

CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Standard Level

MARK SCHEME for the October 2012 series

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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October 2012 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

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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.

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.

1 (a) List two factors of production for a firm such as ECM [2 x 2 =4]

- Land
- Labour
- Capital
- Entrepreneurship (Enterprise)

Two marks for each correctly identified

(b) Describe two long-term objectives that the shareholders of ECM may feel are important. [2 x 2 =4]

- Increase (or maximise) profitability.
- Discover and mine new reserves of ore.
- Be recognised as being environmentally friendly.
- Increase dividends.

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

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(c) Explain the meaning of venture capital, detailing why local businessmen may have originally provided it. [6]

- Capital introduced to a business, often when it starts. Usually has to be repaid at some time in the future or exchanged for shares which may then be sold.
- Local businessman may have provided it because:
 - i) They believed the mine would be a success and they would profit from their investment.
 - ii) They wanted to create work for the local population and improve the local economy.
 - iii) Knowing the local area and population they had more confidence than venture capitalists from other parts of Indonesia or abroad.

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, or a full discussion on one element only.
4	This answer will offer good discussion on two or more elements usually in context.
5	A good discussion on two or more elements 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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(d) Explain how a break-even analysis could be used by ECM when planning future development of the mine. [6]

- Break even analysis shows the minimum income (sales) necessary to cover fixed and variable costs.
- The projected income from developing new ore reserves would have to be greater than the costs in order for the development to be viable.
- Could see how changes in price and /or costs affect the break-even point.

Marks	Descriptors
1	A response indicating some basic or limited knowledge, identity of perhaps one element without discussion, explanation or application.
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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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2 (a) Describe how the hierarchical structure of ECM leads to easily identifiable channels of communication. [4]

- The structure shows people who are their supervisors.
- The supervisors know who reports to them.
- The chain of command makes two way communication easier by making formal lines of communication clear.

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.

(b) List four stakeholders of ECM.

[4 x 1 = 4]

- Shareholders
- Employees
- Directors
- Managers
- Customers
- Creditors
- Debtors
- Bank
- Government
- Local Community
- Suppliers
- Gunter
- Budi
- Local Businessmen

One mark for each correct stakeholder.

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(c) Explain three advantages to ECM of having non-executive directors. [3 x 2 = 6]

Do not take part in the day to day running of the business.

- Take an overall view of the business
- Attend regular board meetings together with the executive directors
- Often have special knowledge that may be missing from the rest of the business.

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

(d) Explain two advantages of ECM manufacturing its own retail copper products.[2 x 3 = 6]

- Their cost of raw copper will be low as they produce their own, and will have no transportation or distributor costs of the raw copper.
- They can ignore the fluctuations in the world price of copper
- They can respond quickly to changes in market demand because they will always have supplies of the raw material (Copper)

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

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3 (a) Describe two advantages to ECM of having the part-time staff working from home on piece rate. [2 x 2 = 4]

- Do not have to provide a place to work.
- Only have to pay for products actually made.
- More flexibility and control over the number and type of product manufactured.

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

(b) Describe two advantages to ECM of employing many staff who have been with the company for over 20 years. [2 x 2 = 4]

- Greater experience means they will need less training.
- More likely to be loyal to ECM.
- Will probably perform their job efficiently.
- Will probably be able to do many different jobs.

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

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(c) Explain why ECM might prefer to employ and train local people rather than bring in trained people from other areas of Indonesia. [6]

- Want to keep good relations with local community by employing local people.
- Cheaper because there are no transportation or moving costs for new staff.
- More likely to be loyal to ECM and less likely to move away because of their local roots.

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(d) Explain two problems for ECM in having two eight-hour shifts per day. [2 x 3 = 6]

- More difficult to coordinate work, with second shift having to carry on work started by first shift.
- Scheduling of workers more difficult with some probably always wanting the same shift and not wanting to change.
- There will still be a shutdown period each day when site security becomes more difficult.
- Effect on fixed costs
- Faster depreciation of machinery

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

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4 (a) Describe two reasons why the Indonesian Government might financially support ECM. [2 x 2 = 4]

- They will want to maximise the export income earned by selling copper ore abroad.
- They will want ECM to employ local labour and support the local economy.
- They will want to support the environmental improvements made by ECM.

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

(b) Describe two problems that had to be solved regarding the location of the mine. [2 x 2 = 4]

- Transportation links were difficult due to the mine being at 2000 metres above sea level and 30 miles from a port.
- They would have had difficulty attracting professional staff such as mining engineers, due to the remote location.
- Supplies would have to be sent from distant areas.
- Reforestation needed

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 why it is important for ECM to spend money on environmental schemes such as reforestation. [6]

- The Government has made some laws imposing environmental obligations on firms.
- Public opinion internationally has made firms more concerned for the environment.
- The local community will require good environmental practices from ECM.

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(d) Explain two reasons why foreign copper manufacturers might sign long-term agreements at fluctuating world prices with ECM. [2 x 3 = 6]

- They need to be certain of obtaining their supply of copper ore.
- They know they will pay world market prices which may go down as well as up.
- Long-term contracts will give them certainty of supply over long periods.

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

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5 (a) Describe two advantages to ECM of starting a retail products operation. [2 x 2 = 4]

- They are selling to a completely different market from their ore operation.
- They are earning a bigger profit from this market.
- This diversification will help if there is a slump in world copper prices.
- They can market the products under their own name e.g. an 'Eastern Copper Mines' product.

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

(b) Describe two ways in which ECM could find out what retail products will be popular with the tourists, who are the ultimate customers for these products. [2 x 2 = 4]

- Visit shops in tourist centres and examine the products on offer.
- Ask the owners of these shops what is selling and what new copper products they think will sell.
- Offer new products at favourable terms to the shops and follow up to see what products are selling.

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

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(c) Explain how the general state of the world economy affects the price of copper ore. [6]

- Prices of commodities tend to rise when the world economy expands.
- This is caused by an increase in demand.
- Similarly in a recession demand will normally decrease leading to a drop in prices.

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(d) Explain why the quality of the product (copper ore) will probably be the most important part of the marketing mix when selling to overseas copper manufacturers. [6]

- Product quality is the one variable compared with competitors in the marketing mix.
- Price is fixed for all mining companies on world markets.
- Distribution (Place) will vary but bulk carriers on the sea will make all mining companies reasonably equal.
- Promotion will probably be limited to advice on product quality.
- Therefore product quality in the form of accurate measures of the amount of copper in each ton of ore is the most important.

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