

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. 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
2. 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
3. Joint ventures involve:
 - A. One firm buying another
 - B. Two firms collaborating to create a new entity
 - C. Firms competing directly
 - D. Internal expansion
4. 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
5. 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
6. Internal growth is also known as:
 - A. Organic growth
 - B. Hostile takeover
 - C. Conglomerate integration
 - D. Franchising
7. 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
8. A takeover is best described as:
 - A. Friendly cooperation
 - B. Hostile acquisition of control
 - C. Internal expansion
 - D. Franchising agreement
9. One reason businesses grow is to:
 - A. Reduce market presence

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

10. Backward vertical integration occurs when a firm:

- A. Buys a supplier
- B. Buys a retailer
- C. Buys a competitor
- D. Opens new stores

Section B: Short answer (10 marks)

Define internal growth. (2)

Define economies of scale. (2)

Define merger. (2)

Define franchise. (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 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. A
2. A
3. B
4. B
5. B
6. A
7. B
8. B
9. B
10. A

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 economies of scale. (2)

Economies of scale occur when the average/unit cost falls as output increases.

Define merger. (2)

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

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

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.