

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Standard Level

MARK SCHEME for the October 2011 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.

- Cambridge will not enter into discussions or correspondence in connection with these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2011 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

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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. A table is therefore given which will apply to 4 mark questions which are not split into 2 × 2 and a separate table for 6 mark questions which have not been split into 2 × 3. *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.

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.

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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. The interpretation of the mark scheme will be dealt with at the Coordination meeting.

1 (a) State two objectives that Ranjit and Jaswan might have set when they first started EPL. [2 × 2 = 4]

- Survival of the business
- Make a profit
- Obtain a set market share
- Make the business grow
- Obtain a good reputation

Marks	Descriptors
1	A very brief outline.
2	A full description of an item.

(b) State the four 'Factors of Production.' [4 × 1 = 4]

- Land
- Labour
- Capital
- Enterprise

One mark for each factor.

(c) EPL is a private limited company owned by two people. Describe two advantages to Ranjit and Jaswan of being a private limited company rather than a partnership. [2 × 3 = 6]

- Limited liability for shareholders.
- Shares can be transferred to another owner so continuity of business assured.
- More capital can be raised as there is no limit on the number of shareholders.
- Control of company cannot be lost to outsiders as all shareholders have to agree on sale of shares to new members.

Marks	Descriptors
1	An advantage stated with no description
2	An advantage briefly described.
3	An advantage fully described.

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(d) After 20 years of operation EPL has a considerable amount of ploughed back profits left in the business. Give two reasons why this might help if EPL tries to expand further. [2 × 3 = 6]

- Extra profits left in business can be used as capital to finance expansion.
- Less need to raise capital by borrowing from bank.
- Investors and bank more comfortable if most profits not taken out of business.
- Cheaper to use own finance than borrow and paying interest or issue new shares and dilute control.

Marks	Descriptors
1	A reason stated with no explanation.
2	A reason briefly explained.
3	A reason fully explained.

2 (a) Give one advantage and one disadvantage for having wide spans of control in the Production department. [2 × 2 = 4]

- Advantage – lower costs due to less numbers of supervisors needed.
- Advantage – more independence for employees may improve motivation and morale.
- Advantage – If all employees doing similar, routine jobs then easier to supervise more people.
- Disadvantage – Less supervision may mean more mistakes are made.
- Disadvantage – More stress for supervisors as more people to control.

Marks	Descriptors
1	An advantage or disadvantage stated with no, or only very brief, description.
2	A full description of an advantage or disadvantage.

(b) Outline two problems the Human Resources Manager might have because he reports to both Directors jointly. [2 × 2 = 4]

- Prioritising tasks when both Directors give him different tasks.
- What does he do if he gets conflicting advice from the two Directors?
- Who is really his boss?
- No clear chain of command.

Marks	Descriptors
1	A problem stated with no, or only very brief, description.
2	A full description of a problem.

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(c) Explain the effect a narrow span of control might have on workers in the Finance Department and explain why this might be an advantage. [6]

- Close supervision would lead to fewer mistakes.
- Less chance of fraud/theft if workers are closely watched particularly as the finance department will be handling all the monetary transactions.

Six mark table applies.

(d) Explain why it is necessary for Marketing, Finance, Sales and Production Departments to communicate with each other often and openly, when planning a new sales campaign. [6]

- Marketing and sales must be aware of any production limits so they are not planning to sell more than EPL can produce.
- Production must be aware of forthcoming sales and marketing plans so that they can plan projected quantities of products to manufacture.
- Finance department must have the finance available to ensure that they can pay for the increased budgets necessary for the projected campaign.
- Marketing department must ensure that any necessary advertising and sales aids are in place prior to the start of the campaign.

Six mark table applies.

3 (a) Define the term 'casual worker'. [2]

- A worker who is employed on an hourly, daily or temporary basis.
- A worker who is not a permanent employee and is only hired when there is work available, and who can be dismissed immediately the work is completed.

One mark for brief statement, two marks for fuller statement.

(b) Explain three advantages to EPL in employing more casual workers for the unskilled positions rather than permanent full-time workers. [3 × 2 = 6]

- Flexibility – they can be hired and fired easier in order to meet peaks and troughs in demand.
- Cost control – they usually are paid less than full-time employees.
- They are usually given less fringe benefits.
- Opportunity to assess performance and hire the best as full-time employees.
- Employees have less legal rights.

Marks	Descriptors
1	A very brief explanation.
2	A full explanation of an item.

(c) Explain two advantages in EPL having loyal, permanent, skilled employees. [2 × 3 = 6]

- Lower turnover of employees.
- Higher quality of work from experienced employees.
- Lower recruitment costs.
- Lower training costs.

Marks	Descriptors
1	An advantage stated with no explanation.
2	An advantage briefly explained.
3	An advantage fully explained.

(d) Briefly describe two types of incentives, apart from pay, that the skilled employees might expect from EPL. [2 × 3 = 6]

- Fringe benefits (Pensions, life insurance, company car etc.). Allow 3 marks only for fringe benefits even if more than three types are explained.
- Opportunity for promotion
- Longer holidays
- Healthy environment
- Recognition of achievement.

Marks	Descriptors
1	An item stated with no explanation.
2	An item briefly explained.
3	An item fully explained.

4 (a) Define the term 'worldwide recession'. [4]

- General slowdown in economic activity.
- Negative growth in GDP in many countries around the world.

Slowdown gains up to 2 marks; correct mention of GDP up to 4 marks.

(b) Explain why the closeness of Mumbai port is important to EPL. [4]

- Close to easy, cheap transport especially to their overseas customers.
- Easy to import their raw materials through the port.

Four mark table applies.

(c) Explain why the Indian Government might provide financial aid to EPL during a recession. [6]

- To encourage EPL to continue to employ all its workers at a time of high unemployment.
- To assist EPL to survive during a time when sales and profitability are low.
- To provide an alternative source of finance at a time when banks and investors are reluctant to lend.
- To particularly support firms who export some of their production.

Six mark table applies.

(d) Describe why it is difficult to set long-term contract prices when oil prices are changing rapidly. [6]

- Plastic is derived from oil therefore EPL's raw material price will be fluctuating.
- With a fluctuating price for their raw material, EPL may set a long-term price that would result in a loss because their raw material prices have increased substantially.
- Would only be safe to set long-term prices if they, in turn, can get long-term prices set from their plastic suppliers.

Six mark table applies.

5 (a) EPL has to provide competitive credit facilities to its customers. Explain the term competitive credit facilities. [4]

- Allowing their customers time to pay for the products EPL supply to them.
- Typically EPL will expect payment 30 days after delivery.
- They must discover what credit terms their competitors are providing and match them as far as possible.

Four mark table applies. Up to two marks for an explanation of credit terms. Up to four marks for explaining why the credit terms must be competitive.

(b) Specify two ways that EPL could try to keep customers loyal. [2 × 2 = 4]

- Offer extra discounts for repeat orders.
- Maintain high quality in their production process.
- Maintain good two way communication with their customers.
- React quickly to customer demands and/or complaints.

Marks	Descriptors
1	An item stated with no or only very brief description.
2	A full description of an item.

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(c) Explain two factors that make it important for EPL to operate in international markets. [2 × 3 = 6]

- International markets offer a much wider customer base, and therefore the possibility of greater sales.
- The Indian Government encourages businesses to export products in order to help the Indian economy to grow.
- Reduces risk as a slowdown in India may not be the same in their export markets.

Marks	Descriptors
1	An item stated with no explanation.
2	An item briefly explained.
3	An item fully explained.

(d) Describe two factors, other than price, that a customer of EPL might consider when awarding a contract. [2 × 3 = 6]

- Quality of product must ensure that the quality of the delivered product is acceptable.
- Credit Terms, must be competitive and meet the cash flow requirements of the customer.
- Reliability of delivery, customer must be convinced that the product will arrive on time when it is needed.
- Reputation of EPL, customer will check on the financial and production capability of EPL to ensure they are capable of completing the contract.

Marks	Descriptors
1	An item stated with no description.
2	An item briefly described.
3	An item fully described.