

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Standard Level

MARK SCHEME for the May 2008 question paper

CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS
5161/5169 Business Organisation and Environment, Maximum mark 100

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1 (a) **Select Locations is described as a general partnership. Identify two features of a general partnership.** [2 x 2 = 4]

- Unlimited liability i.e. no financial protection in the event of bankruptcy, each partner is liable for the debts of the other partners
- One partner's decisions binds the partnership
- May be controlled by a Deed of Partnership
- Unincorporated business owned by more than 2 partners
- Each partner is technically self-employed

Marks: 1–2 per feature according to content and treatment.

(b) **Explain the partners' business objectives to:**

(i) **make a 'good profit'** [4]

- Profit is the justification for being in business
- It is a reward for risk taking and enterprise
- It is a source of internal capital
- A good profit represents an attractive return on capital

(ii) **remain competitive** [4]

- Being competitive will help ensure survival
- Price is not the only issue here
- Quality and extent of the service, the professionalism of the business, are all aspects of being competitive
- Being ahead of competitors in all aspects reflects competitiveness

(iii) **satisfy their clients** [4]

- Client satisfaction is a must for any business
- Film producers are likely to be very demanding and Select Locations will have to respond accordingly
- They are likely to be paid high fees to provide a faultless service so it is necessary to offer 'perfect' arrangements

Marks: 1–4 per objective as follows:

1–2 elementary understanding and explanation

3–4 good to strong awareness and description; in context of Select Locations

(c) **Explain the meaning of the following terms:**

(i) **working capital** [2]

- finance required for the day-to-day running of the business
- used to pay for running costs

NB: It is unlikely that the formula will be offered but if it is then award 2 marks.

- *formula: working capital = current assets – current liabilities*

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(ii) **fixed costs** [2]

- costs which do not alter regardless of the business activity e.g. rent, interest charges, wages, insurance
- they have to be paid regardless of whether Select Locations has any business or not

2 (a) **Explain what is meant by a matrix structure and identify one benefit of it to Select Locations.** [2 x 2 = 4]

Definition

essentially a team approach which draws its members from within the business ignoring departmental or hierarchical boundaries
creates a flatter structure

Benefit

encourages better coordination of work and projects
offers staff better opportunities to employ their talents, expertise and skills
brings together staff from different areas of expertise

Marks: 1–2 for the definition plus 1–2 for the benefit according to content and treatment.

(b) **Carlos says that the stakeholders are equally important to the partners although some are more important than others.**

(i) **Define the term ‘stakeholder’.** [2]

- person, persons, organisation with a DIRECT interest in the performance of Select Locations
- some will hold no authority in or over the business
- business needs to pay attention to their needs

Marks: 1–2 for the definition according to content and treatment.

(ii) **Identify two of Select Locations’ stakeholders and indicate why they could be regarded as the most important.** [2 x 4 = 8]

- The Candidate needs to identify the most important stakeholders and justify the choice from e.g.
- Partners
- Employees
- Specialist personnel
- Bankers
- Film and television production companies
- Insurer
- Suppliers
- Government departments

NB: there is no correct answer but we are looking for a knowledgeable response.

Marks: 1–4 marks per stakeholder as follows:

- 1–2 identity of an appropriate stakeholder; elementary awareness and explanation
- 3–4 understanding of the importance, context of Select Locations and application

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(c) With reference to Select Locations, define the following terms:

(i) **target setting** [2]

- The partners are responsible for setting realistic i.e. achievable targets for the business over the next year [or other appropriate time period] which will involve e.g. budgeting, cash flows.

(ii) **span of control** [2]

- Refers to the number of staff who directly answer to a manager
- A wide span means that a manager has many staff
- Carlos has total span of control because he, as senior partner, manages everybody

(iii) **chain of command** [2]

- Essentially it is the vertical line of authority and responsibility within a business enabling instructions to be passed down from top to bottom
- A short chain suggests few layers of hierarchy which makes communications more effective
- The text indicates that the business is run in the form of a matrix which suggests a flatter structure.

Marks: 1–2 marks per terms according to content and treatment.

3 (a) **Additional personnel are either self-employed or casual employees.**

(i) **Define the term ‘casual employees’.** [2]

- Casual staff are taken on as and when required
- Select Locations takes on local labour to fulfil particular short-term roles
- They will be paid for what they do and will not necessarily receive the benefits normally offered permanent employees

Marks: 1–2 marks according to content and treatment.

(ii) **Suggest one benefit to the partnership of employing casual employees.** [2]

- The business only has to pay [probably] on a daily basis
- The pay will be in line with local pay rates [and in local currency]
- The unskilled workforce can be expanded temporarily without incurring large employment costs

Marks: 1–2 marks according to the identity and understanding of the benefit.

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(b) Describe the following expectations that the partners might reasonably have of the personnel they employ:

(i) cooperative attitude [4]

- Staff are expected to do what they are paid for without creating unnecessary problems;
- They are expected to carry out any duty or role that can be reasonably asked of them;
- They are expected to use their skills to the best advantage;
- They should accept deadlines.

(ii) appropriate skills [4]

- Apart from the casual staff, all other staff must be skilled;
- The film industry demands people who are appropriately trained and experienced;
- Skills should be updated.

(iii) efficient and effective work of a high standard [4]

- Good time-keeping
- Ability to work awkward hours and to meet deadlines
- Cooperative attitude
- Act as part of a team
- High standards of expertise and workmanship

Marks: 1–4 marks per expectation as follows:

1–2 elementary appreciation, limited response

3–4 good knowledge and application, context

(c) Explain what is meant by teleworking and suggest one benefit it gives. Select Locations. [2 x 2 = 4]

Definition

Teleworking enables the partners to work in any location i.e. home, train, aeroplane, on location so long as there is an electronic link between them and the head office in Manila.

Benefit

The essential benefit is that it enables the partners to keep in touch with the office regardless of where they are in the world – it also assists them in planning their own work schedules.

Marks: 1–2 for the definition plus 1–2 for the benefit according to content and treatment.

4 (a) Every business is affected in some way by PEST or external factors. Explain how the partnership, when selecting locations, might be influenced by:

(i) local employment issues [4]

- Local wage rates, hours of work, conditions;
- Any religious/faith issues e.g. prayer time, special food, dress codes;
- Any extras that may be expected e.g. completion bonus

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(ii) environmental pressure groups [4]

- Films are often made in areas of great beauty and locals may worry about the effect a production company will have on the environment;
- Pressure groups may demand guarantees that the company will not cause lasting problems e.g. erosion, pollution, structures built for the film will be removed, afterwards.

(iii) government incentives [4]

- The work and cash-flow created by Select Locations may be welcomed by the Government which will provide certain incentives;
- The support may be in the form of licences to operate in a particular region; adjustment of local taxes; subsidised accommodation.

Marks: 1–4 marks per factor as follows:

- 1–2 basic understanding of PEST factors
- 3–4 knowledge and awareness of the factors, context

(b) Discuss the following factors which determine why the partnership might select a particular location for the making of a film:

(i) supply of reliable labour [4]

- The unskilled positions on location are filled by local labour on a casual basis
- The Film industry has tight deadlines and schedules so labour must be reliable i.e. punctual, able to carry out their tasks
- Be conscientious
- Location area should ideally have a ready supply of suitable labour

(ii) availability of facilities [4]

- wide interpretation here
- appropriate accommodation, access roads, power, waste disposal, possibly workshops, suppliers

Marks: 1–4 marks per factor as follows:

- 1–2 basic response, limited detail
- 3–4 good knowledge, application, context

5 (a) While the film industry may operate in a global market, Select Locations works in the international market. Explain the meaning of:

(i) a global market [2]

- The market is literally world-wide
- The film industry works and sells its products throughout the entire world whereas Select Locations works within a specific geographical area

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(ii) an international market [2]

- It is a market which involves working in more than one other country
- To claim being international, Select Locations would need to operate in several countries i.e. Philippines, Indonesia, Malaysia and Australia.

Marks: 1–2 per market depending on content and treatment.

(b) Select Locations has to market its services to the film and television world. Explain the following elements of its marketing policy:

(i) extending the customer base [4]

- Every business wants its customers to re-order but reliance on repeat business limits prospects;
- It is important to attract new customers and so extend the client list/base – this offers more opportunities for work/contracts;
- Some customers may go out of business or change their operations – necessary for Select Locations to secure their future.

(ii) developing and promoting the image [4]

- The image of Select Locations will determine how much work the business gets;
- Every contract will in some way affect the image;
- It is important that each contract is properly managed;
- Select Locations wants to be seen as professional and reliable.

Marks: 1–4 per element as follows:

1–2 basic approach, limited understanding of the issues

3–4 knowledge and awareness, context

(c) (i) Explain what is meant by the statement that Select Locations “..cannot offer the same sort of customer service policy as many other companies..” [4]

- Select Locations is in a specialised business which essentially sells a service;
- It cannot offer an after-sales service, replacements for faulty goods, credit facilities or 24 hour help-line;
- It could offer discounts or refunds on the contract price if anything is below standard;
- Its policy is to offer a high standard of delivery and meet the specific needs of the clients.

(ii) Explain what Carlos means when he says that the business is only as good as its last project. [4]

- If the last project was less than satisfactory from the client’s viewpoint then the image of Select Locations will be affected adversely, [or vice versa];
- The pressure which the business will impose on all personnel is to perform to the highest standard so that reputation is enhanced;
- The film production industry will know if Select Locations does not perform well and some customers will look elsewhere.

Marks: 1–4 per element as follows:

1–3 basic approach, limited understanding of customer service

3–5 knowledge and awareness, context