

IB Business Management

Unit 1.1 Exam: What is a Business?

Student Paper (Print-ready)

Time allowed: 60 minutes Total marks: 60

Instructions

- Answer **all** questions unless a question says otherwise.
- Write in full sentences for Section B–D.
- Use appropriate business terminology.
- For extended responses, include examples and a balanced judgement.

Candidate name: _____ Class: _____

Date: _____

Section A: Multiple-choice (10 marks)

Circle **one** answer (A, B, C or D) for each question.

1. Which statement best describes a business?

- A. Any activity that involves buying and selling shares
- B. An organisation that coordinates resources to achieve a purpose, often profit
- C. A government department that provides public services only
- D. Any group of consumers in a market

2. In the transformation process, inputs are also known as:

- A. Outputs
- B. Market forces
- C. Factors of production
- D. Profit

3. Which is **not** a factor of production?

- A. Land
- B. Labour
- C. Profit
- D. Enterprise

4. Which output is a **service**?

- A. A laptop
- B. A haircut
- C. A chair
- D. A bottle of water

5. Which sector involves extracting raw materials?

- A. Primary
- B. Secondary
- C. Tertiary
- D. Quaternary

6. Which sector is most closely linked to knowledge-based work such as R&D?

- A. Primary
- B. Secondary
- C. Tertiary
- D. Quaternary

7. 'Adding value' means:

- A. Selling outputs for more than the cost of inputs
- B. Increasing wages for all employees
- C. Producing only services rather than goods

- D. Reducing output to cut costs

8. Opportunity cost is best defined as:

- A. The money spent on inputs
- B. The value of the next best alternative forgone
- C. The total revenue minus total costs
- D. The price determined by supply and demand

9. STEEPLE analysis is used to:

- A. Calculate profit margins
- B. Categorise external influences on a business
- C. Measure employee motivation
- D. Decide the legal form of a business

10. A key challenge for a start-up is:

- A. Too much market power
- B. Guaranteed brand awareness
- C. Difficulty raising finance
- D. No need to manage people

Section B: Short-answer questions (20 marks)

1. Define the term **transformation process**. (2 marks)
2. State the **four factors of production**. (2 marks)
3. Explain why **profit** is not a factor of production. (3 marks)
4. Distinguish between a **good** and a **service**, using one example of each. (4 marks)
5. Define the **tertiary sector**. (2 marks)
6. Compare and contrast the **secondary** and **quaternary** sectors. (7 marks)

Section D: Extended response (15 marks)

Choose **one** question. Support your answer with relevant examples and a balanced judgement.

1. Discuss how changes in the **STEEPLE** environment can create opportunities and challenges for start-up businesses. (15 marks)
2. Discuss the challenges faced by a start-up business and strategies it could use to overcome them. (15 marks)

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Markscheme (Teacher copy)

Total marks: 60

Section A: Multiple-choice answers (10 marks)

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

Section B: Indicative content (20 marks)

- **B1 (2)** Transformation process: converting inputs into outputs / creating goods and services customers value.
- **B2 (2)** Factors of production: land, labour, capital, enterprise.
- **B3 (3)** Profit is an outcome/reward; results from successful transformation/exchange; not an input resource.
- **B4 (4)** Good: tangible, storable (e.g., laptop). Service: intangible, cannot be stored, consumed when delivered (e.g., haircut). 2 marks each side incl. example.
- **B5 (2)** Tertiary sector: service provision (e.g., retail, transport, banking, tourism, education, healthcare).
- **B6 (7)** Secondary vs quaternary: Secondary = manufacturing/assembly/construction transforming raw materials into goods; tangible outputs. Quaternary = knowledge/information-based services (R&D, IT, consultancy); skilled labour, innovation; intangible outputs. Reward comparison + examples. (Max 7).

Section C: Case study – Dabbawalla (15 marks)

- **C1 (2)** Factors of production = inputs into transformation process (land, labour, capital, enterprise).
- **C2 (2)** Any two relevant: labour (dabbawallas), capital (bikes/lunch boxes/trains), land (routes/space), enterprise (organisation/logistics). 1 mark each.
- **C3 (6)** Mutually beneficial: customers save time/low cost/reliable delivery; business earns revenue/steady demand/low tech costs; efficiency reduces errors; trust builds repeat usage. Explain both sides + link to value for money and profitability.
- **C4 (5)** Add value without big price rise: better sorting/labels, basic tracking or SMS updates, improved hygiene/insulation, partnerships with offices, customer support. Must link to higher perceived benefit or lower costs; 1–2 developed points.

Section D: Extended response (15 marks) – markbands

Use a levels-based approach. Credit relevant terminology, examples, analysis, and balanced judgement.

Marks	Descriptor (indicative)
1–5	Basic knowledge; limited structure; few or no examples; mostly descriptive.
6–10	Clear understanding; some analysis; relevant examples; some linkage to the question.
11–15	Well-structured, analytical and balanced; strong examples; considers both sides; ends with a justified c

Indicative points for Q1 (STEEPLE + start-ups):

Social, Technological, Economic, Environmental, Political, Legal and Ethical changes can shift demand, costs, and feasibility. Opportunities: new markets, differentiation, new tech-enabled models, ethical branding. Challenges: compliance costs, demand falls, input shortages, higher borrowing costs, reputational risks.

Indicative points for Q2 (start-up challenges + strategies):

Challenges: finance, limited experience, weak brand awareness, low market power/cash flow, external shocks. Strategies: staged growth, budgeting/cash-flow planning, partnerships/mentors, clear USP/branding, digital marketing, training, ethical/sustainable positioning.