*'s identity as a community-based, non-profit social enterprise encouraging both book and cash donations.
- **Brand visibility:** Could increase public awareness and attract new donors or partners, building goodwill.
- **Low operational risk:** Even if unsuccessful, any financial loss would be modest and unlikely to threaten *BI*'s survival.

Arguments against

- **Negative expected return:** From part (d), **EV = – USD\$ 7 000**, indicating potential deterioration of *BI*'s financial position.
- **Ethical concerns and donor fatigue:** Asking for both books and cash may appear inconsistent with *BI*'s non-profit values and could reduce donor engagement or harm reputation.
- **Intangible benefits:** Gains such as goodwill and publicity may not translate into measurable cash inflows.
- **Dependence on donor response:** Success depends entirely on public participation, which may be weak after previous crowdfunding efforts.

Option 2: Open a retail outlet in a large city

Arguments in favor

- **Positive expected return:** From part (d), **EV = USD 8 000**, suggesting potential for moderate but positive financial gain.
- **Addresses cash-flow issue directly:** The outlet offers a new and continuous income stream, broadening *BI*'s customer reach while supporting its mission.
- **Operational advantage:** The shop could also act as a **storage and distribution hub**, reducing current logistical costs.
- **Market exposure:** Expands *BI*'s visibility and community impact through a physical presence.

Arguments against

- **High start-up cost:** Requires **USD\$ 100 000**, ten times more than Option 1 — unrealistic given *BI*'s financial limits.
- **Managerial complexity:** Running a store demands business skills and time Adriana may lack.
- **Mission drift risk:** Commercialization could blur *BI*'s social-enterprise identity and attract criticism.
- **Operational risk:** High fixed costs and ongoing expenses may cause instability if sales underperform.

While **Option 2** offers stronger financial prospects and directly addresses *BI*'s cash-flow issues through a sustainable revenue stream, it also entails significant investment and managerial demands beyond Adriana's current capacity.

Option 1, though safer and consistent with *BI*'s mission, provides a negative expected return and uncertain donor engagement.

The decision tree reflects only short-term financial outcomes, omitting qualitative aspects such as ethical perception, managerial stress, and reputational risk. Strong evaluation recognizes these limitations and considers long-term feasibility.

On balance:

- **If external funding and experienced management can be secured, Option 2 is the more viable long-term strategy.**
- **Otherwise, Option 1 remains the safer short-term approach,** preserving liquidity and mission integrity while stabilizing operations.

Marks should be awarded according to the markbands on page 3.

NB An Option is considered to have balance if it has at least one advantage and one disadvantage

However these must be explained not just stated eg “so profit margins will increase” cannot be credited unless an explanation is provided as to why they will increase

Q4 Missing information from the stimulus

- What is the size of the cash flow problem
- Forecasts of the expected length of the cash flow problem

Option A

- What media will be used for the promotional campaign
- How often will the promotional campaign run as if once only impact in years 2 and 3 may be limited
- What was the old mission statement and how different is it to the new one?
- How *BI* will respond to the suggestion is changing to a for-profit business and questioned whether it was ethical for *BI* to ask for both cash and book donations

Option B

- Operating costs of the new retail outlet
 - Are there any other social enterprises offering a similar service in their chosen location
-