

**UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS**  
Cambridge International Diploma Standard Level

**MARK SCHEME for the October 2009 question paper**  
**for the guidance of teachers**

**CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS**

**5161 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.

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Page 2	Mark Scheme: Teachers' version	Syllabus
	Cambridge International Diploma – October 2009	5161

## CELESTIAL SOUNDS COOPERATIVE SOCIETY

Examiners should note that:

- The following are *not* model answers but should be regarded as persuasive.
- The guidance 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.
- 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; a 4-mark task calls for more detail, understanding, knowledge and context.
- The points identified below indicate the most likely responses.
- 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.

### ADDITIONAL NOTE TO EXAMINERS

Usually, each response is followed by advice on the interpretation and application of marks. Since each task is worth either 2 or 4 marks, it seems unnecessary to append virtually the same advice to each task. This note is the guide for the entire examination paper.

A 2 mark response requires little more than one/two well written sentences. 1 or 2 marks will be awarded according to treatment and content.

A 4 mark task clearly calls for more detail. 1–2 marks will be awarded for a limited or elementary response whereas 3–4 marks will reward knowledge and application.

As indicated above, response should be made in context where appropriate. Understanding, knowledge and context are also important criteria.

<b>Page 3</b>	<b>Mark Scheme: Teachers' version</b>	<b>Syllabus</b>
	<b>Cambridge International Diploma – October 2009</b>	<b>5161</b>

1 (a) **Celestial Sounds is a co-operative society. Explain the following two features of a co-operative society.**

(i) **the non-transferability of shares;** [4]

- The shares can only be bought from or sold back to the Society.
- There is no legal arrangement to allow trading between individuals.

(ii) **the control or ownership is democratic.** [4]

- At Society meetings, each member only has one vote regardless of shareholding.
- Each member counts as one.
- Each member of Celestial Sounds has equal voting power regardless of shareholding.

(b) **Explain the Society's business objectives to:**

(i) **satisfy customer demand;** [4]

- Without customers there is no Society.
- Client satisfaction is a must for any business.
- Customers spend money to satisfy their musical interests so there must be reliable suppliers.
- Music is the Society's business so it must judge correctly the tastes of its customers.

(ii) **gain and enlarge a share of the music market.** [4]

- The Society's outlets are located throughout Malaysia and Indonesia which indicates a firm foothold in the music market.
- A larger share of the market means higher turnover and better profits.
- Better profits can fund expansion.
- A larger market share can also mean more employment opportunities.

(c) **Describe the following financial terms:**

(i) **petty cash;** [2]

- 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 and is not to be confused with cash flow or cash reserves.

(ii) **invoice.** [2]

- It is a record of a transaction.
- It is sent to a purchaser who has bought goods on trade credit and is a request for payment.
- The invoice contains information e.g. details of the goods/services bought; delivery charges; prices; taxes; payment terms.

Page 4	Mark Scheme: Teachers' version	Syllabus
	Cambridge International Diploma – October 2009	5161

2 (a) The Chairman of the Society says that *all* stakeholders are important.

(i) Explain why the employees think *they* are the most important stakeholders. [4]

- The Society relies on their effort, expertise, commitment and cooperation.
- The quality of employees enhances image and reputation and so improves turnover.
- The employees are a major factor of 'production'.

(ii) Excluding employees, identify *two* of Celestial Sounds' stakeholders and indicate why they could be regarded as the most important. [2 × 2 = 4]

The candidate needs to identify two important stakeholders and justify (briefly) the choice from examples including banker; insurer; customers; suppliers; government departments; managers; directors; members.

*NB: there is no correct answer but look for a knowledgeable response.*

(b) The Society's structure used to be flat but is now hierarchical. The Chairman says the hierarchical structure helps to coordinate the Society's resources.

(i) Explain the difference between a flat and a hierarchical organisational structure. [4]

*A hierarchy:*

- is an organisational structure containing a large number of ranks between the 'shop floor' and the senior leadership team.
- has many layers but narrow spans of control.
- gives each person a clear role and responsibility.
- is a top-down structure.

*Whereas a flat structure:*

- creates a wide span of control.
- improves vertical communication as there are fewer layers through which it has to pass.
- enables the delegation of a high proportion of tasks and decisions.
- will help to motivate Celestial Sounds' employees as they will have more responsibility.

(ii) Explain how the organisational structure helps to coordinate the Society's resources. [4]

- This is essentially a rehearsal of the purpose of a structure.
- The points to be made can be drawn from e.g. identifies the levels of authority and responsibility; assists target setting; enables the distribution of work; relates to company objectives.

(c) With reference to Celestial Sounds, define the following terms:

(i) the chain of command; [2]

- Essentially, it is the vertical line of authority and responsibility within the society enabling instructions to be passed down from top to bottom.
- The length of the chain reflects the number of layers of hierarchy i.e. a short chain means fewer layers.

(ii) the channel of communication. [2]

- The route in the society by which messages (instructions, requests) are communicated.
- Hierarchy assumes top-down orders go downwards whilst responses move upwards.
- Messages go down through the layers.

Page 5	Mark Scheme: Teachers' version	Syllabus
	Cambridge International Diploma – October 2009	5161

**3 (a) The employees are offered incentives.**

**(i) Explain what an incentive is. [2]**

- Incentives are used to encourage loyalty, attendance, and productivity.
- Financial incentives include: bonuses, profit sharing, pensions, attractive pay.
- Non-financial incentives (aka fringe benefits) include: dental/health care, holidays and service days; training.

**(ii) List *two* incentives that you consider to be the most important. [2]**

- The candidate only has to list two appropriate incentives i.e. those which would be reasonable for the society to offer, and give simple supportive statements.
- The choice can be made from e.g. pension scheme, subsidised lunches, staff discounts, health care.

**(b) The Society employs many part-time employees.**

**(i) Define the term 'part-time employee'. [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.

**(ii) Describe *one* benefit to the Society of employing part-time staff. [2]**

- It enables the Society to cover jobs which do not require full-time personnel.
- Part-time staff do not cost as much as full-timers.
- Part-time staff may be more flexible.

**(c) Describe *each* of the *three* expectations that the employees might reasonably have of their employers:**

**(i) fair treatment; [4]**

- No unreasonable behaviour shown towards staff by management.
- No negative discrimination (e.g. racial, gender, age).
- System for dealing with internal disputes.

**(ii) staff training and development; [4]**

- Training helps to make employees more productive and cost effective.
- It will give employees some job satisfaction and help them to achieve better earnings and possibly promotion.
- Some jobs are specialist and staff need training to fulfil them.
- Training can be a motivator.

**(iii) reasonable working conditions. [4]**

- Employees will want fair pay i.e. appropriate for the tasks and the region.
- They should not work in unsafe and health threatening conditions and should be provided with appropriate protection against, e.g. computer screen glare.
- They should have adequate e.g. lighting, heating, working space, rest periods.

Page 6	Mark Scheme: Teachers' version	Syllabus
	Cambridge International Diploma – October 2009	5161

4 (a) Every business is influenced in some way by external or PEST factors. Explain how Celestial Sounds might be influenced by:

(i) the lack of fair trading; [4]

- Fair trading is to do with competition, penalising unfair practices, removing unnecessary regulation.
- The Chairman is suggesting that the Society is failing owing to unfair competition and trading practices.
- There may be a reference to the way in which shopping centres have been developed leaving some retailers in run-down areas.
- There is also the issue of counterfeit CDs.

(ii) business taxation; [4]

- It is not the taxation but the level or rate of tax that presents the concern.
- An increase in the business tax rate might mean having to increase prices or reduce pay rises.
- An unfair business rate could encourage bankruptcies.
- The application of tax may offer either incentive or disincentive regarding enterprise e.g. tax holidays, reductions for investment and expansion or increased rate, lower thresholds etc.

(iii) the cost of employing staff. [4]

- The law might make employment of staff more expensive because of e.g. a national minimum wage, essential training costs, a change in the number of hours staff are allowed to work, the age at which people can start or stop working.

(b) Identify the factors which affect the location of the Society's:

(i) shops; [4]

This is a task with obvious responses.

- Location must offer access to the market i.e. a shopping centre or other specific shopping area.
- Suitability of site.
- Occupancy costs.
- Shopping mix.

(ii) recording studio. [4]

It doesn't really matter where the studio is as its location has no impact on its product and candidates ought to recognise this point.

However candidates will want to offer infrastructure, suitability of the site, occupancy costs, industrial/commercial/residential area.

Page 7	Mark Scheme: Teachers' version	Syllabus
	Cambridge International Diploma – October 2009	5161

5 (a) **Celestial Sounds lacks an effective customer relations policy. Explain what is meant by a customer relations policy.** [4]

- A customer relations policy indicates how the Society should satisfy customers and positively influence their relationship to the company.
- It can be assumed that Celestial Sounds wants to satisfy its customers with good quality music products.
- The policy will contain e.g. how staff should treat customers, how any complaints and problems are dealt with, selling in more than one currency, sending purchases overseas, acceptance of credit cards.

(b) **List four ways to maintain customer loyalty and satisfaction.** [4]

The key word here is *list*. Candidates only have to select four appropriate features and list them – no explanation is necessary but the features need to be appropriate.

The choice can be offered from:

- Refunds/replacements for faulty goods.
- No quibble 30 day returns service.
- Guarantees on quality and specification.
- Appropriate handling of complaints.
- Customer friendly enquiry and sales facility.
- Courtesy and advice.
- Security of internet online sales and payments.

(c) **According to the Chairman of Celestial Sounds, the Society's market is dictated by specific factors.**

With reference to the Chairman's comment, explain *each* of the following factors:

(i) **quality;** [4]

- Quality of own music product versus quality of bought-in goods.
- Value for money.
- Guarantees.

(ii) **competition;** [4]

- Fair or unfair competition.
- Marketing techniques.
- Marketing expenditure.
- Threats from low quality products, counterfeiting and pirating.

(iii) **the state of the economy.** [4]

- Is the economy in boom or slump (re. trade cycle)?
- Better economy = more money to spend.
- More disposable income = more money to spend on non-essentials like music.