3.4 Methods of Business Growth: Mergers, Joint Ventures and Franchising: 10-minute Pack

Total Marks

AQA 7132 · Calculator allowed · about 10 minutes

Name: _____ Date: ____ / ____ / _____

Answer ALL questions in the spaces provided. Where a calculation is required, show your working. The fictional business used in several questions is named in the first applied question and its key figures are restated in later questions so each question is self-contained.

1 Identify one example of external growth for a company.

(Total for Question 1 is 1 mark)

2 State two types of merger or takeover based on the relationship between the businesses involved (horizontal, vertical or conglomerate).

(Total for Question 2 is 2 marks)

3 SmallTech Ltd, a UK software firm, had revenue of £2,400,000 last year. After acquiring a competitor, its combined revenue is £3,000,000. Calculate the percentage growth in revenue resulting from the acquisition. Show your working.

(Total for Question 3 is 2 marks)

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4 Identify one strategic reason a multinational might prefer a joint venture rather than a full takeover when entering a country with different regulations and high political risk.

(Total for Question 4 is 1 mark)

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5 Explain one advantage to an established business of growing by franchising rather than by opening company-owned branches.

(Total for Question 5 is 3 marks)

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Mark scheme · 3.4 Methods of Business Growth: Mergers, Joint Ventures and Franchising: 10-minute Pack

Question 1

one valid example, e.g. a takeover, a merger, forming a joint venture, or franchising **B1**

Answer: Any one external growth method, e.g. a takeover or merger.

Question 2

one correct type, e.g. horizontal **B1**

a second correct type, e.g. vertical or conglomerate **B1**

Answer: Any two, e.g. horizontal and vertical; horizontal and conglomerate; vertical and conglomerate.

Question 3

revenue increase = 3,000,000 - 2,400,000 = 600,000 seen **M1**

25% cao **A1**

Answer: 25%.

Question 4

one reason, e.g. sharing political and regulatory risk with a local partner who understands the market **B1**

Answer: To share political and regulatory risk with a local partner who understands local rules and can navigate them.

Question 5

identifies an advantage, e.g. lower capital outlay since franchisees invest in new outlets **B1**

develops the point, e.g. the franchisor does not fund fit-out or inventory for each new outlet **B1**

links to an outcome, e.g. this allows faster expansion and preserves the firm's cash for other uses **B1**

Answer: The franchisor avoids large capital outlays because franchisees fund new outlets, which means faster expansion without tying up the firm's cash and lowers financial risk.

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