IB DIPLOMA PROGRAMME
PROGRAMME DU DIPLÔME DU BI
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N02/370/H(1)

BUSINESS AND MANAGEMENT
HIGHER LEVEL
PAPER 1

Monday 11 November 2002 (afternoon)

2 hours

INSTRUCTIONS TO CANDIDATES

- Do not open this examination paper until instructed to do so.
- Read the case study carefully.
- Section A: answer all questions.
  Section B: answer one question.

SECTION A

*Answer **all** questions in this section.*

1. Analyse how the use of new information and communication technologies could help improve communications, operations and organizational control within *Open Views*. *[10 marks]*

2. Assuming that Option 2, to develop a self catering complex at the *Warm Breezes* resort, is chosen,

(a) discuss an appropriate marketing mix to support the launch of the new complex, and

(b) compare this to the current marketing mix, assessing the likely impact on *Warm Breezes'* image and customer profile. *[12 marks]*

3. (a) Identify **three** problems created by the location of *Warm Breezes* in the Caribbean and discuss appropriate strategies that the local government could put into action to reduce these. *[10 marks]*

(b) Using a PEST framework, analyse the opportunities and threats facing *Open Views* over the next phase of its development. *[12 marks]*

4. (a) Analyse how the actions of informal groups within *Warm Breezes* could damage both its reputation and profits. *[6 marks]*

(b) Evaluate to what extent the recruitment and training of local managers linked to a total quality culture managerial approach, would benefit the future development and growth of *Warm Breezes*. *[10 marks]*

SECTION B

*Answer **one** question from this section.*

5. Peter Storm is to present a financial analysis of the expansion options available to *Warm Breezes* to Manjit Daswami and Joseph Obeng. He has produced the following budget projections for 2002 and 2003, to support the development of the commercial centre (Option 1), which is Peter's preferred option. It is planned that the commercial centre will be built in the quietest months November 2002 through to February 2003.

The cost of the commercial centre is estimated at $1 250 000 including building and administrative and legal charges. It is the intention to depreciate the building over a 50 year period. At the end of its life it is expected that a new centre will be built to replace the old one.

Financial projections for *Open Views* with the commercial centre option:

	2002	**2003**
	$m	**$m**
Sales revenue	46.2	56.8
Cost of goods sold	7.4	8.7
Overheads	36.6	42.8
Fixed assets	48.0	50.2
Current assets	4.4	5.6
Current liabilities	3.2	3.4
Share capital	30.0	30.0
Reserves	7.8	8.4
Long term liabilities	11.4	14.0

(a) (i) Explain why firms depreciate their fixed assets. *[2 marks]*

(ii) Using straight line depreciation, calculate the annual depreciation charge for the new commercial centre. *[2 marks]*

(b) Produce projected profit and loss accounts and balance sheets from the financial projections for the years 2002 and 2003. *[6 marks]*

(c) Using appropriate ratios, analyse how the building of the commercial centre will affect the liquidity, efficiency and performance of *Warm Breezes*. *[10 marks]*

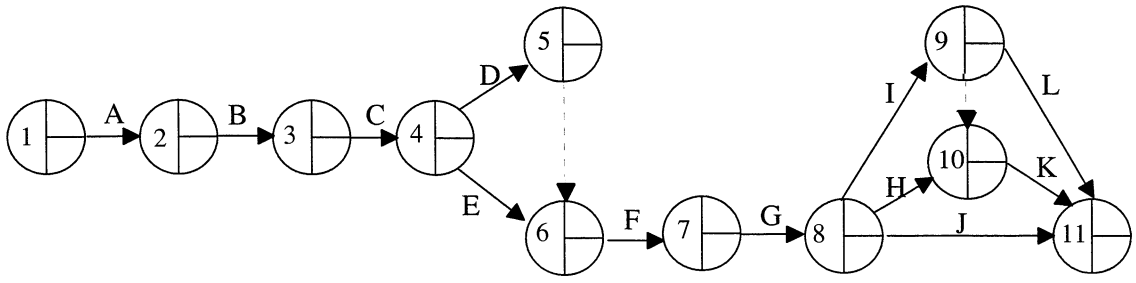
6. Peter Storm has asked a local building contractor to tender for the construction of the commercial centre (Option 1). Apart from the financial cost of the building itself, Peter is concerned about the disruption to other clients during the construction of the centre. Clearly, Peter wants the work to be finished as quickly as possible, but is aware of the potential consequences in terms of higher costs and poorer quality. Peter wants the work to be carried out in the quietest months from November through to February, and to finish within these four months. Allowance must be made for poor weather, as this may add several weeks onto the duration of the project.

Apex Construction was the only company that found it possible to quote within budget and allowable timeframe. The contracts manager produced the following financial and operational details, with a network representing the activities involved in the building of the centre:

Figure 1

Activities		Skill group	Duration (days)
A:	Drainage system	M	14
B:	Foundations	M	16
C:	Exterior walls	M	24
D:	Electrics	N	10
E:	Plumbing	P	9
F:	Interior walls/plastering	M	11
G:	Roof	M	14
H:	Carpets	R	9
I:	Decoration	R	12
J:	Landscaping	S	30
K:	Fixtures and fittings	T	24
L:	Furnishing	T	12

Figure 2: Project network



(This question continues on the following page)

(Question 6 continued)

Figure 3: Cost of reducing activity by one day for each skill group

Skill group	$	Maximum possible reduction (days)
M	7500 (including machinery costs)	8
N	5100	2
P	5400	3
R	4600	2
S	5100	8
T	4200	13

N.B. *The cost of transferring a worker from one activity to another is the same as recruiting an additional worker. Apex Construction use casual labour, who are paid only when they are on site and working. If there is no work, the employee is sent away.*

(a) Define a dummy activity and explain the purpose of the two dummy activities shown on the network. *[3 marks]*

(b) (i) Redraw the network (figure 2) calculating the earliest starting time, latest finishing time and total float for each activity and the duration of the project. *[8 marks]*

(ii) Identify the critical path. *[1 mark]*

(c) If Peter wishes to reduce the project by 10 days, calculate the cheapest method of achieving this, explaining your method of reducing the project duration. *[8 marks]*