

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

Explain one reason why businesses grow. (2)

Define merger. (2)

Explain one reason businesses may remain small. (2)

Define economies of scale. (2)

Section C: Case study (20 marks)

Case: A small restaurant chain is considering selling franchises in other cities to expand its brand quickly without investing large amounts of capital.

1. Define the term franchise. (2)
2. Explain two advantages of franchising for the franchisor. (6)
3. Analyse potential disadvantages of franchising for the business. (6)

Section D: Extended response (10 marks)

Answer ONE question.

Discuss why businesses may choose external growth instead of internal growth. (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. B
6. A
7. B
8. A
9. B
10. A

Section B Indicative Answers

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 merger. (2)

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

Explain one reason businesses may remain small. (2)

Businesses may remain small to retain control, avoid diseconomies of scale, or maintain flexibility.

Define economies of scale. (2)

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

Section C Indicative Points

Advantages: rapid expansion, franchisees fund growth. Disadvantages: loss of control, brand damage if franchisees perform poorly.

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.