3.4 Methods of Business Growth: Mergers, Joint Ventures and Franchising: Test Pack

AQA 7132 · Calculator allowed · about 15 minutes

Total Marks

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 Which one of the following best describes 'organic growth' for a business?

- ☐ A) Growth achieved by merging with or taking over another firm
- ☐ B) Growth from increasing sales and expanding operations internally
- ☐ C) Growth created by selling shares to raise capital
- ☐ D) Growth by franchising the business to external owners

(Total for Question 1 is 1 mark)

---

2 Define a franchise as a method of business growth in a single sentence, in the context of a brand expanding to new locations.

(Total for Question 2 is 2 marks)

© Revision Library | revisionlibrary.co.uk

3 State two warning signs that a growing company may be overtrading.

(Total for Question 3 is 2 marks)

4 Analyze the case for Luna Clothing instead choosing option A, a horizontal merger with a rival, referring to likely effects on market power, costs and risks.

(Total for Question 4 is 6 marks)

© Revision Library | revisionlibrary.co.uk

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

Question 1

B cao **B1**

Answer: B

Question 2

identifies that a franchise lets independent owners trade under an established brand using its business model **B1**

includes the idea of paying fees or royalties in return for brand use and support **B1**

Answer: A franchise lets independent owners operate outlets using an established brand and business model, paying fees or royalties for the right to use the brand and receive support.

Question 3

one warning sign, e.g. cash-flow problems or insufficient working capital **B1**

second sign, e.g. high levels of short-term borrowing or inability to meet supplier payments **B1**

Answer: Any two, e.g. cash-flow problems or insufficient working capital; heavy short-term borrowing or missed supplier payments.

Question 4

identifies benefit: increased market share and potential market power **B1**

develops benefit: greater market share may allow higher pricing or stronger negotiating power with suppliers **B1**

identifies cost-saving: economies of scale or scope could reduce average costs **B1**

develops cost-saving: combining stores or distribution could lower operating costs **B1**

identifies risk: regulatory concerns, integration difficulties and cultural clashes **B1**

develops risk: integration problems can raise costs, distract management and reduce expected benefits **B1**

© Revision Library | revisionlibrary.co.uk