

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Standard Level

MARK SCHEME for the May 2009 question paper
for the guidance of teachers

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

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- 1 (a) Identify *two* benefits to Pedal-Power of being a private company rather than a public limited company. [2 × 2 = 4]

Candidates are expected to offer **two** features or benefits which indicate advantage to Pedal-Power. *A well written sentence for each feature/benefit will suffice.* The points are to be drawn from a limited list:

- No compulsion to publish accounts;
- Shares cannot be traded on the open market and can only be transferred with the agreement of the other shareholders;
- The company is not vulnerable to any take-over bid;
- Pedal-Power could have a sole director.

- (b) Explain Pedal-Power's business objectives to:

NB: *The following three points are all linked so there may well be some overlap or repetition in the responses.*

- (i) raise the standard of living [4]

- Employment enables Pedal-Power's staff to keep themselves and their families;
- More opportunities in tourism will create more jobs in the economy;
- Better earnings mean the ability to pay taxes which in turn bring benefits to a community.

- (ii) create employment [4]

- Pedal-Power cannot survive without employees and their skills;
- Encouraging tourists will in turn create more employment opportunities;
- Employees' expenditure helps to employ others.

- (iii) contribute to the development of the economy [4]

- Encouraging tourists means more foreign exchange;
- Tourists expect improvements in infrastructure, hotels, restaurants;
- Tourists' money and more employment create a more active economy.

- (c) The company does not accept credit payments and only accepts cash. Explain the difference between cash and credit payments. [4]

- Cash consists of notes and coins;
- Therefore Pedal-Power's services are paid for in hard currency;
- A credit transaction mostly relies upon credit or debit cards;
- Payment is made on the understanding that a bank will credit Pedal Power's bank account with the appropriate sum;
- These days credit or debit cards are regarded as near-cash.

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2 (a) The organisational structure of the company is in the form of a matrix. Explain what is meant by a matrix structure and give *one* benefit of it to Pedal-Power. [4]

- It is essentially a team approach which draws its members from within the business ignoring departmental boundaries;
- Creates a flatter structure.

(b) With reference to the structure of Pedal-Power, define the following terms:

(i) short chain of command [4]

- 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.

(ii) a wider span of control [4]

- Refers to the number of staff answerable to any one director/manager;
- A wide span means a director/manager has many staff to direct;
- The three founders have a wide span of control because they do not have a hierarchical structure.

(iii) accountability [4]

- The lack of a hierarchy and the matrix structure mean that the three founders have a hands-on approach to the business;
- Despite team-working, the founders [owners] take the final decisions and thus have the responsibility for the direction the company takes;
- Staff are expected to be multi-skilled and have areas of responsibility – failure to deliver means they will have to account for their actions.

(c) The company has appointed four non-executive Directors to the Board.

(i) Explain what a non-executive director is. [2]

- A non-executive director is not employed by Pedal-Power and as such has no day-to-day involvement;
- The director can be invited to join the Board because of expertise [e.g. tourism] or the representation of a stakeholder [e.g. the bank].

(ii) Explain *one* advantage of appointing non-executive directors to the Board. [2]

- Not being directly involved in the business, means that the non-executive director is more likely to be independent and offer unbiased advice;
- The director can bring an 'outside view' to Board discussions.

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- 3 (a) Flexitime does not fit in with the company's daily routine but it does allow job sharing.
- (i) Explain what job sharing is. [2]
- One full-time job is undertaken by two people who split the working week [or other suitable time period] between them [mostly on a 50:50 basis] with each employee being paid pro-rata.
- (ii) Identify *one* benefit of it to Pedal-Power. [2]
- May provide Pedal-Power with two people applying fresher minds to the task;
 - Enables an employee to be economically active and contribute to the company on a part-time basis.
- (b) In addition to permanent staff, the company employs people both on a casual basis and on fixed-term contracts.
- (i) Describe what is meant by a casual employee. [2]
- Casual staff are taken on during the height of the tourist season as and when required;
 - Pedal-Power 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.
- (ii) Explain what is meant by a fixed term contract. [2]
- The employment contract runs for a specific fixed term e.g. one year, and expires at the end of that term;
 - An employee is generally treated as permanent in respect of pay and any benefits;
 - Satisfactory work could mean Pedal-Power offering a follow-on contract.
- (c) Explain the following *three* expectations that Pedal-Power has of its employees:
- (i) effective and efficient work [4]
- Good time-keeping;
 - Willingness to work awkward hours and to meet deadlines;
 - Cooperative attitude;
 - Perform well as part of a team;
 - High standards of expertise and workmanship.
- (ii) commitment to the business [4]
- In return for pay and benefits employees are expected to support their employer;
 - Supporting the business means long term employment;
 - Commitment to the objectives of Pedal-Power result in a profitable business and opportunities for all;
 - Then success of the company and welfare of the employees are the same.

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(iii) the ability to work with others and also on their own initiative [4]

- Ability to fit into a team and contribute to achieving tasks;
- Co-operative attitude;
- Willingness to share ideas and take advice;
- Ability and willingness to work on one's own with the minimum of supervision;
- Ability to know what any task requires and readiness to resolve problems.

4 (a) Every business is influenced in some way by external or PEST factors. Explain how Pedal-Power might be influenced by:

(i) environmental pressure groups [4]

- Pedal-Power's clients will visit areas of great beauty and pressure groups may worry that they will leave rubbish behind and/or disturb the local wildlife;
- They may object to Pedal-Power's business on the grounds that cycling may erode paths and trackways;
- They may demand assurances that the company will not encourage the ruination of the countryside for the sake of profits.

(ii) government policies on tourism [4]

- All the time the Government remains keen on encouraging tourism then companies like Pedal-Power have a future;
- Alternatively, the removal of any incentives or a change of policy may result in Pedal-Power going out of business;
- The image of the country [in terms of safety, tourist centres, economic stability, etc] will determine its popularity or otherwise to foreign tourists.

(iii) the law regarding the employment of staff. [4]

- A change in the law might make employment of staff more expensive because of e.g. new recruitment procedures, a national minimum wage, essential training costs, a change in the number of hours worked, the age at which people can start or stop working.

(b) A factor affecting the location of Pedal-Power's hire and repair shops is access to the target market. Explain what is meant by access to the target market. [4]

- The shops need to be located along the tourist routes i.e. where the business is!
- The shops also need to be obvious in order to encourage impulse business in addition to the planned hires.

(c) Explain two examples of practical help or incentives the Government could offer the tourism sector. [2 × 2 = 4]

- The response here is likely to be conjecture as no clue is given in the text;
- The support may be in the form of trading licences; adjustment of local taxes; tax holidays for new businesses in tourism; training grants;

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5 (a) Mario says the company has got the right balance in its marketing mix. Explain the following three elements of the marketing mix:

(i) product [4]

- The product is bicycles for hire so that tourists may explore the country at a leisurely pace;
- The product is also provided in areas of beauty which will attract the tourists;
- The bicycles are modern, efficient and well maintained.

(ii) promotion [4]

- The candidate can assume good shop décor;
- Advertisements in tourist literature [guides, brochures];
- Advertisements in the tourist hotels and travel agents.

(iii) place [4]

- The business has its hire and repair shops in the tourist areas;
- A good location brings in business.

(b) Mario talks about the company's good customer relations policy. Identify two elements of Pedal-Power's customer relations policy. [2 × 2 = 4]

- The product i.e. the bicycle for hire, must be of good quality and in good repair;
- The policy will support the product with such elements as: refunds if not satisfied; replacement bicycles; roadside repairs, bicycle and/or client collection or pick-up service;
- The policy will contain e.g.: how staff should treat customers, how any complaints and problems are dealt with, selling in more than one currency.

(c) Explain what Mario meant when he said Pedal-Power was trading in a 'chosen market'. [4]

- Pedal-Power is able to specialise in tourist related products;
- It enables staff to get to know customer requirements;
- Pedal-Power can develop its product line;
- It enables Pedal-Power to develop a reputation in its market.