

Competing Objectives in a Listed Retailer

Balancing short-term returns with innovation spending

HL
Worksheet

Suggested time 65 minutes	Total marks 50	Focus shareholder value, listed companies, dividends, long-term versus short-term objectives
Assessment Trimester worksheet	Student Name: _____ Class: _____	Calculator Not required

Teacher-created IB-style worksheet. Use relevant business terminology and support longer answers with balanced reasoning. Credit well-justified alternatives that fit the context.

Section A - Multiple choice (5 marks)

Choose one correct answer for each question.

- A board that cuts dividends in order to invest in automation is most directly trying to [1]
 - shift from short-term returns toward long-term value creation
 - remove all shareholder rights
 - nationalise the company
 - reduce sales revenue immediately
- Which factor is most likely to increase investor confidence in a listed company? [1]
 - A credible explanation of how current spending will improve future profits
 - Refusal to discuss strategy with shareholders
 - No published accounts
 - Eliminating all research activity
- A rise in share price without a rise in dividend suggests that investors may [1]
 - expect stronger future performance
 - have stopped caring about profit
 - lost all voting rights
 - own the company directly through government
- Which objective is most likely to conflict with heavy reinvestment? [1]
 - Maximising short-term dividend payouts
 - Improving long-term productivity
 - Building digital capabilities
 - Reducing operating errors through new systems
- In a publicly held company, managers are most likely to protect shareholder value by [1]
 - improving performance and communicating strategy clearly
 - avoiding all external scrutiny
 - removing the AGM
 - stopping all capital expenditure permanently

Section B - Short answer (15 marks)

6. Define shareholder value. [3]

7. Explain one reason why managers in a listed company may face pressure to focus on short-term results. [4]

8. Explain how reinvestment in technology might still protect shareholder value. [4]

9. Explain one possible disadvantage of cutting dividends in a listed company. [4]

Section C - Data response / case study (18 marks)

NexaMart plc

NexaMart plc sells consumer electronics through a network of city-centre stores and a growing online platform. Management wants to accelerate spending on automated fulfilment, AI-based stock forecasting, and app development. Some investors support the plan, but others want higher dividend payments after a difficult cost-of-living period.

The chief executive argues that the company's future depends on faster delivery, better stock accuracy, and fewer online order errors. A large shareholder group has warned that any cut in dividends must be accompanied by clear evidence that long-term returns will improve.

Selected investor and operating data	Value
Revenue growth this year	6%
Online sales growth this year	18%
Share price 12 months ago	\$12.40
Current share price	\$11.80
Dividend per share last year	\$0.42
Proposed dividend per share this year	\$0.30
Projected automation and app investment	\$28 million
Online order error rate	4.8%
Target online order error rate in 12 months	2.0%

10. Using the data, identify the main tension facing NexaMart's managers. **[4]**

11. Analyse how a reduction in dividends could affect different stakeholder groups at NexaMart. **[6]**

12. Recommend whether NexaMart should cut dividends in order to accelerate investment in automation and app development. **[8]**

Teacher answer key and marking guidance

Indicative answers are provided below. Equivalent valid points and alternative recommendations should receive credit when they are accurate and appropriately applied.

Section A answers

Q	Answer	Guidance
1	A	Retaining profit for investment usually reflects a longer-term strategic priority.
2	A	Investors respond positively when management explains a believable path to future returns.
3	A	Market value often reflects expectations about future cash flow, not only current dividends.
4	A	Large dividend payouts reduce the funds available for reinvestment.
5	A	Performance and transparency help support confidence, dividends, and share price.

Section B marking guidance

Q6 Shareholder value is the return or benefit to shareholders, commonly reflected in dividends and the market value of their shares. Award up to 3 marks for a clear definition.

Q7 Shareholders may compare quarterly performance, expect dividends, or react quickly through share trading, increasing pressure for near-term outcomes. Award up to 4 marks for one developed reason.

Q8 Technology investment can reduce costs, improve customer experience, raise future profits, and therefore support future share price and dividends. Award up to 4 marks.

Q9 Income-focused investors may sell their shares, confidence may weaken, and the share price could fall in the short term. Award up to 4 marks.

Section C marking guidance

Q10 Managers face a trade-off between supporting short-term shareholder returns (the dividend) and reinvesting to improve long-term competitiveness. The share price has fallen, proposed dividends are lower, yet online growth and investment needs are significant. Award up to 4 marks using the data.

Q11 Shareholders seeking income may react negatively, while long-term investors may support reinvestment. Employees may benefit from a stronger future business, although automation may create anxiety. Customers could gain from fewer errors and better service. Award up to 6 marks for analysis of at least two stakeholder groups using the case.

Q12 Strong answers weigh weak current share performance against the need to improve digital operations. Credit recommendations that consider financing limits, investor communication, future cost savings, and service quality improvements. Award up to 8 marks for balanced analysis and a supported recommendation.

Section D marking guidance - Q13

Indicative content:

- Shareholders provide capital and expect returns, so their interests are important.
- Managers who ignore shareholder expectations may face falling confidence, share price weakness, or replacement.
- However, value is often created by investing in employees, customers, systems, and innovation.
- Short-term focus on dividends or quarterly profit can damage long-term competitiveness.
- Stakeholder relationships, ethics, and sustainability may all support future shareholder value indirectly.
- The most effective approach may prioritise sustainable shareholder value rather than narrow short-term payouts.

Overall judgement: Top responses distinguish between protecting shareholder value and simply maximising immediate returns, then argue how stakeholder-focused decisions can still serve owners over time.

Marks	Descriptor
0	No relevant business knowledge or unsupported assertions only.
1-3	Limited understanding with little application and weak structure.
4-6	Some understanding and some application, but analysis is partial or descriptive.
7-9	Good analysis with relevant application, balance, and a supported line of argument.
10-12	Excellent evaluation and synthesis. Evidence is selective, arguments are well prioritised, and the final judgement is clear and justified.