WORKBOOK

Working for over 25 YEARS WITH Cambridge Assessment International Education

Cambridge IGCSE® and O Level

Business Studies

Second edition

HODDER EDUCATION

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Endorsed for learner support

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Business Studies

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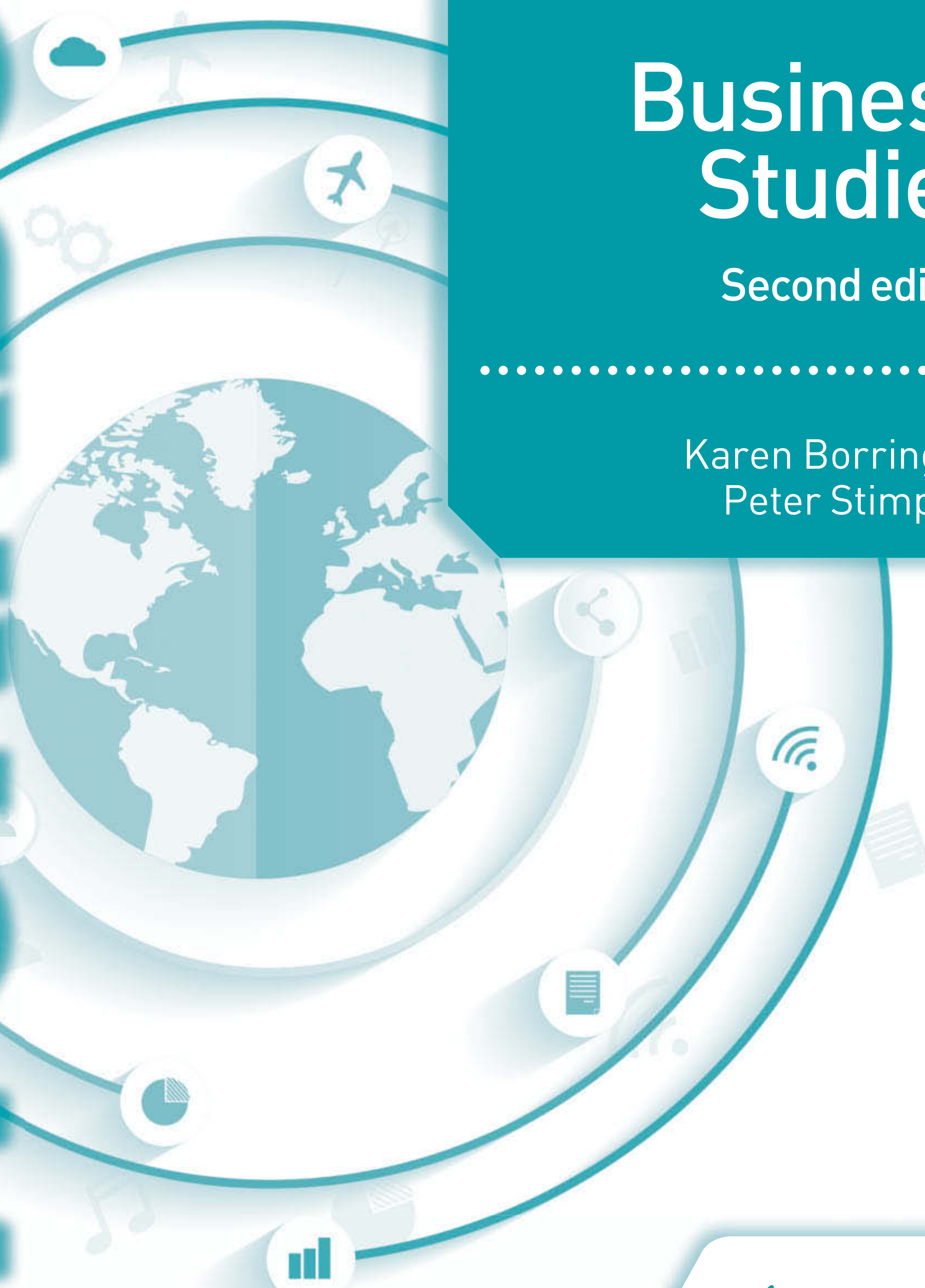
Peter Stimpson

WORKBOOK



HODDER EDUCATION

Introduction

Welcome to the Cambridge IGCSE® and O Level Business Studies workbook. The aim of this Workbook is to provide you with further opportunity to practise the skills you have acquired through using the Cambridge IGCSE® and O Level Business Studies Student's Book. It is designed to complement the fifth edition of the Student's Book and to provide additional exercises to help you in your preparation for the Cambridge IGCSE® and O Level Business Studies examinations.

The chapters in this Workbook reflect the topics in the Student's Book. There is no set way to approach using this Workbook. You may wish to use it to supplement your understanding of the different topics as you work through each chapter of the textbook, or you may prefer to use it to reinforce your skills in dealing with particular topics as you prepare for the examination. The Workbook is intended to be sufficiently flexible to suit whatever you feel is the best approach for your needs.

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Contents

1 Understanding business activity

Student's Book Chapters 1–5

1 Business activity

Farah opened her business, Farah's Salon (FS) just after leaving school. She offers hairdressing and beauty services for women. She employs three workers who have quite different skills. One is a hair stylist, one is a beauty specialist and the other is a receptionist. This means that Farah is able to offer a very wide range of beauty and hairdressing services very efficiently. Shampoos, hair sprays and many other beauty products are bought in from several suppliers. Farah's business is now very busy. Farah is planning to use some of FS's capital to buy a computer to keep customer records of treatments they have received and to allow an accurate record of appointments to be kept. However, she is worried about the opportunity cost of this.

Farah is keen to increase the added value of her business. She has not yet decided on how to achieve this but she thinks that buying cheaper shampoos and other beauty products is probably the best way.

Farah needs to recruit another employee. She has to choose between one applicant who is an experienced and specialist hair stylist but who has no other beauty experience and the other applicant who has some experience of both hair and beauty but is not a specialist in either.

1 a Identify **two** different factors of production used by Farah. *[2 marks]*

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b Define 'opportunity cost'. *[2 marks]*

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c Outline **two** ways in which specialisation of its employees could benefit FS. *[4 marks]*

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d Explain **two** examples of how the business activities undertaken by FS benefit the local economy. *[6 marks]*

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e Do you think that buying in cheaper shampoos and other beauty products is the best way to increase added value by FS? Justify your answer. *[6 marks]*

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2 **a** Define 'capital'. *[2 marks]*

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b Identify **two** pieces of equipment or furniture that Farah could purchase if she did not buy the computer. *[2 marks]*

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c Outline **two** ways in which the economic problem affects FS. *[4 marks]*

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d Do you think that Farah should employ the experienced and specialist hair stylist or the other applicant? Justify your answer. *[6 marks]*

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2 Classification of business

FS operates in country X. The business uses several suppliers to obtain all of the materials, furniture and other equipment it needs. FS is in the tertiary sector of industry and depends on other businesses in this sector for important services.

Country X industrialised over 100 years ago and used to have some major secondary sector businesses. Now, tertiary businesses employ more people and produce a higher value of output than manufacturing businesses. Average incomes are high in country X and the demand for important public sector services such as healthcare and public transport is growing.

The government of country X plans to increase the importance of the public sector by buying out some private sector businesses in transport and energy. Taxes might have to be increased to pay for these state purchases of other businesses (nationalisation).

1 a Define 'tertiary sector'. *[2 marks]*

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b Identify **two** examples of services provided by other businesses that FS needs. *[2 marks]*

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c Outline the role of **two** secondary sector industries that supply products to FS. *[4 marks]*

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d Explain **two** likely reasons why the relative importance of the secondary sector in country X has declined. *[6 marks]*

e Do you think that FS would benefit from the government policy to expand the public sector of the economy? Justify your answer. *[6 marks]*

3 Enterprise, business growth and size

Farah is very ambitious and she wants to expand her business quickly. She works long hours and her commitment as an entrepreneur is a good example to her employees. She likes taking important decisions by herself. Her many ideas for expanding the business include offering a wider range of services to male customers as well as female. FS now employs 10 workers. The average sized business in hairdressing and beauty employs five workers. The total value of FS sales this year increased by 15 per cent. Farah believes that FS has more advanced equipment – such as sunbeds and steam baths – than local competitors.

Farah is considering both internal growth and external growth for FS. She could open a new hair and beauty salon in another part of the city. She also knows about two other businesses for sale. Business A is a men's hairdressing salon that has been trading for many years. The owner is retiring and wants to sell quickly. Business B is a specialist producer of hand-made organic cosmetics. FS uses some of these in the salon and they are very popular. The owner is ill and no longer wants the stress of harvesting natural products and meeting production deadlines. Farah wants to draw up a new Business Plan to help guide her through the next expansion stage of FS.

1 a Define 'entrepreneur'. *[2 marks]*

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b Identify **two** important characteristics that allow Farah to be a successful entrepreneur. *[2 marks]*

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c Outline **two** ways the size of FS could be compared to similar businesses. *[4 marks]*

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d Explain **two** ways the Business Plan drawn up by Farah will help when she expands the business. *[6 marks]*

e Do you think Farah should use internal growth or external growth for FS? Justify your answer. *[6 marks]*

2 a Define 'Business Plan'. *[2 marks]*

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b Identify **two** reasons why Farah decided to become an entrepreneur. *[2 marks]*

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c Outline **two** possible business problems Farah might experience as she expands FS. *[4 marks]*

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d Farah has decided to use external growth to expand FS. Do you think she should buy out Business A or Business B? Justify your answer. *[6 marks]*

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4 Types of business organisation

Farah set up FS as a sole trader. She financed the start-up with her own savings and loans from parents and her bank. As she is planning further growth for the business, she has been advised to take at least one partner. Alternatively, she could convert the business to a private limited company in which the shareholders would benefit from limited liability. A friend has some savings he has offered to invest and become a partner in FS. He has no business experience and is often on holiday. A business consultant who advises Farah has suggested that his wife could become a partner in FS. He told Farah: 'She has savings to invest, is an experienced business person and likes being in control.'

FS has contracts with many suppliers. Electricity and water are supplied to FS by public corporations. Furniture for the salon is supplied by a large private limited company. It is owned by a wealthy family who converted their business into a public limited company three years ago. The family regretted its decision because of the limitations of this form of business organisation.

Farah has been asked by a large national chain of beauty salons – called Spa Town – if she is interested in buying its franchise. It would give FS national advertising coverage but Spa Town would insist on changes to the way Farah operates her business. Farah has rejected this offer.

1 a Define 'sole trader'. *[2 marks]*

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b Identify **two** drawbacks of being a sole trader. *[2 marks]*

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c Outline **two** advantages to Farah of remaining a sole trader. *[4 marks]*

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d Explain **two** reasons why forming a public limited company would not be suitable for FS at the present time. *[6 marks]*

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e Do you think Farah should form a partnership? Justify your answer. *[6 marks]*

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2 a Define 'limited liability'. *[2 marks]*

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b Identify **two** features of public corporations. *[2 marks]*

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c Outline **two** reasons why some owners of private limited companies do not want to convert their business to a public limited company. *[4 marks]*

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d Do you think Farah should convert FS into a private limited company? Justify your answer. *[6 marks]*

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5 Business objectives and stakeholder objectives

Farah's business objective has changed since she started FS several years ago. It is now a private limited company which means that FS must keep the owners satisfied with a return on their investment.

FS now owns several salons in the capital city. Farah plans to completely redevelop one of these sites. She wants to remove the existing building and construct a large apartment block in its place. The lower level will contain a newly equipped beauty salon and a gymnasium. The gymnasium will allow FS to enter the fitness market for the first time and will appeal to men and women. There will be many new job opportunities. The redevelopment will take six months. Local residents are not happy about the plans. Some FS customers think that prices will be higher to make sure a profit is made. Farah told some senior managers: 'All stakeholders will benefit from the expansion of FS.' Farah's plans for business growth will be expensive and some shareholders are worried about the cost. They would prefer Farah to concentrate on making the existing salons more profitable.

Recent increases in the costs of electricity and water are worrying Farah. The public corporations that supply these utilities claim that the price rises are necessary to meet their objectives.

1 a Define 'shareholders'. *[2 marks]*

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b Identify **two** objectives of shareholders. *[2 marks]*

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c Outline **two** reasons why Farah's business objectives for FS have changed. *[4 marks]*

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d Explain **two** ways in which *one* stakeholder group, apart from employees, might be affected by plans to redevelop one of the salons. *[6 marks]*

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e Do you think Farah is right when she says that 'all stakeholders will benefit from the expansion of FS'? Justify your answer. *[6 marks]*

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2 **a** Define 'business objective'. *[2 marks]*

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b Identify **two** objectives of public corporations. *[2 marks]*

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c Outline **two** likely objectives Farah set for FS when it was first established. *[4 marks]*

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d Do you think that the objectives of FS customers will always conflict with the objectives of FS shareholders? Justify your answer. *[6 marks]*

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Understanding business activity: end of section case study

Use all the information at the start of Chapters 1, 2, 3, 4 and 5 to help you answer the following question.

1 a Explain **two** advantages and **two** disadvantages for FS of continued growth of the business. *[8 marks]*

b Farah wants to expand FS. Explain the advantages of each of the following methods of expansion. Recommend which one she should choose. Justify your recommendation. *[12 marks]*

i Redevelop existing salon including a new gymnasium.

ii Sell FS franchise licences to other businesses.

iii Take over another hairdressing and beauty salon business.

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Recommendation

2 People in business

Student's Book Chapters 6–9

6 Motivating employees

Ice Cream Company

Ice Cream Company (ICC) owns 16 ice cream cafés and has one factory that produces all of the ice cream ICC sells. The business is based in country X. Sasha is the Managing Director. Each café employs six workers. City Café is a typical ICC café. It has three workers who are students. They are unlikely to stay with the company for long. The other three workers have been employees of ICC for several years. One of the student employees left City Café recently. She said that there was no job satisfaction for her. However, other employees in the café disagreed with her. The employees in most ICC cafés make a well-motivated and effective working team, rotating the jobs between themselves. They are paid an hourly wage rate slightly above the legal minimum, and this increases for each year of service.

Sasha wants to change the pay system. She plans to reduce the hourly wage rate for all café employees but offer a commission based on the number of customers each café serves each week. 'It should be possible, if sales increase, for employees to earn more each week than they do at present' she told her Human Resources Manager.

ICC factory workers are paid a fixed daily wage plus a bonus for meeting production targets. This can cause inventory problems during winter months. Each employee has one well-defined job to do and there is no opportunity for job enrichment. Several factory workers leave each year. The Factory Manager thinks that non-financial methods of motivation might be more effective than higher pay in keeping employees at ICC.

1 a Define 'well motivated'. *[2 marks]*

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b Define 'job satisfaction'. *[2 marks]*

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c Outline **two** benefits to ICC of having well-motivated employees in its cafés. *[4 marks]*

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d Explain **one** benefit to employees in the café and **one** benefit to employees in the ICC factory from the current methods of payment. *[6 marks]*

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e Do you think ICC should change the pay system used for employees in its cafés? Justify your answer. *[6 marks]*

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2 a Define 'job enrichment'. *[2 marks]*

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b Identify **two** reasons why people work at ICC's factory. *[2 marks]*

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c Outline **one** advantage and **one** disadvantage of the bonus system currently used at ICC's factory. *[4 marks]*

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d Do you think ICC should raise pay for employees in the factory or use non-financial methods of motivation? Justify your answer. *[6 marks]*

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7 Organisation and management

Sasha has designed a clear organisational structure for ICC. Part of this is shown in Figure 7.1, below.

Café managers often complain that they are told about important decisions several days after they have been made. They also think they should make decisions about employee working hours and which ice cream flavours to order. ICC's senior managers have clearly defined roles and can only act on important issues with Sasha's agreement. Sasha takes all major decisions within ICC. She does not like delegating authority to other managers. She is preparing the business for a big expansion into another city in country X (where ICC is based). Sasha is working hard to make sure that all departments within ICC are ready for the opening of three new cafés in this location.

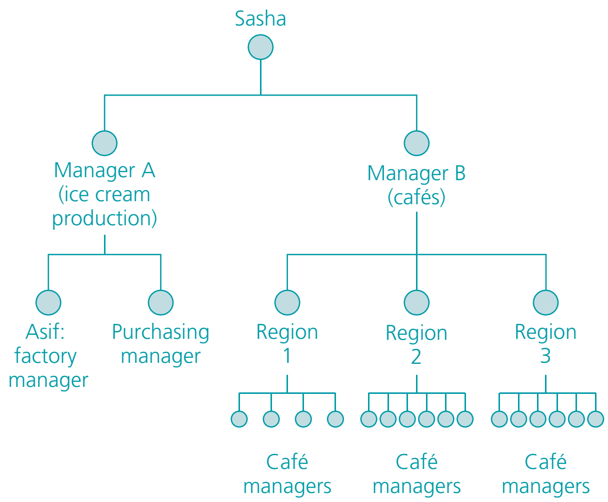

Figure 7.1: Organisational structure for ICC

The ICC factory is managed by Asif. He started at the factory as a young man and has worked in all parts of the factory. He thinks he knows the best way for each employee to perform their duties. He does not expect employees to show initiative. He wants to solve all problems his way. When he was away on holiday last month the factory production stopped completely. No one knew how to solve a mechanical breakdown in one of the machines. ICC factory workers have to report directly to line managers. At a recent meeting of employees someone suggested that they should all join a trade union.

1 a Define 'organisational structure'. *[2 marks]*

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b Identify the span of control for: *[2 marks]*

Manager A: ....

Manager B: ....

c Outline **two** likely benefits to ICC of reducing the chain of command within the company. *[4 marks]*

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d Explain **two** management roles performed by Sasha. *[6 marks]*

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e Do you think Sasha should change the style of leadership she uses? Justify your answer. *[6 marks]*

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2 a Define 'line manager'. *[2 marks]*

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b Identify **two** benefits of having a 'clear organisational structure'. *[2 marks]*

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c Outline **two** benefits to ICC factory workers of joining a trade union. *[4 marks]*

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d Do you think that a democratic leadership style in the factory would benefit ICC? Justify your answer. *[6 marks]*

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8 Recruitment, selection and training of employees

Asif has decided to retire. A new Factory Manager needs to be recruited. Sasha prefers to use internal recruitment for senior positions. The Human Resources Manager has pointed out that most of the junior managers in the factory have had no production experience other than with ICC. Sasha agreed to consider external applicants too. She has posted an advertisement for the vacant position on the company website.

Employees in the ICC cafés are worried about their job security. Another ice cream business has failed and several jobs have been lost. They do not yet have a written contract of employment and changes in the law will soon make this a legal requirement. Several new employees have been recruited to replace employees who have left. Sasha told the HR Manager: 'We can give them some induction training. Then they can quickly learn on the job. This will be cheaper than courses in food hygiene and customer service at the local college.'

1 a Identify **two** roles of a Human Resources Manager. *[2 marks]*

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b Define 'internal recruitment'. *[2 marks]*

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c Outline **two** pieces of information that should be included in the job advertisement for the Factory Manager. *[4 marks]*

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d Explain **two** selection methods that could be used for the new Factory Manager. *[6 marks]*

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e Do you think external recruitment is the best method to use for the new Factory Manager? Justify your answer. *[6 marks]*

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2 a Define 'induction training'. *[2 marks]*

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b Identify **two** employment laws that might affect ICC. *[2 marks]*

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c Outline **two** reasons why ICC might have to reduce the size of its workforce. *[4 marks]*

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d Do you think newly recruited ICC café employees should be trained using on-the-job or off-the-job training? Justify your answer. *[6 marks]*

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9 Internal and external communication

ICC's new Factory Manager has decided to stop using the noticeboard to communicate with employees. It leads to groups of workers talking together in the corridor about messages. She does not think this type of informal communication is helpful.

She used to work for a social media business. She has suggested to Sasha that internal communications within ICC – both the cafés and the factory – could be improved by just using electronic methods of communication with each manager and worker. The Factory Manager also needs to communicate with external groups.

Sasha uses emails to communicate with senior managers. She is encouraging them to use this communication medium with café managers too. Sasha has recently received two letters from customers. One was a complaint about waiting times in an ICC café. The other was a compliment for the excellent quality of the ice creams she bought. Both customers stated that there seemed to be no other obvious way of contacting the company other than by letter. One customer stated that 'the ICC telephone is never answered'. The other customer stated that when she complained about long waiting times to a café employee, she was not sure if this had been passed on to senior management. One café manager has just started using daily five-minute team briefings with his workers before the café is open. He has been surprised at the positive response from the café employees to this idea. The manager wondered whether he should tell Sasha about his idea or not.

1 **a** Define 'barrier to communication'. *[2 marks]*

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b Identify **two** disadvantages to using noticeboards as a form of communication with employees. *[2 marks]*

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c Outline **two** examples of when ICC's Factory Manager will need to communicate with external groups. *[4 marks]*

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d Explain **two** possible communication barriers between ICC and its customers. *[6 marks]*

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e Do you think that ICC should only communicate with employees using electronic methods? Justify your answer. *[6 marks]*

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2 a Define 'communication methods'. *[2 marks]*

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b Define 'informal communication'. *[2 marks]*

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c Outline **two** advantages to ICC of using emails as a form of communication. *[4 marks]*

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d Do you think that ICC should use the same method of communication in all situations? Justify your answer. *[6 marks]*

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People in business: end of section case study

Choose **one** of the following questions to answer. Use all the information at the start of Chapters 6, 7, 8 and 9 to help you answer the question.

1 a Explain **two** reasons why it is important to have good managers in each ICC café. *[8 marks]*

b ICC is expanding and wants to open another café. Consider the following **three** ways Sasha could recruit new employees for the café. Recommend which way she should use. Justify your answer. *[12 marks]*

i Ask existing employees if they know of anyone who is suitable.

ii Advertise in a national newspaper.

iii Put up posters in existing cafés.

2 a Explain **two** examples of financial motivators and **two** examples of non-financial motivators that could be used by ICC. *[8 marks]*

b Consider the advantages and disadvantages of having only full-time employees or part-time employees in the cafés. Recommend which type of employees ICC should employ. Justify your answer. *[12 marks]*

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3 Marketing

Student's Book Chapters 10–17

10 Marketing, competition and the customer

The Drone Company (TDC)

TDC builds drones for customers who fly them for pleasure and to take part in competitions. Drones are remote-controlled small powered vehicles that can take off and land vertically and fly a considerable distance. TDC was started by Jez in his garage but it now employs 25 production workers and has a small team of people in the Marketing department. TDC aims to sell to niche markets such as:

- wedding photographers who can use the drones, fitted with cameras, to take amazing 'overhead' pictures of a wedding
- enthusiasts who like specialised drone designs, unusual colours and powerful engines to use them in competitions.

Mass marketing was rejected by Jez as soon as he started TDC and his approach to marketing seems to have led to high levels of customer loyalty.

Prices of standard drone models with no special features have fallen as more competitors enter the market. The market is also affected by government regulation and by technological developments in the engines that are used in drones.

Sales of TDC drones have held up well despite increasing competition. Ted is Jez's fellow director. Ted is so certain of the success of TDC models that he told Jez, 'The Marketing department is a waste of time because TDC drones sell themselves.'

1 a Define 'marketing'. *[2 marks]*

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b Identify **two** possible roles of TDC's Marketing department. *[2 marks]*

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c Outline **two** possible effects on TDC of future changes in the market for drones. *[4 marks]*

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d Explain **two** ways in which TDC could respond to increased competition. *[6 marks]*

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e Do you think that TDC is right to concentrate on niche marketing? Justify your answer. *[6 marks]*

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2 a Define 'mass marketing'. *[2 marks]*

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b Define 'customer loyalty'. *[2 marks]*

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c Outline **two** ways in which TDC could try to maintain its competitiveness. *[4 marks]*

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d Do you agree with Ted that 'the Marketing department is a waste of time because TDC drones sell themselves'? Justify your answer. *[6 marks]*

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11 Market research

Before Jez set up TDC he searched online for drone manufacturers in country X, where he lives. He was surprised by how few there were. After several years of success, Jez now wants to develop even more advanced drone models. He thinks there are market segments that have not yet been reached by TDC or other drone makers. TDC's Marketing Manager has suggested just using secondary research as TDC will not be able to contact everyone interested in buying a drone. Jez disagrees and thinks that all future TDC market research should use primary research methods. 'Results could be presented visually using pie charts and tables to make the information easier to use,' he told the Marketing Manager.

Jez also wants to find out what existing customers think of the TDC products they have bought. Jez believes that feedback from customers, in the form of a focus group, for example, could give TDC useful information. This might help to improve TDC products and customer service.

Ted thinks that market research is a waste of time in such a fast-changing market. He suggests spending more on promoting 'our fantastic products' and less on market research which, he said 'can be quickly outdated and inaccurate'.

1 a Define 'market research'. *[2 marks]*

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b Identify **two** reasons why TDC might want to carry out market research. *[2 marks]*

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c Outline **two** disadvantages to TDC of using secondary research. *[4 marks]*

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d Explain **two** reasons why TDC would have to use sampling if undertaking primary market research. *[6 marks]*

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e Do you think that TDC should spend money on market research or a new promotion campaign? Justify your answer. *[6 marks]*

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2 a Define 'focus group'. *[2 marks]*

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b Identify **two** questions that Jez could ask a focus group of TDC customers. *[2 marks]*

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c Outline **two** benefits to TDC of presenting market research results in the ways Jez has suggested. *[4 marks]*

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d Do you agree with Jez that all future market research should be primary research? Justify your answer. *[6 marks]*

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12 The marketing mix: product

TDC offers customers a 'customising' service. This means that any drone ordered can be painted any colour the customer chooses and with a wide variety of features and engine sizes. Jez thinks that this service is TDC's Unique Selling Point (USP). There are currently six basic models in the company's portfolio, all of which can be adapted to meet customer needs. The sales of the 'Tree Skimmer' have been falling for several months. It was one of the first models produced by TDC. Sales of the 'Sky Buzz' are increasing rapidly – it has only been on the market for two weeks.

Ted wants to try to adapt the Tree Skimmer by adding some new features. He also plans to use a new social media promotion campaign for this model. Jez thinks that the company would be better advised to stop producing this product and work hard on developing a much improved model that can replace the Tree Skimmer. TDC is now widely recognised as a powerful brand in the market for drones. Other competitors do not have the same level of brand recognition.

1 a Define 'Unique Selling Point (USP)'. *[2 marks]*

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b Identify which stage of their product life cycles the following products are at:

i Tree Skimmer *[1 mark]*

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ii Sky Buzz *[1 mark]*

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c Outline **two** benefits to TDC of using extension strategies. *[4 marks]*

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d Explain **two** benefits to TDC of having a recognised brand image. *[6 marks]*

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e Do you think TDC should develop new products or try to extend the life of existing drone models? Justify your answer. *[6 marks]*

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13 The marketing mix: price

A new competitor has just entered the drone market in country X. It is selling a drone model at a price much lower than any of TDC's prices. 'This is an example of penetration pricing,' Jez told his fellow managers. 'We do not have to respond by reducing our prices as I believe the price elasticity of demand for our products is low.'

The Marketing Manager has been discussing with Jez the best cost-plus price to charge for the latest TDC drone model, 'the Typhoon', to be launched next month. 'I have estimated the average cost of making each unit of this model is $220. If we add a mark-up of 50 per cent that will be more expensive than competitors' prices but they do not have our brand image', he told Jez.

The Marketing department has just received a cancellation of a large order for the Eagle model. Rather than hold inventories, the manager plans to sell these to a drone racing club at a special promotional price. Jez agreed with this unusual decision and suggested that, 'We might need to be flexible with our pricing methods as we have so many models passing through different stages of their life cycles.'

1 a Define 'penetration pricing'. *[2 marks]*

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b Calculate the cost-plus price for the Typhoon model from the information given. *[2 marks]*

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c Outline **two** reasons why pricing decisions are important to TDC. *[4 marks]*

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d Explain why estimating the price elasticity of demand for a product is important to TDC when it considers increasing or reducing its price. *[6 marks]*

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e Do you think TDC should use price skimming for all new models of drones that it develops? Justify your answer. *[6 marks]*

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2 a Define 'cost-plus price'. *[2 marks]*

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b Define 'low price elasticity of demand'. *[2 marks]*

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c Outline **two** benefits to TDC of using promotional pricing. *[4 marks]*

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d Do you think TDC should use different pricing strategies for each of its products? Justify your answer. *[6 marks]*

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14 The marketing mix: place

TDC sells most of its drones directly to customers. Potential customers contact TDC and ask for a brochure and price list. Other customers use the company's website to obtain information and then order by telephone or visit the TDC showroom in person. The TDC website does not currently allow orders to be placed online. Jez enjoys meeting as many customers as possible as this allows him to get to know their particular requirements, including the features of the products that are most in demand.

Drones are quite technical products and Jez has never trusted shops to employ staff who could explain the detailed designs and methods of operation of his company's products. As TDC's sales increase, Jez realises that the distribution methods need to adapt and change. Ted wants to talk to a specialist retailer of drones and electronic equipment. He wants to ask what discount they would need from the normal selling price to sell TDC's models through its shops.

1 a Define 'place' in the marketing mix. *[2 marks]*

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b Identify **two** distribution channels, other than selling directly to consumers, that TDC could use. *[2 marks]*

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c Outline **two** benefits to TDC of selling directly to consumers. *[4 marks]*

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d Explain **two** features of TDC's products that could influence which channel of distribution to choose. *[6 marks]*

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e Recommend the best way for TDC to sell and distribute its products. Justify your answer. *[6 marks]*

15 The marketing mix: promotion

Although TDC has an excellent reputation, the company still needs to have a promotion plan. New products are being launched frequently – the Typhoon model which can fly at a very high speed is being sold for the first time next month. In addition, some of the existing models need a 'boost' to their sales at certain times of the year or when they are approaching the end of the maturity phase of their product life cycles.

It has been decided to try to maintain sales of the Tree Skimmer model for a few more months so the Marketing Manager is thinking about which sales promotion methods would be most suitable. Other methods of extending the life of this product are also being considered. TDC spends about 10 per cent of total revenue on advertising and promotion.

Ted said, 'Our products have now got such a following from a loyal group of customers that TDC should immediately stop all promotion. Sales will not fall if we use the money saved to invest in new products,' he told Jez.

1 a Define 'promotion'. *[2 marks]*

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b Identify **two** aims that Jez should establish for the promotion used by TDC. *[2 marks]*

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c Outline **two** advertising media that TDC could use for the Typhoon model. *[4 marks]*

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d Explain **two** forms of sales promotion that TDC could use for the Tree Skimmer model. *[6 marks]*

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e Do you agree with Ted that TDC should 'stop all promotion completely'? Justify your answer. *[6 marks]*

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2 a Define 'sales promotion'. *[2 marks]*

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b Identify **two** reasons why firms advertise. *[2 marks]*

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c Outline **two** reasons why TDC still spends money on advertising even though it has 'an excellent reputation'. *[4 marks]*

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d Do you think that extra promotion of the Tree Skimmer model is the best way to extend its life cycle? Justify your answer. *[6 marks]*

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16 Technology and the marketing mix

Jez is keen to see that the company's aims are met, he said, 'I think that we should only use social media and online media for our promotion in future. Do you really think that the majority of our potential customers are at home watching TV most evenings? I also think that just using e-commerce to sell and distribute the drones would fit in much better with TDC's technological image, especially among young consumers. We should also sell new models only online to cut out profits made by other distribution businesses.'

The Marketing Manager disagreed and said, 'Many companies buy our commercial drones and parents often buy the cheaper drones for their children. Many customers like to see our products before they buy them. We need to have a flexible approach to promotion and e-commerce.'

1 a Define 'social media'. *[2 marks]*

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b Identify **two** benefits to customers of e-commerce. *[2 marks]*

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c Outline **two** likely threats of e-commerce to TDC. *[4 marks]*

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d Explain **two** benefits to TDC of only selling new models online. *[6 marks]*

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e Do you agree with Jez that all TDC's promotion should be switched to online media and social media? Justify your answer. *[6 marks]*

17 Marketing strategy

TDC has now been operating for five years. The drone market in country X is no longer growing. TDC's market share is stable. Jez plans to start exporting the latest TDC drone models to other countries. In country Y, it used to be illegal to sell drones, but the government has just changed the law and drones can now be sold. Anyone purchasing a drone needs to obtain a licence first, however, so there are still controls on sales.

'There is a great potential new market in country Y,' Jez told his directors. 'If we get the marketing strategy right and use an integrated marketing mix, we can be as successful as in our own country.' Ted agreed but suggested that country Y's consumers were likely to have different requirements to those in country X. Ted said, 'Incomes are lower on average and we need to know which groups of people are going to be allowed to buy drones. If we make mistakes with our product launch in country Y, for example, by advertising to children, we could get some bad publicity.'

1 a Define 'marketing strategy'. *[2 marks]*

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b Idenfity **two** elements of the marketing mix. *[2 marks]*

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c Outline **two** legal controls that might influence TDC's marketing mix. *[4 marks]*

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d Explain **two** possible benefits to TDC of selling in foreign markets. *[6 marks]*

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e Consider **two** ways TDC might overcome the problems of selling in foreign markets. Recommend which one would be the best one to use. Justify your answer. *[6 marks]*

Marketing: end of section case study

Choose **one** of the following questions to answer. Use all the information at the start of Chapters 10, 11, 12, 13, 14, 15, 16 and 17 to help you answer the question.

1 a Explain **one** advantage and **one** disadvantage of using interviews to find out the needs of new customers. *[8 marks]*

b Consider whether TDC should develop a cheaper product aimed at the mass market or continue to develop niche market products. Justify your answer. *[12 marks]*

2 a Explain **four** factors to consider when designing the packaging for the drones. *[8 marks]*

b Do you think Jez should change the following proposed marketing mix for a new drone product that is to be marketed to children?

- Product is a small, low-flying drone that only flies at slow speeds and is easy to handle.
- Price strategy is competitive.
- Promotion is 'buy one, get one free', and advertised on evening national television.
- Place – the model is only to be sold through large toy shops.

Justify your answer. *[12 marks]*

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4 Operations management

Student's Book Chapters 18–21

18 Production of goods and services

Benson Clearwater Clothing

Benson Clearwater Clothing (BCC) is a private limited company that manufactures a range of clothing for men, women and children. It is located in Main City in country X. It manufactures clothing using traditional labour-intensive methods of production.

BCC has well-qualified, skilled employees and they are well paid and well motivated. Most of the workforce has worked for BCC for many years. Electric cutting machines and electric sewing machines are used to produce high-quality clothes. BCC purchases cloth from suppliers in country X.

BCC uses batch production and holds inventories of cloth, as well as finished items of clothing. The directors are considering introducing new technology into the factory to make the output more efficient. They are also considering introducing lean production as well.

1 a Identify **two** reasons why BCC holds inventories. *[2 marks]*

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b Define 'batch production'. *[2 marks]*

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c Outline **two** reasons why BCC uses batch production rather than flow production. *[4 marks]*

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d Explain **two** ways introducing new technology into the manufacture of clothes is likely to affect BCC. *[6 marks]*

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e Do you think the production workers should encourage BCC to invest in new machinery in the manufacture of clothes? Justify your answer. *[6 marks]*

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2 a Identify **two** ways BCC could increase productivity. *[2 marks]*

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b Identify **two** examples of products that are manufactured using flow production. *[2 marks]*

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c Outline **two** factors BCC should consider when deciding the level of inventory to hold. *[4 marks]*

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d The shareholders of BCC do not think lean production should be introduced. Do you agree with them? Justify your answer. *[6 marks]*

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19 Costs, scale of production and break-even analysis

The Operations Manager at BCC has produced the following cost information for the bestselling item of women's clothing that BCC manufactures. At the existing factory it can produce 1000 items per week at maximum output. However, if BCC moves to a new larger factory it can produce 4000 items of clothing. The price per item is $5 and BCC plans to keep the same price if it moves to a new, larger factory.

Table 19.1

Output	**1000 per week (existing factory)**	**4000 per week (new factory)**
Fixed costs	$1000	$4000
Variable cost per item of clothing	$2	$1

1 a Calculate:

i the total cost of producing 1000 items in the existing factory. *[1 mark]*

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ii the average cost of making one item of clothing in the existing factory when at full capacity. *[1 mark]*

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b Calculate the average cost per item of clothing when producing at full capacity at the new factory. *[2 marks]*

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c Outline **two** diseconomies of scale that BCC could experience if it moves to the new, larger factory. *[4 marks]*

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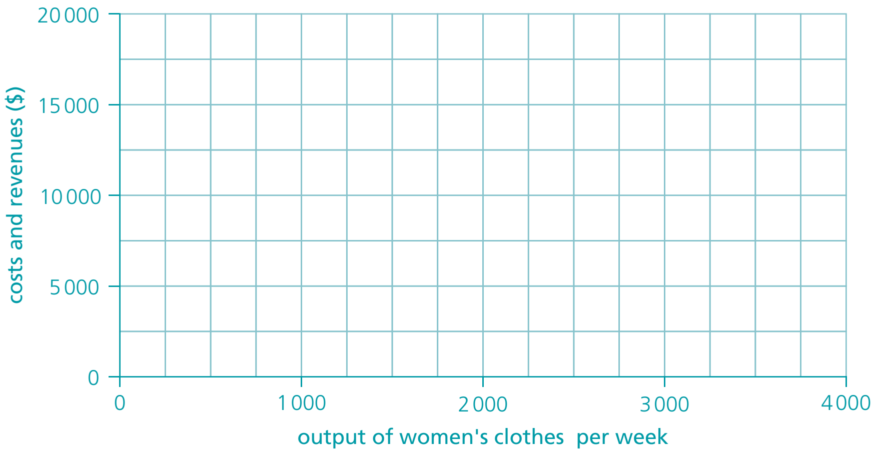
d Explain **two** economies of scale that BCC could benefit from if it moves to the new, larger factory. [*6 marks*]

e Do you think BCC should reduce the price of this item of women's clothing in order to increase its profit? Justify your answer. [*6 marks*]

2 **a** Use the cost information provided and assume the price per item remains at $5. Construct a break-even chart for BCC's item of women's clothing at the new, larger factory. *[4 marks]*



b On your break-even chart from Question 2a, show the new break-even level of output if the variable cost increases to $2.50 per item. *[2 marks]*

c What is the margin of safety at full capacity if the variable cost rises to $2.50 per item? *[2 marks]*

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d Do you think BCC is right to use break-even analysis to help take decisions? Justify your answer. *[6 marks]*

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20 Achieving quality production

BCC uses quality control to check samples of the clothing items it has manufactured before they are sent out to retailers and wholesalers. Most of the items of clothing are correctly made but occasionally there are mistakes and faulty items are sent out to retailers and wholesalers. These faulty items are then returned to BCC for replacements.

1 a Define 'quality product'. *[2 marks]*

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b Identify **two** reasons why maintaining quality products is important to BCC. *[2 marks]*

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c Outline **two** drawbacks of using quality control for BCC. *[4 marks]*

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d Explain **two** effects for BCC of sending out faulty items of clothing. *[6 marks]*

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e Do you think the directors of BCC should change to quality assurance? Justify your answer. *[6 marks]*

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21 Location decisions

The directors of BCC have decided to move all production to a larger factory in country X. The following information on the map (Figure 21.1) is for two sites that they could buy. BCC is also considering opening a second factory in country Z where 75 per cent of the clothes they produce are sold.

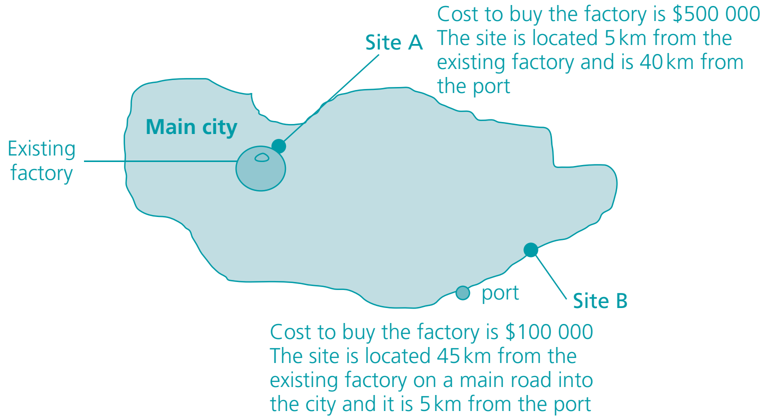

Figure 21.1 Map of two sites for sale in country X

1 a Identify **two** examples of when location decisions are important to a business. *[2 marks]*

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b Identify **two** stakeholder groups that are affected by the location of the BCC factory. *[2 marks]*

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c Outline **two** factors that affect the location of a retailer of BCC products. *[4 marks]*

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d Explain **two** factors that are likely to affect the location of the new BCC factory. *[6 marks]*

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e Which site do you think BCC should buy? Justify your answer. *[6 marks]*

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2 a Identify **two** ways governments influence location decisions. *[2 marks]*

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b Outline **two** location factors influencing BCC when deciding in which country to locate the overseas factory. *[4 marks]*

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c The directors of BCC could decide to relocate all its production to country Z and close the factory in country X. Do you think they should do this? Justify your answer. *[6 marks]*

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Operations management: end of section case study

Choose **one** of the following questions to answer. Use all the information at the start of Chapters 18, 19, 20 and 21 to help you answer the question.

1 a Explain **one** advantage and **one** disadvantage of using job production to produce a dress for a special customer. *[8 marks]*

b Consider the following **three** ways BCC could improve productivity. Recommend the best way they should use. Justify your answer. *[12 marks]*

i Introduce new technology.

ii Improve layout of the machines in the factory.

iii Improve labour skills by training employees.

2 a Identify **two** reasons why BCC's break-even level of output could rise and explain why the directors might be worried about this. *[8 marks]*

b The directors of BCC want to cut production costs. Explain the likely advantages and disadvantages of the following **two** ways to cut costs and recommend which way they should choose. Justify your answer. *[12 marks]*

i Buy in cheaper raw materials.

ii Use quality assurance to cut costs of wastage from faulty products.

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5 Financial information and financial decisions

Student's Book Chapters 22–26

22 Business finance: needs and sources

Ted's Taxis

Ted set up his business as a sole trader 10 years ago in country X. He used his own savings and a bank loan to finance the long-term capital requirements of equipment and vehicles for his taxi business. He decided not to consider crowdfunding or take out an overdraft.

The business is located in Main City and has been very successful every year since the business was started. Ted has retained some of his profit each year to reinvest back into the business.

Ted's Taxis (TT) now has 10 taxi cabs, as Ted has bought a new taxi each year since the business started. However, Ted has now leased two trucks to expand his business into a different type of market. He wants to transport materials and finished goods for other businesses. However, this will mean that he will have to wait a long time to be paid, as other businesses will expect to get trade credit arrangements from TT. Ted wants to grow this other side of the business and is changing the business to a private limited company called Ted's Transport Ltd.

1 a Define 'retained profit'. *[2 marks]*

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b Identify **two** short-term sources of finance that Ted could use. *[2 marks]*

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c Outline **one** advantage and **one** disadvantage for Ted if he had used crowdfunding to start his own business. *[4 marks]*

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d Explain **two** factors his Bank Manager would have considered before giving Ted a bank loan to start his business. *[6 marks]*

e Do you think Ted should have arranged an overdraft for his business? Justify your answer. *[6 marks]*

2 a Define 'leasing'. *[2 marks]*

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b Identify **two** reasons why micro-finance would not be used by Ted to expand the business. *[2 marks]*

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c Outline **two** reasons why Ted needs finance when expanding TT. *[4 marks]*

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d Do you think Ted should take out a loan or sell more shares in the private limited company when expanding the business? Justify your answer. *[6 marks]*

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23 Cash flow forecasting and working capital

Ted has produced the outline of a cash flow forecast for TT. For three months of the year the cash inflow becomes very low. During these months there are few tourists visiting the country and so demand for taxi services falls. However, the demand for trucks to transport goods is still high and stays the same all year round.

To operate the trucks as well as taxis is expensive and the cash outflows are high all year round. The cost of leasing is high and has to be paid, whether the trucks are being used or not. The business customers who pay TT to transport their goods in trucks are given trade credit of three months in which to pay. Ted pays for fuel on one month's trade credit. All the taxi customers pay cash.

Table 23.1

$000s	July	August	September	October	November	December
Cash inflow						
Cash from taxis	50	50	40	40	10	10
Payments received from transport customers	10	10	10	10	10	10
Capital and loans	–	–	200	–	–	–
Total cash inflows						
Cash outflow						
Purchase of vehicles	–	–	–	250	–	–
Wages	20	20	20	20	10	10
Fuel	5	5	4	4	1	1
Other expenses	20	20	20	20	20	20
Total cash outflows						
Net flow						
Opening balance	10					
Closing balance						

1 a Complete the cash flow forecast for TT (Table 23.1). *[4 marks]*

b Identify **two** stages in the cash flow cycle. *[2 marks]*

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c Outline **one** benefit and **one** problem in drawing up a cash flow forecast for TT. *[4 marks]*

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d Ted thinks TT needs a large amount of cash in the closing balance. Do you agree with him? Justify your answer. *[6 marks]*

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2 a Define 'working capital'. *[2 marks]*

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b Identify **two** examples of stakeholders who would be interested in TT's cash flow forecast. *[2 marks]*

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c Outline how an increase in the number of trucks being used will affect TT's cash flow. *[4 marks]*

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d Explain **two** reasons why TT's cash flow forecast might not be accurate. *[6 marks]*

e What would be the best way for Ted to avoid cash flow problems as he expands the business? Justify your answer. *[6 marks]*

24 Income statements

Ted changed the business into a private limited company called Ted's Transport Limited (TTL). Ted's family and friends bought shares in TTL. The taxi part of the business is doing well but it still has three months in the year when the number of customers is reduced. The revenue from the truck transport part of the business has continued to increase as Ted has attracted many new customers from businesses located around Main City.

Ted has produced the following income statements for this year and last year for his shareholders (Table 24.1). He thinks the performance of the business has improved but is not sure.

Table 24.1

	Current year $000s	Previous year $000s
Revenue	500	400
Cost of sales	50	40
Gross profit	A?	B?
Expenses	400	320
Net profit before tax	C?	D?
Dividends	10	20
Retained profit/reserves	E?	F?

1 a Calculate the figures for A, B, C, D, E and F from Table 24.1. *[6 marks]*

A ....

B ....

C ....

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b Define 'income statement'. *[2 marks]*

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c Explain **two** reasons why making a profit is important to TTL. *[6 marks]*

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d Do you think Ted should focus on increasing profit or increasing revenue? Justify your answer. *[6 marks]*

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2 a How is revenue calculated? *[2 marks]*

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b Identify **two** examples of expenses for TTL. *[2 marks]*

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c Outline **two** reasons why retained profit might have increased over the two years shown in TTL's income statements. *[4 marks]*

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d Explain **two** reasons why stakeholders of TTL would want to look at its income statement. *[6 marks]*

e Do you think Ted should reduce dividends or increase prices if he wants to increase TTL's retained profit? Justify your answer. *[6 marks]*

25 Statement of Financial Position

Ted has drawn up the following Statement of Financial Position (Table 25.1) to show the Bank Manager. He wants to arrange an overdraft and also obtain a new bank loan. Ted intends to buy some new equipment that will allow him to carry out his own repairs to the taxis. This will benefit TTL as it will not have to pay expensive garage repair costs.

Ted believes that keeping a supply of fuel is important so that TTL never runs out of fuel for the taxis or trucks. It is expensive to do this but he can always meet demand as his taxis and trucks can always be refilled at short notice. TTL still owns 10 taxi vehicles but the value of them has reduced due to depreciation.

Table 25.1

Non-current assets	$000s
Equipment	100
Vehicles	1000
Current assets	
Inventory	30
Accounts receivable	20
Cash	10
Total assets	1160
Current liabilities	
Accounts payable	40
Overdraft	0
Non-current liabilities	
Long-term bank loan	100
Total liabilities	140
Total assets – total liabilites	1020
Shareholders' equity	
Share capital/owners' funds	500
Retained profit/reserves	520
Total shareholders' equity/ owners' funds	1020

1 a Define 'Statement of Financial Position'. *[2 marks]*

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b Outline the difference between an asset and a liability. *[2 marks]*

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c Identify **two** stakeholder groups who would be interested in TTL's statement of financial position and for each stakeholder group outline why they are interested. *[4 marks]*

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d Explain **one** advantage and **one** disadvantage of TTL holding a high level of inventory. *[6 marks]*

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e Do you think the Statement of Financial Position or the income statement of another company is the most important financial document for Ted to look at when deciding whether to takeover this business? Justify your answer. *[6 marks]*

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26 Analysis of accounts

Ted wants to see how well TTL is performing. He has drawn up the following table showing TTL's profitability and liquidity ratios for the latest financial year (Table 26.1).

Ted wants to also compare TTL with other businesses and has included the performance ratios for another business. Business A is a taxi business.

Table 26.1 Summary of financial information for TTL and **one** other business

	TTL	**Business A**
Profitability ratios		
Gross profit margin	90%	95%
Profit margin	10%	8%
Return on Capital Employed (ROCE)	4.5%	7%
Liquidity ratios		
Current ratio	1.5	1
Acid ratio	0.75	0.9

1 a Identify the formula used to calculate gross profit margin. *[2 marks]*

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b Identify the formula used to calculate profit margin. *[2 marks]*

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c Outline **two** reasons why the gross profit margin of TTL might fall. *[4 marks]*

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d Explain **two** ways Ted could improve the profit margin. *[6 marks]*

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e Do you think Ted should be happy with the profitability of TTL compared with the other business shown in Table 26.1? Justify your answer. *[6 marks]*

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2 a Define 'liquidity'. *[2 marks]*

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b Identify **two** reasons why TTL's current ratio might be lower next year. *[2 marks]*

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c Outline **one** advantage and **one** disadvantage of having a high acid test ratio. *[4 marks]*

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d Do you think Ted should be happy with the liquidity of TTL compared with the other business shown in Table 26.1? Justify your answer. *[6 marks]*

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Financial information and financial decisions: end of section case study

Choose **one** of the following questions to answer. Use all the information at the start of Chapters 22, 23, 24, 25 and 26 to help you answer the question.

Twelve months has passed since the year shown in Table 26.1. At the end of this year TTL's accounts recorded:

Revenue of $600 000

Cost of sales of $30 000

Expenses of $520 000

Its current assets are $6250, of which inventory is $1250 and current liabilities are $5000.

1 **a** Explain **two** situations in which Ted will find a cash flow forecast useful. *[8 marks]*

b Consider how the following **three** changes would affect TTL's income statement and Statement of Financial Position. Which would have the greatest effect on the profitability of the business? Justify your answer. *[12 marks]*

- Ted takes out a bank loan to buy two new trucks.
- Ted now buys inventory using trade credit.
- There has been an increase in the number of TTL's taxi customers.

2 **a** Identify **two** sources of internal finance and **two** sources of external finance that Ted could use for TTL and explain what he might use each one for. *[8 marks]*

b Refer to the financial information for TTL provided above and the ratios for TTL provided in Chapter 26. Do you think Ted should be more worried about the profitability or liquidity of TTL? Justify your answer by calculating suitable ratios for TTL. *[12 marks]*

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6 External influences on business issues

Student's Book Chapters 27–29

27 Economic issues

Abe's Best Cycles

Abe's Best Cycles (ABC) produces motorbikes in country X. The company was set up 50 years ago. The motorbikes are designed to meet the needs of low-income consumers in country X. It has been a very successful company and has increased its output each year. The share price of ABC has been rising and dividends are paid each year.

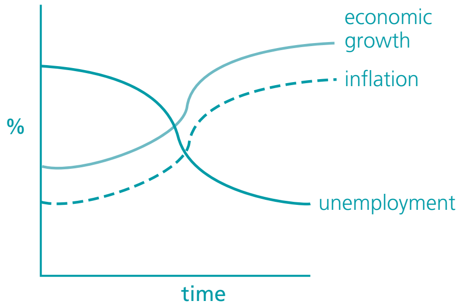

Figure 27.1

ABC employs 500 skilled workers in its factory and uses capital-intensive production. 90% of all the motorbikes are sold in country X. There are several other motorbike manufacturers in country X but more than half of the motorbikes sold in country X are imported. The competitors of ABC import all of their components whilst ABC imports only half of the components it needs. It buys the rest from local suppliers.

The economy of country X has been growing rapidly after being in a recession. However, inflation is starting to increase and become a problem. The government is considering different ways to reduce inflation. The currency used in county X is the dollar ($), and the average exchange rate of the $ against other currencies has been appreciating.

1 a Identify the **four** stages of the business cycle. *[4 marks]*

b Define 'unemployment'. *[2 marks]*

c Outline **two** effects on ABC of rising inflation. *[4 marks]*

d Explain **two** problems for ABC caused by high levels of economic growth in country X. *[6 marks]*

e Do you think falling unemployment will always benefit ABC? Justify your answer. *[6 marks]*

2 a Define 'import tariff'. *[2 marks]*

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b Define 'import quota'. *[2 marks]*

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c Outline **two** effects on ABC if the government of country X increases import tariffs on all imported goods. *[4 marks]*

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d Do you think ABC should import all its components? Justify your answer. *[6 marks]*

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28 Environmental and ethical issues

ABC is developing more energy-efficient motorbikes. These motorbikes produce less harmful gases from the exhaust and use less fuel (per kilometre). The government is introducing regulations to restrict the amount of pollution produced in exhaust fumes from cars and motorbikes. Many other countries' governments are using similar policies to try to reduce the emissions of harmful greenhouse gases. There will be many external benefits from this reduction in global greenhouse gases.

ABC is also considering using solar panels to generate electricity. The electricity generated will be used in the factory and it will reduce energy costs for ABC. However, the solar panels are very expensive to buy and install.

The government is encouraging businesses to recycle and reduce waste during the manufacturing process. ABC is considering using recycled metals in the manufacture of new motorbikes. Lean production is important to ABC. Consumers in country X are concerned about the external costs from the manufacturing process.

Advert from the Government:

Protect the environment – fit solar panels to your factory roof

The government will give you a grant towards the cost of installing solar panels. Your customers will appreciate this too!!

Newspaper article that appeared in a newspaper in country X:

An investigation carried out by reporters has discovered that many factories in country Y are employing children to manufacture motorbikes and not acting in an ethical way. The children are paid very low wages and forced to work long hours instead of going to school. Motorbikes produced in country Y are the main imported motorbikes sold in this country as they are sold at very low prices. 'Consumers should think carefully about where their motorbikes are produced before they buy them!!' said a representative from a local pressure group.

1 a Define 'private benefit'. *[2 marks]*

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b Define 'external benefit'. *[2 marks]*

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c Outline **two** ways ABC might cause external costs. *[4 marks]*

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d Explain **two** ways a pressure group could encourage ABC to reduce its external costs. *[6 marks]*

e Do you think ABC should reduce the external costs of its operations? Justify your answer. *[6 marks]*

2 a What is meant by 'not acting in an ethical way'? *[2 marks]*

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b Identify **two** examples of ethical business issues. *[2 marks]*

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c Outline **two** possible drawbacks to ABC if it acts ethically. *[4 marks]*

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d Do you think the government of country X should pass laws to make all businesses act in socially responsible ways? Justify your answer. *[6 marks]*

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29 Business and the international economy

The directors of ABC are planning to expand the business. They want to start selling motorbikes in many other countries. They believe that increasing globalisation will benefit ABC. The directors have not yet decided on the best way for ABC to expand. One director has suggested either forming a joint venture or setting up its own factories in foreign markets.

The directors of ABC want it to become a multinational business. The directors believe they will benefit from this change. They are not sure all the employees will benefit because additional production will be in foreign factories.

The government of country X is encouraging multinational businesses to set up in its country. It believes that multinational businesses will help country X to become more developed and the country will benefit from more economic growth. The government believes the benefits from increased production from multinationals in country X will outweigh the drawbacks to some local businesses.

The currency of country X has been appreciating but not all businesses in country X have benefitted from this.

1 a Define 'currency appreciation'. *[2 marks]*

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b Identify **two** effects of an appreciation of the currency on consumers in country X. *[2 marks]*

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c Outline **two** reasons why ABC might want to sell in global markets. *[4 marks]*

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d Explain **two** reasons why it might be easier for ABC to sell its products in country X rather than export them. *[6 marks]*

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e Do you think consumers will always benefit from increasing globalisation? Justify your answer. *[6 marks]*

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2 a Identify **two** characteristics of a multinational. *[2 marks]*

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b Identify **two** benefits to shareholders of a business becoming a multinational. *[2 marks]*

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c Outline **one** advantage and **one** disadvantage to employees of ABC becoming a multinational. *[4 marks]*

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d Do you think the government of country X should encourage more multinationals to set up in country X? Justify your answer. *[6 marks]*

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External influences on business issues: end of section case study

Choose **one** of the following questions to answer. Use all the information at the start of Chapters 27, 28 and 29 to help you answer the question.

1 a Explain **four** ways ABC can become more environmentally friendly. *[8 marks]*

b Consider **three** effects on ABC of the following economic changes in country X. Which do you think will have the biggest effect on the profits of ABC? Justify your answer. *[12 marks]*

i Falling unemployment.

ii Falling interest rates.

iii Depreciation in the exchange rate of country X's currency.

2 a Explain **two** likely effects on ABC if it does not act in an ethical way. *[8 marks]*

b Consider the following **three** decisions that ABC could take before selling into global markets. Recommend the best decision to take. Justify your answer. *[12 marks]*

i Set up its own factories to manufacture its products in the main foreign markets.

ii Form a joint venture with motorbike companies in the main foreign markets to manufacture and sell ABC motorbikes.

iii Produce new different styles of motorbikes for the main foreign markets but keep production in country X.

a ....

b

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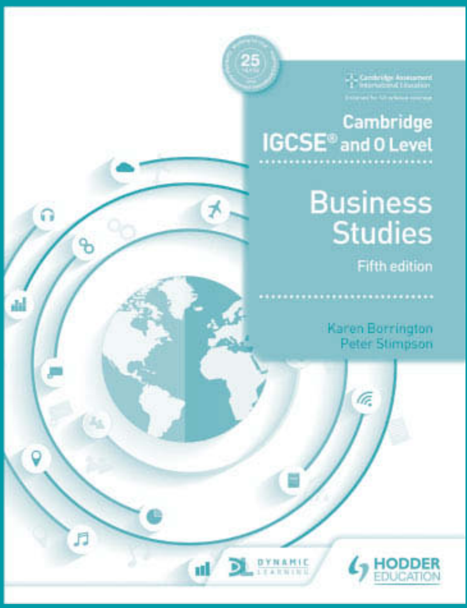

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