

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

**MARK SCHEME for the October 2010 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.

- 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 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.
- Each task can earn up to 4 marks.
- 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.
- Usually, each response is followed by advice on the interpretation and application of marks. Since each task is worth up to 4 marks, it seems unnecessary to append virtually the same advice to each task. *This note is the guide for the entire examination paper.*

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 indicates elementary knowledge; offers key words; indicates some awareness, limited explanation.
3	A firm answer reflecting a good understanding of the issue; obvious knowledge and application; good use of the text as a source; perhaps limited context.
4	The best possible response given the examination pressure; clear and direct answer to the task; reflects knowledge, application, perhaps some judgement and, importantly, context; well structured.

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 indicate knowledge, understanding and application.

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**1 (a) Global Antiques is described as a general partnership.**

**(i) Describe *two* features of a general partnership. [4]**

- It has unlimited liability i.e. no financial protection in the event of bankruptcy, each partner is liable for the debts of the other partners;
- One partner's decisions binds the partnership;
- May be controlled by a Deed of Partnership;
- It is an unincorporated business owned by a minimum of 2 partners;
- Each partner is technically self-employed.

NB: The task calls for **two** features and some candidates may offer more. In that case, mark all the features and allow the two best answers.

**(ii) Explain the purpose of a Deed of Partnership (or Partnership Agreement). [4]**

- It is a written legal agreement setting out the rights and responsibilities of the partners;
- It provides for the:
  - (i) way the profits and losses are divided or shared;
  - (ii) specific responsibilities and duties of the partners;
  - (iii) procedure for introducing or removing a partner;
  - (iv) continuation of the business following the death of a partner.

**(b) Explain the main objectives of the partnership to:**

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

- Client satisfaction is a must for any business;
- Collectors of antiques are likely to be very demanding and Global Antiques must respond accordingly;
- The partners handle very high value and rare merchandise and should, therefore, provide a faultless service;
- They must recognise that their clients are making significant investments.

**(ii) make a profit. [4]**

- Profit is a justification for running a business;
- It is a reward for the risk taking and enterprise necessary in the antiques business;
- It is a source of internal capital which will allow the partners to expand, invest in very rare artefacts;
- A good profit represents an attractive return on capital.

**(c) Explain the difference between cash and debit or credit card payments. [4]**

- Cash consists of notes and coins and payment is made, therefore, in hard currency;
- A credit transaction mostly relies upon credit or debit cards;
- Payment is made on the understanding that a bank will credit Global Antiques' bank account with the appropriate sum;
- These days credit or debit cards are regarded as near-cash.

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2 (a) There is no formal structure to Global Antiques because Abdul says the partnership doesn't need one. However, Abdul agrees that some kind of a structure exists and that it is flat.

(i) Explain why Abdul says the partnership does not need a formal structure. [4]

- There is a structure and it is flat;
- The partners work in such a way with their own areas of expertise that a formal structure is not necessary;
- Apart from the assistants, there are only four partners and they are responsible for the entire business;
- Each partner must share in the decision-making which can be accomplished in a meeting;
- A formal structure may remove the flexibility that the business relies on.

(ii) Explain what is meant by a flat structure. [4]

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

(b) Every business has stakeholders.

(i) Explain why the partners regard their clients as the most important stakeholders in the business. [4]

- Without clients, there would be no business – therefore no profits, no salaries, and no jobs;
- The clients are the lifeblood of Global Antiques;
- They are a major influence since dissatisfaction may lead to legal action, loss of their business, loss of reputation.

(ii) Excluding clients, list *four* of Global Antiques' stakeholders. [4]

NB: The task calls for a *list*. Candidates are only required to list stakeholders – no explanation is necessary. Note that clients are to be excluded from the list.

- Examples of stakeholders include:
  - (i) Partners
  - (ii) Employees
  - (iii) Bank
  - (iv) Insurers

(c) Explain how the different skills (or functional activities) of the partners link together and complement each other. [4]

- The text makes clear reference to this issue;
- The partnership has four partners and together they are skilled and experienced in those areas which make the business function:
  - (i) antiques;
  - (ii) accounts;
  - (iii) computers;
  - (iv) sales and marketing.
- The specialisms link well together: the products are antiques; they need to be sold and promoted through appropriate means; the computer assists in buying and selling and accounting; the business has to have financial controls and reporting.

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3 (a) Global Antiques' assistants are not employed on permanent contracts. Explain what is meant by a fixed-term renewable contract. [4]

- The employment contract runs for a specific fixed term e.g. one year, and expires at the end of that term;
- An employee is generally treated as permanent in respect of pay and any benefits;
- Satisfactory work and/or continued good business could mean Global Antiques offering an assistant a renewable or follow-on contract.

(b) The partners communicate with each other and clients by teleworking. Explain what teleworking is and how it benefits Global Antiques. [4]

- *Definition*  
Teleworking enables the partners to work in any location i.e. home, train, aeroplane, auction room, warehouse, so long as there is an electronic link between them all.
- *Benefit*  
The essential benefit is that it enables the partners to keep in touch with the business regardless of where they are. It also assists them in planning their own work schedules.

(c) Describe the following expectations that the *partners* have of each other.

(i) The ability to work with each other. [4]

- Ability to fit into the partnership team and contribute to achieving tasks;
- Cooperative attitude;
- Sound decision-making;
- Willingness to share ideas;
- Ability and readiness to help resolve problems.

(ii) A commitment to the partnership. [4]

- Partners are expected to be well motivated;
- In return for profits and benefits, the partners are expected to fully support the business;
- The partners are expected to acknowledge their responsibilities to their staff and clients;
- Commitment to the objectives of Global Antiques will result in a profitable business and opportunities for all;
- Success and profitability of the business and the partners are the same.

(iii) Effective and efficient work practices. [4]

- Good time-keeping is expected of both assistants and partners;
- Willingness to work awkward and long hours and to meet deadlines;
- To perform well as part of a partnership team;
- To invest the partnership with high standards of expertise and business practice.

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

(i) competition; [4]

- Competition can be a threat or a stimulant;
- If Global Antiques are inefficient, then they will lose their market position;
- Competition can motivate the partnership to improve its client service;
- It needs to be aware of developments in the antique market generally and how its competitors are responding.

(ii) fair trading; [4]

NB: A candidate does not need to address monopolies and mergers or refer to any legislation but should demonstrate an understanding of what are essentially honest dealings.

- The legal antique business is built on trust and honest dealing;
- Antiques should be bought and sold without deception;
- Descriptions should be correct;
- There should no falsifying of makers' marks;
- There should be no unreasonable restrictions on the antiques trade.

(iii) changes in computer technology. [4]

- The partners use the internet and they telework;
- A lot of buying and selling is conducted electronically;
- Computer innovation is now quite fast and both hardware and software are becoming more powerful;
- Can Global Antiques keep up with the changes?
- Can Global Antiques afford to invest in new equipment [or can it afford not to]?
- Will an inability to keep up with the changes = a decline in competitiveness?

(b) Explain what is meant by the business or trade cycle. [4]

- It is the cycle of economic growth i.e. the fluctuations in economic activity;
- Basically the cycle moves from boom to slump to boom;
- The cycle will impact on Global Antiques – if there is a recession then sales may fall sufficiently to create unemployment, lack of profitability – even a loss;
- A boom or a stable period will present the partners with opportunities – there will be more money about and people will have the confidence to spend on antiques.

(c) Abdul said that because of the way the partners work and sell antiques, the location of the business isn't particularly important. Explain what Abdul means. [4]

- If the partners maintained a showroom then location would be of importance;
- They buy and sell mostly on the internet and at antiques fairs – also at auctions;
- They only have the need for their warehouse and that can be located at a cost-effective site;
- They will represent clients wherever they need to go to acquire or dispose of an antique;
- The partners are all linked electronically which means they can work from home or where they are conducting business;
- A showroom would be expensive and would not permit the partners to work flexibly.

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**5 (a) Abdul identified the factors which dictate Global Antiques' market. Explain each of the following factors.**

NB: These factors must be considered specifically with reference to the text i.e. explained in the context of antiques.

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

- The reputation of the partnership will rely on the quality of the antiques they sell;
- High-value antiques must be as near perfect as their age and past usage will allow;
- The antiques will represent investments.

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

- price will reflect rarity, quality, and the nature of the artefact itself; P
- It will also have to include profit, handling charges, any restoration fees, transportation; I
- price must also reflect the willingness of collectors to pay. P

**(iii) product. [4]**

- The products are antiques and they must be genuine;
- As in (i) above, they must be of appropriate quality;
- It may be subject to fashion e.g. Chinese porcelain may be enjoying popularity while the market for old English furniture may be in decline.

**(b) Describe what is meant by a client profile. [4]**

- A client profile is used by Global Antiques to help them match antiques with the interests of their clients;
- A profile can include class, gender, income group if it is be generally used to segment a market;
- Global Antiques would need to know specific details like life style, self-image, economic circumstances, tastes and interests in antiques.

**(c) Explain why it is important to have a customer relations policy. [4]**

- A customer relations policy is designed to help the partners to satisfy and keep their clients;
- The policy will include reference to such matters as:
  - (i) how clients should be treated;
  - (ii) how complaints and problems are dealt with;
  - (iii) conduct regarding internet sales;
  - (iv) the policy regarding buying and selling in other currencies;
  - (v) after-sales service.