

# UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Diploma Advanced Level

## MARK SCHEME for the May 2005 question paper

### CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS

5171 Business Organisation and Environment, maximum mark 100

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. They do not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

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 discussion or correspondence in connection with these mark schemes.



May 2005

CAMBRIDGE INTERNATIONAL DIPLOMA

Advanced Level

MARK SCHEME

MAXIMUM MARK: 100

PAPER: 5171

BUSINESS ORGANISATION AND ENVIRONMENT



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The following are **not model answers** but are nevertheless to be regarded as persuasive. A candidate may offer other relevant and appropriate material and argument. The key is to test a candidate's sufficiency of knowledge and awareness.

- 1 (a) The company needs more than \$1 million to expand into Europe. With the exception of share capital, identify TWO ways in which the company can raise the additional capital. [4]**

A candidate is asked to identify two ways and each way needs to be clarified in some way. The ways need to be realistic and should indicate a grasp of the problem. The response should offer e.g. issue of debentures, bank loans, venture capital, ploughed-back profits.

**1-2 marks** for each way

- (b) The company has a mission statement which reflects Jan's views. In not more than two sentences, write an appropriate mission statement for the company. [4]**

Some latitude in assessment can be allowed; the main point is for the candidate to write a statement which reflects Jan's aims and ideas; the text holds the clues [e.g. line 9]; the assessment is impressionistic - does it make sense and is it applicable?

**1-2 marks** Limited attempt, little appreciation of the aims  
**3-4 marks** Good interpretation of Jan's views, makes sense

- (c) The four directors decided to form a private company. Identify and describe THREE features or advantages of the private company. [12]**

Three features are required and each needs to be adequately explained or discussed; the candidate is expected to demonstrate more than just passing knowledge; the features or advantages may include, for example:

- Limited liability
- Shares cannot be sold on the open market
- The company cannot be listed on the stock market
- The company is not prone to take-over bids
- The company will continue even if the majority shareholder dies or resigns
- Existing shareholders can only sell their shares with the agreement of the other shareholders.

1-4 marks for each feature or advantage as follows:

**1-2 marks** Basic/limited response, weak application, little awareness  
**3-4 marks** Identity of appropriate advantages, well described, knowledge

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- 2 (a) The company operates within a matrix structure. Describe TWO features of a matrix. [4]

Two features are called for and can be drawn from:

- Encourages the better co-ordination of projects
- Employs the expertise and skills of staff and offers the opportunity for them to use their talents effectively
- Brings together employees with particular skills, from different sections or departments, into project teams
- Individuals may find it difficult to carry out tasks for two supervisors.

1-2 marks for each feature

- (b) Jan says he has obligations towards his stakeholders. Define the meaning of 'stakeholder' and then list TWO stakeholders of 'Make a Difference.' [4]

A stakeholder is an individual or even a group with a direct interest in the performance of 'Make a Difference'; the list includes the directors, employees, shareholders, the company's bankers, their clients, their suppliers.

1-2 marks for the definition of stakeholder

1 mark for each stakeholder listed [maximum of two]

- (c) Jan de Witt believes his leadership and management style is influenced by Herzberg's theory of job enrichment and MacGregor's Theory Y. Describe the main features of BOTH of these motivational techniques. [12]

This is not an invitation to rehearse everything about one of the theories, only the essentials are required but there should be enough to indicate clear understanding.

**Theory Y:** this ought to be familiar; the management approach encourages employees to take responsibility; recognition that employees will work well and positively if trusted; all levels seek job satisfaction; accepts the need to contribute to decision-making.

**Job enrichment:** the full details of Herzberg's Two Factor theory are not required; the point to be made is that job enrichment improves motivation; it gives the opportunity to use abilities; gives larger areas/units of work rather than small and repetitive tasks.

1-6 marks for the description of each theory as follows:

- |                  |   |
|------------------|---|
| <b>1-2 marks</b> | Basic/limited response, rehearsal of some knowledge of a theory |
| <b>3-5 marks</b> | Evidence of good to strong knowledge                            |
| <b>6 marks</b>   | Exemplary demonstration of knowledge and application            |

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- 3 (a) The company increasingly relies upon the use of computer technology. Describe TWO ways in which computer technology is likely to be used in the company. [4]

Two ways are called for but if the candidate offers more select the two most appropriate. Reference to computerisation is contained in lines 27-29; uses can include financial and company records, payroll, e-mailing, preparation and delivery of training material [e.g. PowerPoint], downloading documentation etc. from the various training centres, conferencing; each way needs to be supported by some explanation.

**1-2 marks** for each likely usage of computer technology

- (b) Although the administration staff are on permanent or temporary contracts, most of the trainers are self-employed. Define both 'permanent employment' and 'self employment.' [4]

**Permanent employment:** the employee is appointed on the basis of continuity, probably career; employee is part of a regular core of workers; enjoys various company benefits e.g. paid holidays, pension, medical scheme, salary increments; will assume certain responsibilities.

**Self-employment:** self-employment means being one's own boss; could mean working as a freelance or being a sole trader; the trainers and consultants would expect a better fee than working as an employee; presumably trainers can negotiate fees and terms; client contact may lead to other opportunities.

**1-2 marks** for each definition

- (c) Identify and explain THREE expectations that the company might reasonably have of the employees. [12]

The candidate has quite a list from which to make a choice; each of the three points needs to be supported by suitable explanations or descriptions; the expectations need to be relevant; the choice may be made from, for example:

- Willing to accept the company code of conduct.
- Work effectively and efficiently.
- Manage company time effectively.
- Have the appropriate skills and experience.

1-4 marks for each expectation as follows:

**1-2 marks** Basic/limited rehearsal of an expectation with little explanation and/or application

**3-4 marks** Good awareness and application to case, context

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- 4 (a) The company is aware of the influences of the business environment on its operations. Discuss the likely impact on 'Make a Difference' of the following two factors:
- (i) business confidence, [4]  
(ii) workforce skills and flexibility. [4]

Essays are not required but the candidate needs to demonstrate understanding and application, and relate the responses to the case i.e. context.

**Business confidence:** if companies do not feel confident about business prospects then they will not buy in training from 'Make a Difference'; when there is growth or the prospect of expansion then companies spend – equally they may employ more staff who need to be trained; Jan de Witt is aware that success for his business relies on a healthy economy.

**Workforce skills and flexibility:** Jan de Witt's business is devoted to improving customer service skills; the success of training depends on the basic skills and education of the trainees and their attitudes re flexible working; issues of shortage of suitable people versus surplus.

**1-2 marks** Basic/limited awareness and application  
**3-4 marks** Good to strong knowledge of factors; understanding; context

- (b) The training colleges are mostly located in country areas although some are in city centres. Identify and explain THREE factors which may determine the location of the company's training colleges. [12]

The candidate is likely to rehearse the reasons for location; there is no direction as to the number of factors to be considered – the assessment is based on the structure and plausibility of the argument; the colleges can be found in both country areas and in city centres so it assumes that location is not strictly important; the text [lines 41-44] refers to residential accommodation and this offers a decided clue; there must be an appropriate site; the colleges need to be accessible by road, airport, railway; the colleges need staff other than trainers and there must be an availability of suitable employees.

1-4 marks for each factor as follows:

**1-2 marks** Basic/limited appreciation of locational factors re case study  
**3-4 marks** Firm rehearsal of appropriate factors, context

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- 5 (a) Since it operates in several countries, the company uses price discrimination as its method of pricing. Explain what is meant by 'price discrimination' and what advantages it offers 'Make a Difference.' [4]

Price discrimination is the policy of charging different prices to different clients for the same product or service; the text refers to clients coming from different economic backgrounds and so it can be assumed that there is a different ability to pay fees to 'Make a Difference'; charging the same level of fees will exclude certain clients so by discriminating the company can encourage a high demand for its courses.

**1-2 marks** for the definition of price discrimination  
**plus 1-2 marks** for the advantage it offers to the company

- (b) There are only a few companies specialising in training for customer services and so 'Make a Difference' enjoys a niche market. Explain what is meant by a 'niche market.' [4]

A definition of niche market is called for here, e.g. a small or specialised segment of a much larger market; a market in which there are few competitors; a market which offers the more exclusive staff training activities; a market focusing on the individual rather than on the mass market; 'Make a Difference' operates in a very specialised market.

1-4 marks as follows:

**1-2 marks** Basic response, limited understanding of marketing  
**3-4 marks** Good to strong knowledge of markets, application to case

- (c) Identify and describe THREE features of the company's customer service. [12]

Customer service deals with a client's experience of dealing with 'Make a Difference'; it will include how the employees of the company behave [manners, appearance, speech] towards the clients, how well the trainers deliver their training courses, how well the clients' training needs were identified and satisfied; bearing in mind what the company does, it needs to demonstrate a high level of customer service itself; the candidate needs to offer three features.

1-4 marks for each feature of the customer service as follows:

**1-2 marks** Basic/poor appreciation of a feature of customer service  
**3-4 marks** Good understanding, context, relevant feature