

# **IB Business Management**

## ***Trimester Assessment Worksheet – 1.3 Business Objectives***

### **Worksheet 3: Private Sector Objectives & Shareholder Value**

Name: \_\_\_\_\_ Class: \_\_\_\_\_ Date: \_\_\_\_\_

Instructions: Answer all questions. Total marks: 50.

## Section A: Multiple Choice (10)

1. Profit is:

- A. Revenue
- B. Revenue minus costs
- C. Dividends
- D. Cash at bank

2. Profit maximisation focuses on:

- A. Long-term mission
- B. Highest short-term profit
- C. CSR only
- D. Staff wellbeing only

3. Survival is most important when:

- A. Cash flow is strong
- B. Liquidity is threatened
- C. Competition is low
- D. Demand rising fast

4. Growth may increase:

- A. Bargaining power and brand awareness
- B. Unlimited liability
- C. Government ownership
- D. Market failure

5. Shareholder value is linked to:

- A. Share price and dividends
- B. Staff training only
- C. Supplier discounts only
- D. Weather

6. Dividends are:

- A. Interest on loans
- B. Payments from profit to shareholders
- C. Taxes
- D. Wages

7. Reinvesting profit usually supports:

- A. Short-term payouts only
- B. Future growth and competitiveness
- C. Less innovation
- D. Lower sales

8. Market share measures:

- A. Total costs

- B. Sales relative to total industry sales
- C. Employee turnover
- D. Product quality

9. Managers protect share value mainly by:

- A. Hiding strategy
- B. Building investor confidence
- C. Cutting all spending
- D. Avoiding reporting

10. A key trade-off is between:

- A. Strategy and mission
- B. Short-term returns and long-term growth
- C. Customers and suppliers
- D. Ethics and legality

## Section B: Short Answer (15)

1. Explain the difference between **profit**, **survival** and **growth** objectives. (6)

2. Explain two ways managers can protect shareholder value. (6)

3. Explain why growth is not always the main objective for a start-up. (3)

## **Section C: Data Response – Dividend vs reinvestment debate (15)**

A listed renewable energy company has rising profits. Some shareholders want higher dividends now. Management wants to reinvest profits into new projects and technology to grow market share over five years.

1. Analyse one advantage of paying higher dividends in this case. (4)

2. Analyse one advantage of reinvesting profits in this case. (6)

3. Evaluate which option better protects shareholder value over time. (5)

## **Section D: Extended Response (10)**

Answer ONE question.

1. Discuss whether profit should always be the main objective of private sector businesses. (10)
2. Discuss how business objectives may change over a firm's life cycle. (10)

# Answer Key + Marking Guidance

## Section A answers

Q	Ans
1	B
2	B
3	B
4	A
5	A
6	B
7	B
8	B
9	B
10	B

## Sections B–D indicative content

- Profit = financial surplus; Survival = maintain liquidity; Growth = expand sales/market share/scale.
- Protect shareholder value via clear strategy, transparency, consistent performance, dividend policy, risk management.
- Start-ups may prioritise survival/market entry; profits often reinvested to build position.
- Dividends: +immediate return, signals confidence; -less capital for growth.
- Reinvestment: +future profits/share price; -lower short-term dividends; balance risk and time horizon.
- Evaluation must use criteria (time horizon, industry growth, risk, investor expectations).

## Rubric (10-mark responses)

Level	Descriptor
1–3	Descriptive; limited terms; weak example; weak judgement.
4–6	Clear explanation; some analysis; relevant example(s); some balance.
7–8	Strong analysis; good application; both sides; justified conclusion.
9–10	Sophisticated evaluation; key terms integrated; criteria-based judgement.