

CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Standard Level

MARK SCHEME for the May 2013 series

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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May 2013 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

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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. Since each task is worth 2, 4 or 6 marks, it seems unnecessary to append virtually the same advice to each task. Tables are therefore given which will apply to 4 mark questions, 2 × 2 questions, 6 mark questions and 2 × 3 questions. *These notes are the guide for the entire examination paper.*

Four Mark Questions

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.

Each Part of a 2 × 2 Question

Marks	Descriptors
1	A basic description or reason.
2	A good description or reason that has been expanded and possibly offers some explanation and is usually in context.

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Six Mark Questions

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.
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.

Each Part of a 2 × 3 Question

Marks	Descriptors
1	A basic description, reason or explanation.
2	A better answer that offers some discussion, usually in context.
3	The best possible response given the examination pressure. Well structured offering good knowledge, possibly judgement and almost always in context.

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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) Describe two advantages of a Limited Company compared with a sole trader. [2 × 2 = 4]

- Limited liability for shareholders
- More capital can be raised as there is usually more than one shareholder
- Continuity of business is assured as shares can be transferred

(b) Use the Clothes Manufacturing Division accounts, to calculate the following percentages:

(i) Gross Profit Margin

(ii) Net Profit Margin

[2 × 2 = 4]

- $271\,991 / 547\,160 = 49.7\%$ (allow 49–50.5%)
- $87\,435 / 547\,160 = 15.98\%$ (allow 15.5–16.5%)

1 mark for correct profit and sales figures but incorrect calculation in each case.

(c) Give two reasons why the Bangladeshi Government might encourage the expansion of the Clothes Manufacturing Division of RFL. [2 × 3 = 6]

- Expansion would create more jobs
- Most of the product is exported which would improve Bangladesh's balance of trade
- Increased sales should lead to increased profits which would mean more taxes received by government

(d) Describe two sources of capital that might be used by RFL. [2 × 3 = 6]

- Selling additional shares to new or existing shareholders
- Loans from banks or private individuals
- Sale and leaseback of assets
- Profits being ploughed back

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2 (a) Give one advantage and one disadvantage of a narrow span of control. [2 × 2 = 4]

Advantages

- Close supervision and tight control easier
- Better communication to subordinates
- Manager has more time to think and plan

Disadvantages

- Higher costs because more managers/supervisors
- Closer supervision may mean subordinates do not make decisions and this may lead to poor motivation

(b) Give two reasons why the senior management of RFL might produce an organisation chart. [2 × 2 = 4]

- Provides a clear chain of command showing who reports to who
- Shows how communication passes through the organisation and would enable RFL to identify communication problem areas
- Helps individuals to know their place in the organisation, they will know their responsibilities and who they report to

(c) Explain why marketing and production might have to work closely together when Rupa is designing new dresses. [6]

- Marketing needs to know the production costs of the new dress
- Production needs to know from marketing how many dresses to make and provide marketing with the likely production time
- Marketing needs to know the likely price of the dress and compare this with the production costs

(d) Describe the role of three of the stakeholders of RFL. [3 × 2 = 6]

- Shareholders provide capital and receive dividends from profits
- Directors are elected by shareholders and set overall strategy
- Managers control day to day operations
- Workers complete all day to day operations
- Customers purchase products and have to be satisfied in order for RPL to enjoy long term success
- Suppliers supply the raw materials and services to RPL and are concerned that they will continue to be paid
- Banks may lend money to RPL and inspect their financial accounts to make sure they will be repaid
- The community relies on RPL to provide employment for its inhabitants and is concerned with any environmental pollution caused by the business

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- 3 (a) Describe two advantages to RFL of employing some temporary part-time employees. [2 × 2 = 4]
- They can be employed when the business is busy and then easily released when business is quieter
 - This flexibility reduces costs for RFL
 - Often paid at a lower rate and do not receive fringe benefits
- (b) Explain one advantage to RFL and one advantage to the employees of working from home on a piece rate basis. [2 × 2 = 4]
- RFL will not have to provide working space in its factory for the employee
 - RFL will only have to pay for the work completed
 - Employee has much more flexibility about when the work has to be completed
 - Employee can combine work with other responsibilities such as caring for family
- (c) Explain why Hasan might regard loyalty from the employees as very important. [6]
- Hasan has worked for RFL for 30 years and is very hard working. This shows a lot of loyalty and he probably expects the same from his subordinates
 - Loyalty to Hasan and to RFL means that the employee always works to the best of his/her ability and that they do not criticise RFL to outside parties
 - While it is inevitable that some staff will leave, loyalty means that this is not a decision undertaken lightly and that generally staff will continue in employment with RFL
- (d) Describe two advantages to the employees if they formed a staff association which was agreed to by RFL. [2 × 3 = 6]
- Employees would have a source of advice for any work-related problems
 - The Staff Association could represent the employees in negotiation with RFL
 - The Staff Association could arrange social activities for employees

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4 (a) Dhaka is the capital of Bangladesh and a large city. Describe two advantages that RFL have by being located in a large city. [2 × 2 = 4]

- A large supply of potential employees
- Suppliers of services close to their factory
- Well developed transport infrastructure

(b) Describe two technological changes that RFL may face. [2 × 2 = 4]

- Increased use of computer aided design (CAD)
- Increased use of computer aided manufacturing (CAM)
- Direct communication with customers using internet
- Customers ordering automatically

(c) Explain how the positions in the business cycle will affect RFL. [6]

- The position in the business cycle of the economy of the countries where their customers are located would affect the demand from those customers
- In a boom there would be more demand for higher priced dresses and exact price may be relatively unimportant
- In a recession cheaper clothes would be more in demand and price would be important
- If a recovery was underway it would be important for RFL to be ready with different designs

(d) Every business is affected by external factors. Explain how RFL might be affected by:

(i) taxation [3]

- Higher indirect taxes will increase the cost of the product to the customer and reduce the demand
- Higher direct taxes will reduce the demand by reducing the disposable income of the customer, and will mean higher taxes on profits for RFL thus reducing the amount of ploughed back profits available for expansion
- Lower taxes will have the opposite effect

(ii) competition [3]

- Increased competition may force RFL to lower prices
- Increased competition may lead to RFL investing more in new designs to give them a competitive advantage
- Less competition will have the opposite effect

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5 (a) Describe two promotional methods that RFL might use when trying to increase the sales of its fabrics to other clothing manufacturers in Bangladesh. [2 × 2 = 4]

- Advertisements in trade magazines
- Flyers sent by post
- Salesmen offering discounts to existing customers

(b) Describe two segments of the women's dress market that RFL might decide to target in Europe and North America. [2 × 2 = 4]

- High fashion copying designs from the latest designer labels
- Budget clothing for the lower end of the market
- Age segments specialising in a certain age range of customer
- Size segments specialising in certain sizes

(c) Explain the advantages to RFL of selling dresses to Europe and North America. [6]

- Large, richer markets
- Well developed distribution channels
- Export earnings usually looked on favourably by Bangladesh government
- Good transport links

(d) Describe the market research that RFL might carry out in order to ensure their sales in Europe and North America keep increasing. [6]

- They will monitor fashion magazines in Western countries to learn what is being demanded
- They will discuss with the importers in Western countries what is needed
- They will provide samples for consideration by importers
- They may use agents in Western countries to assess the needs of the market