

## UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Diploma

### MARK SCHEME for the May 2005 question paper

#### CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS

5161 Business Organisation and Environment, maximum mark 100

These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

- CIE will not enter into discussion or correspondence in connection with these mark schemes.



May 2005

**CAMBRIDGE INTERNATIONAL DIPLOMA**

**MARK SCHEME**

**MAXIMUM MARK: 100**

**SYLLABUS/COMPONENT: 5161**

**BUSINESS**

**BUSINESS ORGANISATION AND ENVIRONMENT**



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The following are not model answers but are nonetheless to be regarded as persuasive. A candidate may offer other relevant and appropriate responses. Generally speaking, all responses should be in context where appropriate. The Examiner should bear in mind the constraints of time on the candidate and the limits imposed by the allocation of marks.

**1 (a) Explain the following two features of a Co-operative Society:**

The candidate needs to rehearse knowledge of two of the basic principles of co-operative business organisation.

**(i) The control or ownership is democratic [4]**

Although the society issues shares there is, unlike a Plc, a legal limit to the number of shares a member may own. When members [shareholders] attend society meetings, they may only have one vote regardless of the size of the shareholdings - this is to stop the control of the society by capital - so each member counts as one. The members of Dhaka Co-op all have equal voting powers despite their shareholdings ranging from \$3,000-5,000.

1-2 marks little appreciation and application of the principle  
 3-4 marks good to strong understanding and application

**(ii) The shares are not transferable [4]**

Shares are not transferable i.e. they can only be bought from, or sold to, the society; there is no device or measure to permit trading between individuals; the society can only issue shares to a member up to a legally prescribed amount.

1-2 marks little appreciation and application of the principle  
 3-4 marks good to strong understanding and application

**(b) Identify and explain three business objectives that the Dhaka Co-operative Society might have other than profit. [12]**

The candidate can just list the objectives but each point should be offered with an appropriate explanation. The candidate has been instructed to ignore the objective of making a profit; points may include, e.g:

- gain a satisfactory share of the market
- increase sales revenue
- provide employment
- satisfy customers and their demands
- distribute sufficient profit to reserves
- add value through technological innovation

Up to 4 marks per objective as follows:

1-2 marks per objective weak knowledge of business objectives or irrelevant choice  
 3-4 marks per objective good demonstration of knowledge and application

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- 2 (a) **The Society has a flat structure. Explain what is meant by a flat structure and give one advantage. [4]**

The candidate must recognise that it reflects two features - wide span of control and few(er) layers of hierarchy. The advantage might be:

- more responsibility delegated to staff.
- better (and faster) vertical communication between lower and upper levels.
- increased motivation and job satisfaction.

1-2 marks for the definition of a flat structure

Plus:

1-2 marks for an appropriate advantage

- (b) **The Society elects its directors from the members i.e. shareholders. Identify and explain three powers or duties of a company director. [12]**

Ideally, the candidate needs to focus on the legal responsibility of a director and not talk about management but previous experience with this task indicates that many candidates will interpret it in terms of management activity. Award comments on management if you feel they are relevant, but do not give more than 3 marks for any point. Candidates should know enough to respond to the task - the powers and duties are the same in a society as in a limited company; three points are called for:

- may sell society assets
- may declare a dividend (on capital or purchases)
- may sue in the society's name
- has the duty of trust
- acts as an agent of the society i.e. not personally liable for action if acting within authority

1 mark for each power or duty if the candidate just gives a list.

Up to 4 marks per power and/or duty as follows:

1-2 marks per objective weak/basic knowledge of directors

3-4 marks per objective good demonstration of knowledge of directors' powers/duties

- (c) **The employees see themselves as stakeholders. Explain the meaning of the term 'stakeholder' and give two examples of stakeholders in the Co-operative Society. [4]**

The recognition that any one/group/company/other with a direct interest in the society's performance is a stakeholder must be clearly made; examples can be drawn from:

- employees
- members (shareholders)
- customers/clients
- suppliers
- any source of finance
- local community

1-2 marks for the definition of stakeholder

plus

1 mark for each example [N.B. two are required]

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- 3 (a) The Co-operative Society introduced job-sharing. Explain what job-sharing means and describe one benefit it might give to the employers. [4]**

The candidate should explain that it describes the situation when two people share a job usually (but not necessarily) on a 50:50 basis with each employee being paid pro rata. A firm statement is required. An advantage to the society is required and can be from e.g:

- two fresh minds applied to the job
- synergy i.e. greater productivity than with just one employee
- effectively two part-timers will have less time off

1-2 marks for the definition of job-sharing

plus

1-2 marks for the benefit (one required) for the employers

- (b) The employees have requested flexitime. Explain what flexitime means and describe one benefit it might give to the employees. [4]**

The definition should state that it is an employment contract allowing an employee to complete contracted weekly hours in a timetable largely convenient to the employee. Also, that whilst starting and finishing times may be flexible, the employee must attend work between certain set hours; the full weekly contract must be delivered.

1-2 marks for the definition of flexitime

plus

1-2 marks for an appropriate benefit to the employees

- (c) Identify and explain three expectations that the employees might reasonably have of their employers. [12]**

The candidate has a good list from which to choose three appropriate expectations. Each item needs to be adequately explained. Selection can be made from e.g:

- incentives
- fair treatment
- appropriate pay and conditions
- training and retraining
- safe and suitable working conditions
- prospects of advancement
- holiday entitlement

1-4 marks per expectation as follows:

1-2 marks weak/basic/partial appreciation of expectations

3-4 marks firm demonstration of awareness of appropriate expectations

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- 4 (a) **All business organisations are affected by external factors which influence the business environment. Describe how the Dhaka Co-operative Society might be affected by:**

The candidate should recognise the PEST factors and offer a general appreciation of how the society might be affected.

- (i) **Changing technology:** the candidate needs to emphasise that Dhaka Co-operative is totally reliant for its business on computer technology; it is an activity that is constantly changing, improving and offering new applications; the society might not want to be pressured by the pace of change to update frequently - there is a cost implication but also one of losing competitiveness if it does not. [5]
- (ii) **The trade cycle:** essentially, the cycle from boom to slump, then recovery and so on; it affects business (the society) because, generally, people readily spend money in the boom times and so will indulge themselves with novelties like Dhaka's calendars; in a period of downturn and uncertainty the society would see its trade contract possibly to below break-even point. [5]

In both tasks the candidate should offer a reasonable discussion.

1-2 marks      weak/basic appreciation of PEST issues and their impact  
3-5 marks      good demonstration of PEST influences on the Society

- (b) **70% of the business is now mail order. Describe the importance of location to the Dhaka Co-operative Society.** [10]

The candidate must highlight the nature of the society's business - it is computer based and requires skilled and intelligent employees; the society can operate anywhere (within reason) largely because of mail order but in practical operational terms it must know that it can attract replacement or additional staff; it would not be helpful to be located in an area that has a poverty of skills.

Level 1    1-2 marks      weak awareness of the implied locational issues  
Level 2    3-5 marks      elementary appreciation of the issues  
Level 3    6-8 marks      firm response, perhaps analytical, in context  
Level 4    9-10 marks      demonstration of knowledge and awareness, judgement

- 5 (a) **The Co-operative Society has 'the right marketing mix'. Explain, by reference to four aspects of the marketing mix, what this means.** [12]

Four aspects are called for since the candidate may have been taught the 7Ps rather than the 4Ps - thus any four of the seven may be offered and discussed; it is likely that the 'traditional' 4Ps will be offered. Each aspect requires some discussion or explanation. The four aspects must be related to the Society and offered from:

- place
- product
- price
- promotion
- people
- process
- physical evidence

Up to 3 marks per aspect of the marketing mix.

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**(b) The Co-operative Society wants to maintain its good reputation for its customer relations policy.**

**(i) Explain what a customer relations policy is:** a company policy affecting and influencing customers' impressions of the society; indicates how orders are fulfilled; defines how customers' orders should be satisfied; question of quality and value for money; the candidate needs to offer a well constructed statement reflecting these points. **[4]**

Up to 4 marks as follows:

1-2 marks      weak/basic/partial appreciation of customer relations

3-4 marks      firm demonstration of understanding

**(ii) List four ways of maintaining customer loyalty and satisfaction:** The candidate needs only to list four ways but some brief explanation of each point would be helpful and could enhance the marks; the ways can be chosen from e.g:

- meeting customers' needs specifically
- looking after their photographs
- guaranteeing high quality
- remedying mistakes e.g. another print run, refunds
- suitable and reliable delivery arrangements

**[4]**

1 mark            for each way identified (not more than 4)