



88075013

**BUSINESS AND MANAGEMENT
STANDARD LEVEL
PAPER 1**

Monday 19 November 2007 (afternoon)

1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

- Do not open this examination paper until instructed to do so.
- Read the case study carefully and then answer all the questions.

1. (a) Explain **two** advantages for *Gladrags Ltd* of changing from a partnership to a private limited company in 1992 (*lines 34 to 35*). *[4 marks]*
- (b) (i) Identify **two** internal stakeholders of *Gladrags Ltd*. *[2 marks]*
- (ii) Select **one** of the stakeholder groups identified in (b)(i) and examine whether they are likely to be in favour of the takeover bid from the Indian multinational corporation (*lines 145 to 146*). *[6 marks]*
2. (a) (i) Define the term *labour turnover*. *[2 marks]*
- (ii) Explain **two** possible reasons why labour turnover is starting to rise at *Gladrags Ltd* (*lines 105 to 106*). *[4 marks]*
- (b) With the use of appropriate motivation theory, evaluate **two** strategies to improve motivation at *Gladrags Ltd*. *[10 marks]*
3. (a) Identify the **two** main channels of distribution used by *Gladrags Ltd*. *[2 marks]*
- (b) Analyse whether *Gladrags Ltd* should make changes to the four elements of the marketing mix to increase sales in the factory shop. *[12 marks]*

4. The finance manager, Colin Buckley, has drawn up draft accounts for the year ended 31 May 2007. The main figures from these accounts are given below.

	\$000
Gross profit	525
Net profit	190
Interest	35
Tax	25
Dividends	100
Turnover	2750
Fixed assets	1250
Creditors	450
Debtors	350
Cash	50
Short-term borrowing	135
Net assets	1570
Share capital	350
Loan capital	550

- (a) (i) Calculate the gross profit margin and the net profit margin for the years ended 31 May 2006 (*see Appendix 1 in the case study*) and 31 May 2007. *[4 marks]*
- (ii) Explain **two** possible reasons for the change in the net profit margin between 31 May 2006 and 31 May 2007. *[4 marks]*
- (b) Use the figures above to construct a full profit and loss account **and** balance sheet for the year ended 31 May 2007 (**N.B.** Use the same layout for the accounts as in Appendix 1). *[10 marks]*