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IB Business and Management Higher Level Paper 1 Examination
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- Fixed costs = \$300 000, Variable costs = \$11.50, Price = \$30.00 and Unit Contribution = \$18.50.
- Break-even level of output = $\frac{\$300,000}{\$18.50} = 16\,217$ tickets sold.
- Margin of safety = $30\,000 - 16\,217 = 13\,783$

b)(ii). Management has decided that the ROCE (return on capital employed) should be at least 15%. In the case of current figures the net profit would need to be at least \$300 000 to achieve this. Calculate the output needed if a profit target of \$300 000 is included. [2 marks]

Fixed costs + Profit target	\$300 000 + \$300 000	= 32 433 tickets sold
Unit contribution	\$18.50	

c. Analyse possible areas of conflict between stakeholders in regards to the implementation of Option 3. [9 marks]

Stakeholders are people or groups of people who can be affected by, and therefore have an interest in, any action by an organization. In this case LAM's implementation of Option 3, rebranding LadyA through charitable works.

Regarding an organisation such as LAM, where many stakeholders exist, a stakeholder concept is important. A stakeholder concept is the view that businesses and their managers have responsibilities to a wide range of groups.

LAM will have internal and external stakeholders, and each will be affected differently by the implementation of Option 3. Internal stakeholders at LAM each having their own set of interests in the business's activities. They include:

- Employees – employment security, wage levels, conditions of employment, participation in the business.
- Managers – employment security, salary and benefits offered, responsibilities given.
- Shareholders – market value of the company and dividend payments (although here, Alexandra is very much the majority shareholder).

There are more external stakeholders of LAM that can be identified. These stakeholders and their interests include:

- Suppliers – speed of payment, level and regularity of orders, fairness of treatment.
- Customers – value for money, product quality, service levels.
- Government – jobs created, taxes paid, value of output produced, impact on wider society.
- Local communities.
- Special interest groups such as banks and other creditors – security of their loans and the ability of the business to repay them.

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