

IB Business Management

Growth and Evolution (1.5) Assessment

Name: _____ Class: _____ Date: _____

Instructions: Answer all questions. Total marks: 50.

Section A: Multiple choice (10 marks)

1. A merger occurs when:
 - A. One company buys another without agreement
 - B. Two businesses join together to form a new business
 - C. A firm sells franchises
 - D. A company closes a division
2. External economies of scale arise from:
 - A. Factors within the business
 - B. Factors outside the business such as infrastructure
 - C. Decreasing production
 - D. Reduced marketing
3. One reason businesses grow is to:
 - A. Reduce market presence
 - B. Gain economies of scale
 - C. Reduce production
 - D. Avoid customers
4. Internal growth is also known as:
 - A. Organic growth
 - B. Hostile takeover
 - C. Conglomerate integration
 - D. Franchising
5. A franchise occurs when:
 - A. A business sells the right to use its brand and systems
 - B. Two companies merge
 - C. A company sells shares
 - D. A firm expands production
6. Diseconomies of scale occur when:
 - A. Output increases but costs fall
 - B. Unit costs rise as the business becomes larger
 - C. Firms stop producing
 - D. Firms reduce labour
7. A takeover is best described as:
 - A. Friendly cooperation
 - B. Hostile acquisition of control
 - C. Internal expansion
 - D. Franchising agreement
8. Backward vertical integration occurs when a firm:
 - A. Buys a supplier
 - B. Buys a retailer
 - C. Buys a competitor
 - D. Opens new stores
9. Economies of scale occur when:
 - A. Unit costs fall as output increases

- B. Unit costs rise as output increases
- C. Firms reduce quality
- D. Businesses reduce sales

10. Joint ventures involve:

- A. One firm buying another
- B. Two firms collaborating to create a new entity
- C. Firms competing directly
- D. Internal expansion

Section B: Short answer (10 marks)

Define franchise. (2)

Define merger. (2)

Explain one reason why businesses grow. (2)

Define internal growth. (2)

Section C: Case study (20 marks)

Case: A technology company plans to expand internationally by acquiring a smaller competitor in another country. The company believes this will help it grow quickly and gain access to new markets.

1. Define the term acquisition. (2)
2. Explain two reasons why businesses use external growth. (6)
3. Analyse the possible risks of growing through acquisitions. (6)

Section D: Extended response (10 marks)

Answer ONE question.

Evaluate the benefits and risks of franchising as a growth strategy. (10)

Discuss the impact of economies and diseconomies of scale on businesses. (10)

Answer Key + Markscheme

Section A Answers

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

Section B Indicative Answers

Define franchise. (2)

A franchise is an agreement where a franchisor sells the rights to use its brand, systems, and products to a franchisee.

Define merger. (2)

A merger occurs when two firms agree to combine to form a new single business.

Explain one reason why businesses grow. (2)

Businesses may grow to gain economies of scale, increase profits, expand market share or improve brand recognition.

Define internal growth. (2)

Internal growth (organic growth) occurs when a business expands using its own resources by increasing sales, markets, or products.

Section C Indicative Points

Acquisition: one firm purchases another with agreement. Reasons: faster growth, access to markets, economies of scale. Risks: integration problems, cultural clashes, high costs.

Section D Marking Guidance (10 marks)

Level 1 (1–3): Limited knowledge, descriptive statements, little analysis. Level 2 (4–6): Clear explanation with some analysis and examples. Level 3 (7–8): Balanced analysis with good application to business context. Level 4 (9–10): Strong evaluation with justified judgement and criteria.