

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Standard Level

MARK SCHEME for the October 2007 question paper

CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS
5161/5169 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.

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 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 guidance identifies the more likely points the candidates will raise.
- A candidate may offer other relevant and suitable responses.
- Although some tasks may apply 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.
- Tasks earn either 2 or 4 marks: a 2-mark response requires little more than one/two well written sentences which clearly indicate the knowledge required; 4-mark tasks call for more detail, understanding, knowledge and context.
- 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.

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[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) Oriental Health Experience is described as a limited partnership. Explain two features of a limited partnership. [4]

- at least one partner [Dr Chang] must have unlimited liability i.e. Dr Chang is personally liable for the full extent of debt.
- limited partners [Drs Yau, Lee and Lam] cannot take any part in the management of the business.
- at least one partner has limited liability and can only be held liable to the extent of the contribution or investment.

Marks: 1-2 marks for each feature depending on the quality of the response.

(b) Dr Chang intends to open more health centres. Explain two ways in which she could raise the capital to pay for the expansion. [4]

- Candidates need to choose two appropriate ways of raising the required capital. This is not a difficult task and the options are fairly limited. Some candidates may offer debentures or overdraft which are not entirely suitable but read the answers and award according to relevance and context.
- Examples include:
 - investment from additional partners
 - ploughed-back profit
 - loans [e.g. bank, All China Herb Company]

Marks: 1-2 marks for each way as follows:

- 1 mark for just listing or identifying an appropriate way or option
- 2 marks for an option that is supported by a brief explanation.

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(c) Explain the following business and financial terms:

(i) working capital **[4]**

- this is the day-to-day funding or finance available for running OHE
- it is used to pay for e.g. the running costs, materials, wages
- the formula is: working capital = current assets – current liabilities

(ii) petty cash [cash in hand] **[4]**

- it is the limited amount of ready cash kept in the office to pay for very small or unexpected purchases
- each transaction is covered by a petty cash voucher and recorded in the petty cash book which is part of the double-entry system of bookkeeping
- it only represents a very small amount, probably less than US \$100 per health centre and is not to be confused with cash flow or cash reserves.

(iii) double-entry bookkeeping **[4]**

- essentially each transaction is recorded in two accounts i.e. debit in one and credit in another.
- The process ensures that debit totals always equal credit totals – so therefore the balance sheet should balance.
- If the trial balance does not work then clearly there is an error or omission.

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

1-2 marks for a basic/limited/partial explanation; weak knowledge

3-4 marks for good general knowledge and understanding of financial terms

NB: in **1(c)(i)**, if the formula is given then award it 3 marks.

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2 (a) The partners consider themselves as stakeholders. Explain how the following can also be considered as stakeholders:

- Candidates need to bear in mind that a stakeholder is an individual, group, or company with a *direct* interest [which does not have to be financial] in OHE's performance and activities.

(i) Patients [2]

- Without the patients there would be no OHE health centres
- Patients pay for their treatments and medicines
- They expect professionalism and quality
- They expect to improve their health and well-being

(ii) All China Herb Company [2]

- ACHC is a major supplier of herbal remedies to OHE
- It will supply, perhaps, on 30-60 days' credit
- It gave a start-up loan to OHE and would expect repayment
- ACHC has a clear financial and business interest

Marks: 1-2 marks per stakeholder depending on the quality of the response.

(b) The business is centralised. Give one advantage and one disadvantage of the centralisation of the business:

- Advantages e.g.: [2]
- Strengthens Dr Chang's control over the business
- There is a set channel of communication and the line of authority is clear
- It enables the maintenance of OHE's reputation, style, image, and policy
- It enables quick decision-making without consultation.

- Disadvantages e.g.: [2]
- It reduces the likely helpful input of OHE's skilled professional staff
- There is the risk that staff will become demoralised
- It reduces/deters initiative within OHE

Marks: 1-2 marks for each feature according to quality of response.

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(c) Describe the following reasons for an organisation chart:

- (i) the distribution of work** [4]
- It would allow OHE to identify where certain specialists e.g. reflexologists are required.
 - It would define the channels of communication and instruction.
 - It would indicate the span of control.
- (ii) accountability** [4]
- The chart would enable staff to see their positions within the OHE structure.
 - The chart could assist staff to appreciate their responsibilities.
 - It could identify who has the authority and to whom staff are directly accountable
- (iii) one other relevant reason** [4]
- Candidates must offer the third e.g.:
 - Communications
 - Identifying the chain of command
 - Target setting

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

1-2 for demonstrating basic appreciation; limited understanding/development.

3-4 for well constructed reasons showing knowledge and context.

3 (a) Members of Dr Chang's staff seem to have different contractual arrangements.

- (i) Explain what part-time employment means and give one benefit of it to the individual employee:**
- *Definition:* [2]
 - Part-time employment can be either permanent or temporary [not to be confused with casual]. The time worked is less than full-time e.g. two days per week, 4 hours per day. In some countries, it may be that part-timers do not enjoy the same benefits/rights as full-timers.
 - *Benefit to the employee:* [2]
 - It enables a person to fit work in with other commitments e.g. domestic, study. Enables a person who doesn't want a full-time job to work, to be economically active.

Marks: 1-2 marks for the quality and content of the response

- (ii) Explain what self-employment means and give one benefit of it to the employer:**
- *Definition:* [2]
 - Enables a person to run a business or to work freelance
 - Earns a fee rather than a salary or wage
 - Able to negotiate with OHE re fees and hours
 - *Benefit to the employer [OHE]:* [2]
 - Self-employed will be responsible for own tax and insurance
 - It will not cost OHE the same in employment costs/benefits
 - Offers flexibility e.g.: hire freelance when demand is high

Marks: 1-2 for the quality and content of each response.

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(b) Dr Chang said she has **THREE** specific expectations of her staff. Explain each of the following expectations:

(i) **ability to work with others** [4]

- If unable to work with others, then it could affect the relationships among the staff and this will, in turn, create a bad working atmosphere.
- Some treatments may require more than one person's skill and patients want to see professional teamwork.

(ii) **effective and efficient work** [4]

- OHE is in the business of treating people for ailments and injuries and there is a patient expectation of cure or improvement.
- Staff must be careful not to injure or hurt patients.
- Timekeeping and scheduling is important – consultations should not, as a rule, over-run or be less than agreed.

(iii) **accept the code of conduct** [4]

- In OHE it is essential that all the staff, and particularly the 'medical' staff, accept the code of conduct which dictates things such as personal hygiene, dress, behaviour, manner towards patients, health and safety.
- It reflects the way OHE expects staff to carry out their duties and that affects the company's reputation and image.
- The professional staff must not act in any way which brings discredit to their profession or OHE.

Marks: 1-4 marks per factor as follows:

1-2 for basic/partial appreciation of a factor; weak interpretation

3-4 for good understanding and context; expansion of points

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4 (a) Every business is influenced in some way by external factors. Explain how the OHE might be influenced by:

(This is a regular feature of each paper and it is anticipated that candidates will have studied PEST or external factors.)

(i) distribution of income [4]

- Candidates need to recognise that this is the spread of income earned by different groups of people.
- Taxation can have the effect of income redistribution
- If economic conditions improve or remain positive then more people have access to higher incomes
- OHE relies on patients who can pay for their treatment – if there are fewer people with good incomes or investment portfolios it will mean less business for OHE.

(ii) pressure groups and public opinion [4]

- There is no evidence that OHE is troubled by any pressure group but since they deal in traditional medicines there is always a possibility
- OHE could be targeted by a pressure group if it believes that parts of animals, particularly endangered species, are used in the remedies instead of herbs.
- Publicity arising from pressure group action could seriously disrupt business, even drive OHE out of business

Marks: 1-4 marks as follows;

1-2 marks for basic/limited understanding of PEST or external factors; weak.

3-4 marks for interpretation, understanding and context.

(b) Discuss the following factors which may influence the location of OHE's health centres:

(i) supply of reliable and qualified personnel [4]

- Does location really affect this factor?
- The professionals employed by OHE are most likely to be Chinese and will travel or move to a health centre.
- However the reputation and state of an area will put off not only patients but will affect the recruitment of staff of the calibre OHE wants.

(ii) the nature of the location [4]

- From the text, it can be assumed that the centres are in 'good areas'
- Patients need to be reassured that OHE is not a 'cheap' organisation
- The area should be considered safe and have suitable facilities such as proximity to a pharmacy, parking, public transport.

(iii) one other relevant factor [4]

- Candidates have only to choose one relevant factor and support it. Choice can be made from e.g.:
- Availability of services/facilities
- Transport service
- Access to the market
- Any local authority incentive schemes

Marks: 1-4 per factor as follows:

1-2 for a weak/basic understanding of a factor; little application/expansion

3-4 for a good explanation indicating knowledge of location; also context

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5 (a) Explain the following three elements of the marketing mix in relation to the health centres:

(This is a familiar task focusing on three of the 7Ps.)

(i) price [4]

- No details of prices [or fees] are stated in the text other than they are competitive i.e. compared to similar providers e.g. physiotherapists, osteopaths.
- Patients appear to be quite well off – or at least prepared to pay for treatment
- They recognise that treatment/remedies are not cheap but they will want value for money.

(ii) product [4]

- the product is health care and many patients are turning towards the more traditional forms of treatment and healing.
- The remedies are natural i.e. herb based and safe.
- As people live longer they are becoming more health conscious and not only seek cures but like to keep well and OHE offers 'health maintenance'.
- The product is enhanced with the level of care and service.

(iii) place [4]

- It can be assumed that each OHE's health centre is appropriately located in a 'better class area' and it may be important that it is fairly quiet which is reassuring for the patients.
- Each centre is well appointed with a range of facilities.
- A good location brings in business.

Marks: 1-4 marks as follows:

- 1-2 for a weak application of each element; basic appreciation/little expansion
- 3-4 for a clear interpretation of each of the Ps; application; context.

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- (b) (i) OHE does not have a customer relations policy but a patient relations policy instead. Explain what OHE's Patient Relations Policy is. [4]**
- Essentially it is the approach OHE has towards its patients.
 - The policy will include the way patients are received and satisfied, how treatment is given, guarantee of discretion, treatment fees, action in case of complaint
 - It is regarding patients as the most important aspect of the business.

Marks: 1-4 marks as follows:

- 1-2 for a basic appreciation of the policy; some points but little expansion
- 3-4 marks for a good indication of understanding, application and context.

- (ii) List four ways Dr Chang's business could maintain patient loyalty and satisfaction [4]**

- The key word here is *list* – all that is required is just a list of four appropriate ways without any qualification. However many points a candidate decides to offer, the maximum value of this task remains at 4 marks. The more likely points include:
- Guaranteed professional service
- Fully trained personnel
- Discretion and privacy
- Refunds/free service if treatments/remedies prove unsatisfactory
- Meeting the specific medical needs of the patients
- Honest diagnosis and consultation
- Patient feedback.

Marks: 1 mark for each appropriate or relevant way identified.