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**Business management**  
**Standard level**  
**Paper 1**

Monday 25 October 2021 (afternoon)

1 hour

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**Instructions to candidates**

- Do not open this examination paper until instructed to do so.
- A clean copy of the **business management case study** is required for this examination paper.
- Read the case study carefully.
- A clean copy of the **business management formulae sheet** is required for this examination paper.
- Section A: answer one question.
- Section B: answer question 4.
- A calculator is required for this examination paper.
- The maximum mark for this examination paper is **[30 marks]**.

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## Section A

Answer **one** question from this section.

1. (a) With reference to *MM*, describe **two** features of a merger (lines 20–22). [4]  
(b) Explain the strategies used by *MM* to achieve sustainability. [6]
2. (a) Describe **one** advantage **and one** disadvantage for *MM* of decentralization (lines 44–45). [4]  
(b) Explain how *MM* could reduce stakeholder conflict in relation to its gold mine in Egypt. (lines 103–107) [6]
3. (a) Describe **two** differences for *MM* between marketing its minerals (a product) and marketing its hotels (a service). [4]  
(b) Explain strategies *MM* could use to improve cash flow in its palladium mine in South Africa (**Table 1**). [6]

## Section B

Answer the following question.

4. *MM* is reviewing its hotel and mining operations.

To understand customer opinions about its hotels, *MM* will distribute questionnaires at two of its hotels and use a convenience sampling method. *MM* is also considering introducing flexitime for hotel employees.

For its gold mining operations, *MM* wants to increase its market share worldwide to 1% by 2030. In 2020, *MM* produced 17 tonnes of the global production of 3200 tonnes.

In another development, *MM* wants to enter the rapidly growing lithium market. *MM* has rejected the idea of buying an existing lithium producer and is considering two options: opening its own lithium mine in Australia or entering a joint venture with a lithium mining company.

### Option 1: Open a lithium mine in Australia

*MM* has identified a site in Australia, and the Australian government, which is keen to develop its country’s lithium mining industry, will approve a mining license for it. Development of the mine would take three years and cost \$100 million. **Table 2** shows the forecasted net returns for the first six years.

**Table 2: Forecasted net returns for the lithium mine (in millions of \$)**

Year	Net returns
0	–70
1	–20
2	–10
3	30
4	60
5	100

*MM* will sell the lithium to battery manufacturers in China, a market familiar to the Australian mining industry. Transport costs would be high. Environmental pressure groups oppose the mine because of the water and air pollution they think it would create.

### Option 2: A joint venture with *CanLith* (*CL*)

*CL*, a lithium mining company, is seeking expansion with a new mine and needs finance. A joint venture with *MM* would bring *MM*’s expertise and corporate values to the expansion. *MM* and *CL* would have equal ownership of the new mine and jointly manage it. *CL* would appoint a board of directors. However, *CL* has attracted bad publicity because of its poor environmental record, and local people oppose the new mine. Information on the joint venture is shown in **Table 3**.

**Table 3: Information on setting up the joint venture**

Cost to <i>MM</i>	\$40 m
Time to complete	6 months
Expected average rate of return (ARR) on <i>MM</i> 's investment	15 %

- (a) Define the term *flexitime*. [2]
  - (b) Calculate for *MM*:
    - (i) its market share worldwide in gold in 2020 (*show all your working*); [2]
    - (ii) the average rate of return (ARR) for the lithium mine (*show all your working*). [2]
  - (c) Explain **one** advantage **and one** disadvantage for *MM* of using convenience sampling for its market research. [4]
  - (d) Using the case study and additional information from Section B, recommend whether *MM* should choose **Option 1** or **Option 2**. [10]
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**References:**