

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Standard Level

MARK SCHEME for the May 2010 question paper
for the guidance of teachers

CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS

5169 Business Organisation and Environment, maximum mark 100

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

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Examiners should note that:

- The following are **not** model answers but should be regarded as persuasive.
- The mark scheme identifies the more likely points that candidates will raise.
- A candidate may offer other relevant and suitable responses.
- Although some tasks can relate to any business, responses should be made in **context** where appropriate.
- The key is to test a candidate's knowledge and awareness.
- Extensive answers are not called for but candidates should offer well-written informative responses.
- Each task can earn up to 4 marks.
- English is not the first language of the majority of our candidates. The quality of written language is not part of the assessment.
- This is a *standard level* paper.
- Usually, each response is followed by advice on the interpretation and application of marks. Since each task is worth up to 4 marks, it seems unnecessary to append virtually the same advice to each task. *This note is the guide for the entire examination paper.*

Marks	Descriptors
1	A response indicating some basic or limited knowledge; identity of perhaps one element without discussion, explanation or application.
2	A response which indicates elementary knowledge; offers key words; indicates some awareness, limited explanation.
3	A firm answer reflecting a good understanding of the issue; obvious knowledge and application; good use of the text as a source; perhaps limited context.
4	The best possible response given the examination pressure; clear and direct answer to the task; reflects knowledge, application, perhaps some judgement and, importantly, context; well structured.

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Candidates are expected to use material in the case study to support their responses i.e. respond in **context** wherever appropriate. This is *standard level* so the responses are not expected to be as complete as the mark scheme suggests below. *The points identified are the more likely ones that candidates will raise.* We are looking for balanced responses which indicate knowledge, understanding and application.

1 (a) Dr Rahman has identified two functions of Leisure Unlimited. Explain each of the following functions:

(i) contribute to the development of the Malaysian economy; [4]

- The Water-Splash Complex itself is a major source of employment;
- Employees are paid wages and salaries which means they create demand for goods and services so their spending helps to employ others;
- Tourists' money and more employment create a more active economy;
- Creation of business opportunities e.g. suppliers, franchises;
- Encouraging tourists means more foreign exchange;
- Tourists expect improvements in, for example, infrastructure, hotels, restaurants, etc., which the Complex provides.

(ii) raise the standard of living of the employees. [4]

This task is clearly related to **1 (a) (i)** above.

- The text refers to the high level of unemployment so the business provides an economic lifeline to those who were unemployed or who were in less well paid jobs;
- Employment enables Leisure Unlimited's staff to keep themselves and their families;
- Better earnings mean the ability to pay taxes which in turn bring benefits to a community;
- Leisure Unlimited is likely to provide uniforms, medical insurance, meals, careers and promotion prospects – all of which will raise the standard of living of the employees.

(b) Explain the main objectives of the company to:

(i) make a profit; [4]

- Profit is the justification for Leisure Unlimited being in business;
- It is a reward for the company's risk taking and enterprise;
- Profitability [and the possibility of profit-sharing] helps to motivate the immediate stakeholders;
- Profit is also a source of internal capital;
- A good profit represents an attractive return on capital for investors.

(ii) remain competitive. [4]

- Being competitive will help ensure the survival of Leisure Unlimited;
- Price is an element of competition but so is the quality and extent of the facilities at Water-Splash and the professionalism of the business;
- Innovating and introducing new ideas helps to keep Leisure Unlimited ahead of its rivals;
- Competitiveness = survival = jobs and pay.

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(c) Dr Rahman said that any future development of the company would be financed by ploughed-back or retained profits. Explain what is meant by ploughed-back or retained profits. [4]

- Ploughed-back profit is also known as retained profit;
- It is the profit that is left after all other charges or deductions have been made;
- It is the profit that is reinvested into the business to finance renewal and any expansion plans;
- It is an excellent and 'cheap' source of internal capital;
- As far as the Water-Splash complex is concerned, the ploughed-back profit will be the main source of finance for future development.

2 (a) Explain how, according to Dr Rahman, the hierarchical structure clearly indicates the:

(i) levels of authority; [4]

- Shows the chain of command i.e. to whom employees are responsible;
- Indicates in Leisure Unlimited who has authority and their respective positions;
- Indicates the posts employees hold;
- Reflects accountability and the span of control.

(ii) channels of communication. [4]

- The hierarchy assumes a top-down structure for the issuing of orders and a bottom-up one for feedback;
- It is the internal route for passing orders and information;
- Indicates the means through which staff and managers communicate;
- In this case, there will be quite a long channel i.e. many layers, through which information passes.

(b) Describe the function of the Human Resources department of Leisure Unlimited. [4]

- Selecting, organising and developing personnel;
- Staff training and encouraging managers to train their teams;
- Determining contracts, pay grades, pensions, benefits;
- Ensuring the selection of the very best staff, especially given the nature of Water-Splash.

(c) Dr Rahman said that stakeholders other than shareholders were equally valuable to the business. Explain why the following should be considered as stakeholders:

(i) employees; [4]

- Leisure Unlimited relies on their effort, expertise, commitment and cooperation;
- The quality of employees enhances the company's image and reputation and so improves its turnover;
- The employees are a major factor in the success of the business.

(ii) the bank. [4]

- The bank handles the company's business accounts;
- It advises Leisure Unlimited on its financial affairs;
- It may need to offer loans and overdrafts and needs to know that the business is secure and profitable;
- It has an interest in the success of the business.

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3 (a) Most employees are full-time and permanent but some are casual staff or self-employed.

(i) Explain how Water-Splash benefits from recruiting international instructors who are self-employed. [4]

- Self-employed [freelance] members of staff are generally responsible for their own tax, pensions, and medical care;
- They will not, as a rule, cost Leisure Unlimited the same in benefits and support as with a full- or even part-time employee;
- Having self-employed staff offers the company flexibility in staffing e.g. when skill requirements change, coping with peak periods etc.;
- Relatively easy to cancel contracts of inefficient self-employed staff.

(ii) Explain what is meant by a casual employee. [4]

- Casual staff are taken on as and when required;
- Leisure Unlimited may take on local labour to fulfil particular short-term roles to cover staff absences or shortages, meet peak demand etc.;
- They will be paid for what they do and will not necessarily receive the benefits normally offered permanent employees.

(b) Describe the following expectations that Leisure Unlimited might reasonably have of its Water-Splash employees:

(i) appropriate skills; [4]

- All staff must be appropriately skilled [this does not mean necessarily highly skilled but they must be able to carry out the work allotted to them];
- Even casual staff will be given sufficient training;
- Leisure Unlimited expects certain categories of staff to be highly trained and experienced e.g. physiotherapists, instructors, chefs.
- Skills should be updated according to changes in activities, promotion prospects etc.

(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 Leisure Unlimited results in a profitable business and wider opportunities;
- Then success of the company and welfare of the employees are the same.

(iii) the ability to work with others. [4]

- The Water-Splash complex relies on people who can fit into a team and contribute to the achievement of targets and 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.

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4 (a) Every business is in some way affected by PEST or external factors. Explain how the future of the Water-Splash complex might be influenced by:

(i) environmental pressure groups; [4]

- There is growing concern worldwide about climate change and Water-Splash will attract more overseas visitors thus increasing air traffic which will offset its daily saving of carbon emissions;
- The Complex is built in an area of outstanding natural beauty and there is concern that the location will be ruined by buildings, people and their rubbish, and traffic;
- The pressure groups could demonstrate inside the resort, disrupt activities, drive away visitors, maintain adverse publicity.

(ii) government policies on tourism; [4]

- All the time the Government remains keen on encouraging tourism then companies like Leisure Unlimited have a successful future;
- Alternatively, the removal of any incentives or a change of policy may result in Leisure Unlimited finding it difficult to continue as a profitable 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) distribution of income. [4]

- This is the spread of income earned by different sections of a community;
- It depends on the levels of earnings, taxation and deductions;
- High net income levels in the target market will mean surplus income and the willingness to spend on resorts like Water-Splash.

(b) Explain why the location of the Water-Splash complex was dictated by the following:

(i) natural resources; [4]

- The text makes it clear that the complex or resort is built around the shores of a large lake in order to provide water sports;
- Open water will also offer strong breeze or winds suitable for certain sports and the generation of wind-powered energy;
- Being set in Malaysia, the sun is also a source of energy;
- The location is also suitable for exploiting the natural heat in the earth.

(ii) the supply of labour. [4]

- The complex is located in an area of high unemployment;
- The fact that Leisure Unlimited located there suggests that there was a sufficiency of labour for the Human Resources (HR) department to select the most suitable;
- There would be a keenness to work;
- Apart from basic skills, most employees would need to speak another language;
- HR would give appropriate training.

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5 (a) Explain why the market for the Water-Splash complex is dictated by:

(i) competition; [4]

- The holiday market is very competitive which is the reason why Leisure Unlimited developed Water-Splash – it taps into a new and hopefully expanding market;
- Competition has encouraged the company to offer new holiday experiences;
- The company would need to pay attention to the marketing mix;
- Aggressive competition from other providers could result in lower turnover and profits for Leisure Unlimited – even create job losses, the sale of some facilities like hotels; at its worse it could mean closure of the business.

(ii) the business or trade cycle. [4]

- It is the cycle of economic growth, the fluctuations in economic activity;
- Basically the cycle moves from boom to slump to boom;
- The cycle will impact on Leisure Unlimited – if there is a recession then the number of visitors may fall significantly enough to create unemployment, lack of profitability – even a loss;
- A boom or a stable period will present the company with opportunity – consumers will have more income and people will be prepared to spend on holidays.

(b) Explain the following elements of Leisure Unlimited's marketing policy:

(i) meeting current market demand; [4]

- Leisure Unlimited identified a trend for water sport based holidays;
- It recognised the change in taste of some holiday-makers that they were looking for something different;
- To meet current market demand meant market research, looking at the competition, setting price levels.

(ii) developing new products. [4]

- This is related to **5 (b) (i)** above;
- Includes improvements to existing products;
- Improvement and/or development are necessary in order to compete successfully;
- Use market research and the study of competitors and customers' spending patterns.

(c) Dr Rahman knows that customer relations are important. List *four* ways the company could ensure customer satisfaction. [4]

- The key here is that candidates should offer a list. It is only necessary to identify four ways without any explanation;
- Those four ways can be drawn from, for example:
Appropriate handling of complaints;
High levels of safety and hygiene;
Staff courtesy and helpfulness;
Skilled and trained staff;
High level of staff service and commitment;
Customer friendly enquiry and sales department.