

# 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. Joint ventures involve:
  - A. One firm buying another
  - B. Two firms collaborating to create a new entity
  - C. Firms competing directly
  - D. Internal expansion
2. A takeover is best described as:
  - A. Friendly cooperation
  - B. Hostile acquisition of control
  - C. Internal expansion
  - D. Franchising agreement
3. 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
4. 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
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. 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
7. Backward vertical integration occurs when a firm:
  - A. Buys a supplier
  - B. Buys a retailer
  - C. Buys a competitor
  - D. Opens new stores
8. Internal growth is also known as:
  - A. Organic growth
  - B. Hostile takeover
  - C. Conglomerate integration
  - D. Franchising
9. 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

10. One reason businesses grow is to:

- A. Reduce market presence
- B. Gain economies of scale
- C. Reduce production
- D. Avoid customers

### ***Section B: Short answer (10 marks)***

Define internal growth. (2)

Define merger. (2)

Explain one reason why businesses grow. (2)

Define franchise. (2)

### ***Section C: Case study (20 marks)***

**Case:** A manufacturing firm has expanded rapidly and now operates in several countries. Managers have noticed that communication between departments has become more difficult.

1. Define diseconomies of scale. (2)
2. Explain two internal diseconomies of scale. (6)
3. Analyse why large businesses may experience coordination problems. (6)

### ***Section D: Extended response (10 marks)***

Answer ONE question.

Evaluate whether internal growth is better than external growth for businesses. (10)

Discuss why businesses may choose external growth instead of internal growth. (10)

# Answer Key + Markscheme

## **Section A Answers**

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

## **Section B Indicative Answers**

### **Define internal growth. (2)**

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

### **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 franchise. (2)**

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

## **Section C Indicative Points**

Diseconomies: rising unit costs as size increases. Examples: communication, coordination, motivation problems.

## **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.