

IB Business Management Worksheet 03

1.3 Business objectives - Profit, survival and growth

Topic	Private sector objectives and trade-offs
Level	SL/HL foundation
Time	55 minutes
Total marks	50

Instructions for students

- Answer all questions. Show application to the business case when required.
- Use IB command terms carefully: define, explain, analyse, discuss, evaluate.
- For extended responses, make a justified judgement supported by the case and business concepts.
- Case data are fictional and created for assessment practice.

Key syllabus coverage

- Private sector businesses may pursue profit, survival, growth and cash flow objectives.
- Profit is total revenue minus total costs over a period.
- Survival may become the main objective during start-up, recession or crisis.
- Growth can create economies of scale and brand awareness, but may bring risk.

Section A - Multiple choice

Choose the best answer. Each question is worth 1 mark.

1. Profit is calculated as:

- A. Total costs minus sales revenue
- B. Total revenue minus total costs
- C. Cash inflows minus assets
- D. Market sales divided by business sales

2. Which situation is most likely to make survival the main objective?

- A. A business has record demand
- B. A start-up has weak cash flow and low initial sales
- C. A business has no competitors
- D. A company has too much retained profit

3. A benefit of growth may be:

- A. Guaranteed lower total costs
- B. Higher unit costs from diseconomies
- C. Economies of scale and greater brand awareness
- D. No need for managers

4. Market share measures:

- A. A business sales as a percentage of total market sales
- B. The profit margin of each product
- C. The number of shareholders
- D. The cash cycle of a business

5. Profit maximisation means:

- A. Making any profit at all
- B. Making the largest possible difference between revenue and costs
- C. Maximising sales volume only
- D. Avoiding dividends

6. Which objective may conflict with short-term profit?

- A. Cutting all training
- B. Investing heavily in expansion
- C. Reducing product quality
- D. Delaying supplier payments

Section B - Short answer

7. Define the term profit. [2]

8. Explain one reason why survival may be an objective during a recession. [4]

9. Explain two reasons why a private sector business may set growth as an objective. [6]

10. Construct one SMART growth objective for a restaurant chain. [2]

Section C - Data response / case study

Case study: UrbanNest Furniture

UrbanNest Furniture sells flat-pack furniture through two stores and an e-commerce site. The owners originally wanted rapid growth, but a downturn in consumer spending has reduced demand. The business is considering whether to cut prices, delay opening a third store or invest in online advertising.

The finance manager has produced the following information.

Indicator	2025	2026 forecast
Sales revenue	\$1,200,000	\$1,050,000
Total costs	\$1,080,000	\$1,020,000
Cash reserve at year end	\$90,000	\$25,000
Market share	4.8%	4.1%

11. Calculate the forecast profit for 2026. [2]

12. Explain one reason why UrbanNest might change its objective from growth to survival. [4]

13. Analyse one possible advantage and one possible disadvantage of cutting prices to maintain sales. [6]

14. Evaluate whether UrbanNest should delay opening the third store. [8]

Section D - Extended response

15. Discuss whether profit maximisation should be the main objective of private sector businesses. [10]

Answer key and marking guidance

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Mark positively. Award credit for valid alternative answers that are accurate, relevant and applied to the case. Do not require the exact wording used in this key.

Section A - Multiple choice answers

Q	Answer	Rationale
1	B	Profit is the difference between total revenue and total costs.
2	B	Start-ups often focus on continuing to trade.
3	C	Growth can reduce unit costs and increase visibility.
4	A	Market share compares a business sales with total market sales.
5	B	Profit is maximised when the gap between total revenue and total costs is greatest.
6	B	Expansion investment can reduce short-term profit but support long-term growth.

Section B - Short answer guidance

Q7. Award up to 2 marks: total revenue minus total costs (1) over a given period (1).

Q8. During a recession, demand may fall (1), reducing sales revenue and cash inflows (1). A business may therefore focus on staying open and paying debts (1) rather than expanding or maximising profit (1).

Q9. Award up to 6 marks: growth can increase sales/revenue, create economies of scale, improve brand awareness, increase market power, make the business harder to acquire, improve job security or attract finance. Award 3 marks per developed reason.

Q10. Example: "Open 4 new restaurants in two cities and increase total sales by 18% by 30 June 2027." Award 2 for SMART; 1 for partially measurable/time-specific.

Section C - Data response / case study guidance

Q11. $\$1,050,000 - \$1,020,000 = \$30,000$. Award 1 mark for correct method; 1 mark for correct answer.

Q12. Sales revenue and market share are forecast to fall, while the cash reserve falls to \$25,000. This creates a risk of being unable to pay debts or fund expansion, so survival may be more realistic than growth during weaker demand.

Q13. Advantage: lower prices may maintain demand, protect market share and generate cash inflows. Disadvantage: lower prices reduce profit margins; if costs remain high, profit could fall below the forecast \$30,000 and cash flow could worsen. Award for applied balanced analysis.

Q14. Arguments for delaying: forecast profit and cash reserve are weak; a new store would increase fixed costs and risk cash flow. Arguments against: delay could reduce long-term growth, brand awareness and market presence. Judgement should consider that survival and cash flow appear urgent, so delaying may be sensible until demand improves, unless the third store has strong evidence of demand or affordable finance.

Section D - Extended response guidance

Indicative content: profit provides funds for investment and rewards owners/shareholders; profit is a common measure of success and can motivate managers; short-term profit maximisation may damage quality, employees, reputation or long-term growth; survival, cash flow, growth and ethical objectives may be more important in some circumstances; start-ups and businesses in crisis may need cash and survival before profit maximisation. Strong answers should define relevant terms, apply arguments to the case, analyse effects on stakeholders and objectives, and reach a supported judgement. Judgement: Profit is important in the private sector, but maximisation is not always the best main objective; the appropriate objective depends on stage of development, market conditions and stakeholder expectations.

Generic 10-mark extended response rubric

Marks	Descriptor
1-2	Limited knowledge; response is mostly descriptive or contains serious inaccuracies.
3-4	Some relevant knowledge and explanation; limited application to the business or question.
5-6	Clear explanation and some analysis; applied to the business, but balance or depth may be uneven.

Marks	Descriptor
7-8	Good analysis of both sides or several perspectives; well applied with reasoned links to objectives and stakeholders.
9-10	Balanced, fully applied evaluation with a clear, justified judgement and recognition of limitations or trade-offs.