



88115013



**BUSINESS AND MANAGEMENT  
STANDARD LEVEL  
PAPER 1**

Thursday 17 November 2011 (afternoon)

1 hour 15 minutes

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**INSTRUCTIONS TO CANDIDATES**

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

**SECTION A**

Answer **two** questions from this section.

1. (a) Describe Andrew Grandin’s:
- (i) chain of command at *Reach Out* [2 marks]
  - (ii) span of control at *Reach Out*. [2 marks]
- (b) Using the case study, comment on **two** sources of income (current or potential) for *Reach Out* **other than** the therapist scheme. [4 marks]
- (c) Analyse the social **and** economic impacts of the actions of the non-profit organization *Reach Out*. [7 marks]
2. (a) Describe Laura Chan’s desired pricing strategy for *Reach Out*’s PECS cards. [4 marks]
- (b) Explain **two** reasons why Neil Johnson prepared a STEEPLE analysis for *Reach Out* (line 31). [4 marks]
- (c) Laura Chan “did not see how marketing objectives could help *Reach Out* achieve its goals” (lines 148–149). Examine how appropriate it is for *Reach Out* to have marketing objectives. [7 marks]
3. (a) Define the following terms:
- (i) *commission* (line 40) [2 marks]
  - (ii) *dismissal* (line 109). [2 marks]
- (b) Using the additional information on page 3 about publishing company B, calculate (*show all your working*):
- (i) the payback period (to the nearest month) [2 marks]
  - (ii) the average rate of return (ARR). [2 marks]
- (c) Neil Johnson “eventually decided to donate the \$10 000 himself” (line 36). Analyse the consequences for *Reach Out* of Neil’s decision. [7 marks]

**SECTION B**

Answer *the compulsory* question from this section.

- 4. (a) Neil Johnson tried to convince Laura Chan that **(Option 2)** would be a worthwhile investment by using a break-even model (*lines 130–131*). Use a fully-labelled diagram to illustrate the break-even analysis model (*no figures are required*). *[4 marks]*
  
- (b) Explain the difference between internal and external sources of finance for *Reach Out*. *[4 marks]*
  
- (c) With reference to *Reach Out* and to **one** organization of your choice, explain **two** reasons for setting up a business. *[4 marks]*
  
- (d) Laura Chan has a laissez-faire leadership style (*line 115*). Evaluate the effectiveness **and** implications of her leadership style for *Reach Out*. *[8 marks]*

**Additional information for question 3(b)**

**Financial data for publishing company B**

PECS cards setup cost: \$100 000.

Estimated return from selling PECS cards over 4 years:

Year 1	\$20 000
Year 2	\$30 000
Year 3	\$40 000
Year 4	\$60 000

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