

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Standard Level

MARK SCHEME for the May 2012 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.

- Cambridge will not enter into discussions or correspondence in connection with these mark schemes.

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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.
- English is not the first language of the majority of our candidates. The quality of written language is no part of the assessment.
- This is a *standard level* paper.
- Usually, each response is followed by advice on the interpretation and application of marks.

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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 look for knowledge, understanding and application.

1 (a) Apart from bringing in cheaper goods, what two other steps might WCJ take when faced with a drop in demand due to a worldwide recession. [2 × 2 = 4]

- Control or reduce costs.
- Reduce prices on existing products.
- Target advertising costs.
- Look for gaps in the market they can target and compete in.

Marks	Descriptors
1	An item stated with no, or only very brief, description.
2	A full description of an item.

(b) Describe two advantages of a Limited Company compared with a partnership. [2 × 2 = 4]

- Limited Liability for shareholders, unlimited for partners (or for at least one in Limited Partnership).
- More capital can be raised as there is no limit on the number of shareholders, compared with a maximum limit of 20 partners.
- The business will continue even if a shareholder dies, whereas partnerships end when a partner dies.

Marks	Descriptors
1	An item stated with no, or only very brief, description.
2	A full description of an item.

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(c) Explain why WCJ may sometimes need bank overdrafts. [6]

- To cover temporary deficits in their cash flow.
- To take advantage of temporary bulk buying discounts.
- To purchase extra stock ahead of peak seasons.
- If overdrafts are only needed occasionally, this will be cheaper than borrowing loans all the time.

Marks	Descriptors
1	A response indicating some basic or limited knowledge, identity of perhaps one element without discussion, explanation or application.
2	A response that offers some explanation of one element or identifies two elements without discussion, explanation or application.
3	A better answer that offers two or more elements with some limited discussion and maybe some context, or a full discussion on one element only.
4	This answer will offer good discussion on two or more elements usually in context.
5	A good discussion on all elements requested showing excellent knowledge with some reasoning and maybe limited judgement
6	The best possible response given the examination pressure; clear and direct answer to the task. The response is well structured and reflects knowledge, application, reasoning and some judgement, and importantly, context.

(d) Identify and briefly explain the purpose of two of the main books of accounts entry that WCJ would have to maintain as part of their bookkeeping system. [2 × 3 = 6]

- Cash Book, lists the flow of money in and out of the business.
- Day Book, contains records of purchases and sales.
- Ledgers, sales ledger, purchase ledger, nominal ledger, general ledger. Contain summaries of amounts originally recorded in Day Book and Cash Book.

Marks	Descriptors
1	An item stated with no explanation
2	An item briefly explained
3	An item fully explained

2 (a) Describe two difficulties the long opening hours would have on the supervision of the staff in the branches. [2 × 2 = 4]

- Supervisors would have to work shifts as well, which may not be popular
- Staff would report to different supervisors on different shifts making it more difficult to build up relationships and trust.

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- Performance evaluation would be more difficult because the staff had reported to different supervisors at different times.
- Long hours may have impact on supervisor's quality of work.
- Shifts may have adverse effects on social life with consequent effects on morale.

Marks	Descriptors
1	An item stated with no, or only very brief, description.
2	A full description of an item.

(b) With reference to WCJ, define the following terms:

(i) channels of communication

(ii) target setting

[2 × 2 = 4]

(i) The route by which a message is communicated from sender to receiver.
The route often follows the hierarchical structure of WCJ.

(ii) Staff are set targets by the senior management in order to motivate them and also to measure their work against.
There may be sales targets in the case of shop staff, or output targets in the case of repair staff.

Marks	Descriptors
1	A term defined briefly.
2	A full definition of a term referring to the use of the term in WCJ.

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(c) Explain how Lily and Danny combine their different skills to help the business achieve its objectives. [6]

- Danny's business background enables the business administration to be successful.
- Lily's product knowledge and design skills enable the business to offer the right products to the consumer.
- The two have known each other for many years and should work well together.
- Their varied skills complement each other.

Marks	Descriptors
1	A response indicating some basic or limited knowledge, identity of perhaps one element without discussion, explanation or application.
2	A response that offers some explanation of one element or identifies two elements without discussion, explanation or application.
3	A better answer that offers two or more elements with some limited discussion and maybe some context, or a full discussion on one element only.
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5	A good discussion on all elements requested showing excellent knowledge with some reasoning and maybe limited judgement
6	The best possible response given the examination pressure; clear and direct answer to the task. The response is well structured and reflects knowledge, application, reasoning and some judgement, and importantly, context.

(d) Explain two advantages of setting out a formal hierarchical organisation structure for WCJ. [2 × 3 = 6]

- It sets out the chain of command within WCJ, the way authority is organised. Orders are passed down the chain and information is passed up it.
- WCJ can see the number of levels within the organisation, each extra level reduces the effectiveness of communication.
- It will also enable WCJ to see the span of control of each of their managers and supervisors.

Marks	Descriptors
1	An item stated with no explanation
2	An item briefly explained
3	An item fully explained

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3 (a) Describe two practical non-financial incentives that could be used effectively by Lily and Danny in order to motivate the staff of WJC. [2 × 2 = 4]

- Job rotation.
- Job enlargement.
- Job enrichment.
- Better chance of promotion.
- More holidays.
- Fringe benefits such as discounts on products,

Marks	Descriptors
1	An item stated with no, or only very brief, description.
2	A full description of an item.

(b) Describe two advantages of employing more part-time staff in the branches rather than full-time staff. [2 × 2 = 4]

- More flexibility particularly if part-time staff are not on set hours.
- Lower costs if, as often happens, part-time staff are paid a lower hourly rate.
- Part-time staff become trained and a ready replacement for full-time staff who leave.

Marks	Descriptors
1	An item stated with no, or only very brief, description.
2	A full description of an item.

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(c) Describe the following expectations that WCJ might reasonably have of their employees:

(i) **Loyalty**

(ii) **Ability to work with others**

(iii) **Acceptance of company codes of conduct**

[3 × 2 = 6]

(i) loyalty

- The employee will support the objectives of WCJ and work to ensure those objectives are attained.
- The employee will support the ethics of WCJ.
- The employee will not criticise WCJ to external parties.

(ii) ability to work with others

- Employee is a team worker.
- Employee follows instructions given by their supervisor.

(iii) acceptance of company codes of conduct

- Employee adheres to company codes of conduct e.g. dress code.
- Employee follows courtesy code in dealing with customers.
- Any dispute is not carried out in view or sound of customers.

Marks	Descriptors
1	A very brief, description.
2	A full description of an item.

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(d) Explain the advantages to the employees if they had a staff association or trade union. [6]

- Negotiating better rates of pay for the employees.
- Ensuring satisfactory working conditions.
- Acting on behalf of employees in grievance procedures.
- Acting on behalf of employees in disciplinary proceedings.

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2	A response that offers some explanation of one element or identifies two elements without discussion, explanation or application.
3	A better answer that offers two or more elements with some limited discussion and maybe some context, or a full discussion on one element only.
4	This answer will offer good discussion on two or more elements usually in context.
5	A good discussion on all elements requested showing excellent knowledge with some reasoning and maybe limited judgement
6	The best possible response given the examination pressure; clear and direct answer to the task. The response is well structured and reflects knowledge, application, reasoning and some judgement, and importantly, context.

4 (a) Describe two corporate objectives that Danny and Lily might set in a period of recession. [2 × 2 = 4]

- Survival – if sales drop due to the recession, it may be essential to concentrate on the firm surviving instead of growth or profit objectives.
- To reduce costs – may need reduced costs such as staff costs due to lower sales. May have to make some staff redundant.
- To reduce price of products – may have to cut gross margins or find cheaper products.
- To seek new markets such as through an internet presence.

Marks	Descriptors
1	An item stated with no, or only very brief, description.
2	A full description of an item.

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(b) Explain why WCJ might prefer to locate their stores in shopping centres. [6]

- The concentration of stores will increase foot traffic.
- The shopping centre will market the centre as a whole thus increasing sales for all stores including WCJ.
- Purpose built modern stores usually available on lease.
- The other stores' marketing and good reputation will increase foot traffic.

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1	A response indicating some basic or limited knowledge, identity of perhaps one element without discussion, explanation or application.
2	A response that offers some explanation of one element or identifies two elements without discussion, explanation or application.
3	A better answer that offers two or more elements with some limited discussion and maybe some context, or a full discussion on one element only.
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5	A good discussion on all elements requested showing excellent knowledge with some reasoning and maybe limited judgement
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(c) WCJ will be affected in some way by PEST or external environmental factors. Explain how they would be affected by the following:

(i) an increase in the rate of corporate taxation

(ii) another jewellery store opening in the same centre

[2 × 3 = 6]

(i) The increase in the rate of corporate taxation will increase the amount of tax that WCJ pay in any year that they make a profit. This will restrict the rate of growth of the firm since they will not have as much in retained earnings. Alternatively they can reduce their dividends to maintain their retained earnings levels, but this will reduce the earnings of their shareholders (Danny & Lily).

(ii) This will bring competition to their store in that mall. This would mean that standard items such as wedding rings may have to be priced more competitively. In addition they will have to be aware of the products offered by the new store. Some assessment of the market the new store are aiming at will have to be made e.g. are they selling mainly cheaper jewellery or are they aiming at the high end of the market with expensive jewellery. WCJ may want to change their marketing strategy accordingly.

Marks	Descriptors
1	An item stated with no explanation
2	An item briefly explained
3	An item fully explained

(d) Describe what is meant by technological change, using an example relating to WJC. [4]

- Development of new technology in terms of what is being made available or how it is being produced.
- In the case of WCJ this will include computer aided design software (CAD) which would help Lily in designing jewellery. The manufacturers could be helped by the latest computer aided manufacture techniques.
- In the stores the latest technology would help in stock control and point of sales service.
- E-business.

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 identifies two elements without explanation or discussion, or identifies only one element but offers some discussion or explanation of that element.
3	A better answer that offers a very full discussion of one element or identifies two elements with some discussion or explanation on each.
4	The best possible response given the examination pressure; clear and direct answer to the task in context; reflects knowledge application and perhaps some judgement.

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5 (a) Describe two advertising methods that could be used effectively by WCJ. [2 × 2 = 4]

- Local newspapers – reach the local population
- Television – maximum impact but very expensive both for production and air time
- Radio – cheaper production than TV
- Magazines – colour print and may be referred to later, but a long time between placement and distribution
- Posters – can be used close to the shop; allows repeated viewing.
- E-marketing

Marks	Descriptors
1	An item stated with no, or only very brief, description.
2	A full description of an item.

(b) Describe two advantages of marketing the exclusive jewellery designed by Lily. [2 × 2 = 4]

- They will have an exclusive product not available to their competitors.
- Due to its exclusivity they will be able to charge a high price.
- The product can move from concept to market much quicker, thus enabling Lily to keep up with fashion changes.

Marks	Descriptors
1	An item stated with no, or only very brief, description.
2	A full description of an item.

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(c) Explain why it is important for WCJ to know what their customers want. [6]

- They must stock products that satisfy their customer's wants.
- Their market research must be aimed at finding these wants.
- If they do not stock what their customers want, then they will lose the customers to their competitors.
- If they stock products that their customers do not want, then they will tie up cash in stock that will not get sold except at heavily discounted prices.

Marks	Descriptors
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(d) Explain why price might not be as important as product in the marketing mix for WCJ. [6]

- They are selling luxury products and usually the right product is more important than the right price.
- Many products will be unique to WCJ, and therefore customers will not be able to shop for the lowest price.
- Some products will sell because they have a high price.

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