

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Diploma Standard Level

MARK SCHEME for the October 2005 question paper

CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS

5161 Business Organisation and Environment, maximum mark 100

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. They do not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

- CIE will not enter into discussion or correspondence in connection with these mark schemes.

CIE is publishing the mark schemes for the November 2005 question papers for most IGCSE and GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.



Page 1	Mark Scheme	Syllabus
	CAMBRIDGE INTERNATIONAL DIPLOMA – OCT 2005	5161

[NB: the points given in each task are guidelines and ideas, and they are also the most likely responses. They do not necessarily represent full answers but may be more or less than is required].

- 1 (a) **The Company needed additional capital from external sources. Suggest and explain three methods that the company could employ to raise the additional capital.** [3 x 4 = 12]

- The candidate needs to choose and describe three appropriate methods or sources.
- The issue of shares is not really a useful suggestion as it is doubtful that sufficient funding can be raised in this way.
- Responses may be drawn from e.g:
- *Debentures*: aka stock; long term security; mortgaged against the firm; CBS has the obligation to pay the annual interest.
- *Loans*: medium to long term finance; mostly from banks.
- *Overdraft*: a bank facility allowing a firm to borrow (overdraw) up to an agreed maximum; flexible means of raising credit.

Marks: 1-4 per method as follows:

1-2 marks basic/limited understanding, weak explanation of finance

3-4 marks evidence of understanding, appropriate choice, good explanation

- (b) **Jaspal said that a private limited company has a ‘distinct advantage’ over a partnership. Explain what Jaspal means by the ‘distinct advantage’.** [4]

- The task calls for the candidate’s knowledge of features of business organisations but not a rehearsal of all the features;
- The candidate needs to identify **limited liability** which is **the** distinct advantage;
- The candidate must recognise the implicit point in the text that Ranjit and Jaspal need a security against bankruptcy which is not available in a general partnership.

Marks: 1-4 marks as follows:

1-2 marks basic/limited knowledge of organisational difference

3-4 marks an understanding of limited liability and its advantage

[NB: to earn 3-4 marks, limited liability must be mentioned in the response

- (c) **Jaspal and Ranjit are worried they might lose control if they became a public limited company (plc). Explain what they mean.** [4]

- The candidate really needs to demonstrate an understanding of the Plc;
- The essential point to make is that shares will be quoted on the stock exchange and available to investors;
- An investor (individual, company, institution) can possibly acquire enough to secure a controlling interest or at least to influence the company; Ranjit and Jaspal could be ousted from their positions.

Marks: 1-4 marks for the response as follows:

1-2 marks weak/limited appreciation of the situation

3-4 marks good to strong understanding of the threat posed by going public

Page 2	Mark Scheme	Syllabus
	CAMBRIDGE INTERNATIONAL DIPLOMA – OCT 2005	5161

- 2 (a) Owing to various problems, Jaspal and Ranjit have decided to centralise their business but some managers feel their freedom to act will be limited. Explain two advantages of centralisation to Jaspal and Ranjit. [4]

The reason for Jaspal and Ranjit's decision resulted from problems (unspecified in the text) in the branch offices; the advantages of centralising are e.g:

- Ranjit and Jaspal can maintain consistent policies;
- It will strengthen their control and direction;
- It will help to reinforce and maintain focus;
- It ensures maintenance of reputation, style, image, consistency of policy.

The candidate must also acknowledge that the benefits are to the company.

Marks: 1-2 marks for each advantage.

- (b) Ranjit and Jaspal are executive directors, while Jaspal's father and aunt are non-executive directors of the company. Describe the difference between executive and non-executive directors. [4]

- The candidate needs to emphasise the difference, namely that the non-executive directors are not employees of the company whilst the executive directors are generally employed in a senior role;
- In private and public companies the non-executives are drawn from outside the company but in this case the two non-executive directors are investors and appointed by Jaspal and Ranjit.

Marks: 1-4 marks as follows:

1-2 marks weak/limited appreciation of the status of directors

3-4 marks good to strong knowledge of the difference

- (c) The organisational chart is being revised. Identify and describe three purposes of an organisational chart. [3 x 4 =12]

The candidate needs to offer three appropriate purposes, reasons or features; each point needs to be supported by an explanation; points to be taken from e.g:

- Target setting;
- Distribution of work;
- Chain of command;
- Accountability;
- Span of control;
- Organising employees.

Marks: 1-4 marks per purpose as follows:

1-2 marks weak/limited understanding/knowledge of a point

3-4 marks evidence of understanding and explanation of an appropriate point

Page 3	Mark Scheme	Syllabus
	CAMBRIDGE INTERNATIONAL DIPLOMA – OCT 2005	5161

- 3 (a) **The company has appointed some of its accountants as teleworkers. Give a definition of teleworking and describe one benefit it might give to either an employee or the company.** [4]

- Teleworking is not a new concept but it has recently become a viable option owing to advances in computer technology;
- The candidate needs to recognise that an employee does not have to attend head office to undertake work;
- Via computerisation (also phone and fax) an accountant can carry out projects, write reports, ask for advice remotely from the office i.e from home, a client, on the road;
- The candidate must offer a definition and must also acknowledge that the benefit offered is either for the employee or for the company.

Employee:

- Enables employee to be more productive;
- Makes better use of the employee's time;
- Puts the employee in charge of the work;
- Saves on travelling to and from head office in rush hours, reduces stress.

Employer:

- Reduces overhead costs;
- More productive employees;
- Employees visit more prospective clients;
- Can serve and develop markets a long way from base.

Marks: 1-2 marks for the definition of teleworking, plus
1-2 marks for the benefit (either to employees or to the company)

- (b) **Newly appointed accountants are given fixed term contracts. Describe what a fixed term contract is and explain one advantage of it to the employer.** [4]

- A fixed term contract will expire on a pre-arranged and agreed date;
- The term will reflect the nature and status of the job;
- This does not mean that the employee cannot continue working for the same firm;

a benefit to the employer might be e.g:

- Incentive to the employee to work harder in the expectation of a renewed contract;
- A poor performer can be replaced at the end of the contract;
- Flexibility of the working team - as business prospects change so the numbers employed can be changed.

Marks: 1-2 marks for the definition of a fixed term contract, plus
1-2 marks for the advantage to the employer

Page 4	Mark Scheme	Syllabus
	CAMBRIDGE INTERNATIONAL DIPLOMA – OCT 2005	5161

- (c) Identify and discuss three expectations that Jaspal and Ranjit might reasonably have of their employees. [3 x 4 =12]

Three expectations are called for and the candidate needs to make some reference to the company i.e. context; the points to offer and develop are e.g:

- Cooperative attitude;
- Work to an appropriate standard;
- Commitment to the business;
- Acceptance of the CBS code of conduct (and professional code too);
- Loyalty;
- Ability to work with clients;
- Self reliance;
- Effective delivery (skills);
- Integrity.

Marks: 1-4 marks for each expectation as follows:

1-2 marks limited/basic discussion; appropriate point but partial awareness

3-4 marks firm discussion of suitable expectation

- 4 (a) Jaspal and Ranjit are aware that any business is likely to be affected by those external factors that influence the business environment. Describe how the Complete Business Support company might be affected by:

- (i) government policy on taxation on small companies. [5]

- The candidate may see this in a negative way; that is not wrong but some positive points might also be made;
- Tax can restrict growth and investment, deter risk-taking but it can also be an instrument for growth, initiative and enterprise;
- CBS needs to be aware of the effect of tax policies on the small business sector, the company needs to update its procedures and knowledge continuously.

- (ii) legislation affecting the running of businesses. [5]

- The candidate is being given a general task;
- The explanation needs to suggest that legislation may encourage or inhibit small companies;
- A new law may impose additional costs and/or paperwork for example; there might be issues like employment restrictions, financial issues;
- CBS will need to be fully aware of the impact; essentially the candidate needs to appreciate how, in general terms, CBS will be affected as an adviser to business.

Marks: 1-5 marks per factor as follows:

1-2 marks basic/limited appreciation of a factor

3-4 marks well structured statement indicating clear understanding

5 marks best possible answer

Page 5	Mark Scheme	Syllabus
	CAMBRIDGE INTERNATIONAL DIPLOMA – OCT 2005	5161

(b) Discuss the importance of location to Complete Business Support. [10]

- The candidate can respond in general terms (i.e. L1 and L2) although the focus is on CBS;
- The main issue can be picked out of the text i.e. Ranjit's view that a good location brings in business;
- Better premises and a good location offers clients a reassuring image;
- Location is important; equally other issues may be mentioned like accessibility to transport, clients, and supply of staff;
- The candidate needs to offer a clear explanation.

Marks: 1-10 as follows:

- L1 1-2 marks** basic awareness of location issues
L2 3-5 marks elementary understanding, basic argument present
L3 6-8 marks context, firm understanding and application
L4 9-10 marks judgement, context, clear understanding and application

5 (a) Explain two factors which affect or influence the nature of Complete Business Support's market. [4]

The candidate will need to offer a limited explanation of each of the chosen points e.g:

- economic health of the small business sector;
- government legislation, controls, policies;
- competition;
- pricing (professional fees);
- quality of CBS's services.

Marks: 1-2 marks for each factor

(b) The company continues to market its services. Suggest two purposes or reasons for the company's marketing campaign. [4]

An appreciation of the marketing function is called and related to CBS's situation; a choice can be made from e.g:

- encourage repeat business;
- informs the competition;
- response may result in extending product/service range;
- extend the client base;
- develop and promote the company image.

Marks: 1-2 marks for each purpose or reason

Page 6	Mark Scheme	Syllabus
	CAMBRIDGE INTERNATIONAL DIPLOMA – OCT 2005	5161

- (c) The company's clients are small businesses. Identify and describe three ways for Complete Business Support to ensure its clients' satisfaction. [3x4=12]

The clients pay CBS fees for the accounting and advice and they expect a professional service in return.

The candidate needs to produce a statement containing these or similar points:

- Recognition that the client is the business;
- Maintain high quality and reliability of advice;
- Meeting deadlines;
- Protection of client privacy;
- Employment of appropriately qualified personnel.

Marks: 1-4 marks per way as follows:

1-2 marks basic/limited awareness of the way/method

3-4 marks well structured statement, understanding, appropriate way/method