

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Advances Level

MARK SCHEME for the May 2007 question paper

CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS
5171/5179 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.

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 discussions or correspondence in connection with these mark schemes.

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1 (a) With more expansion of CIS likely, suggest how each of the following two ways of raising finance might be suitable:

(i) issue more share capital [2]

- The candidates can make the assumption that CIS has un-issued shares so it could offer some of these for sale.
- The company is doing well and share values ought to be relatively high – an appropriate sale of shares would raise sufficient finance.
- Releasing un-issued shares offers a suitable means of raising funds.

(ii) ploughed-back profits [2]

- CIS is very busy and natural disasters and the continuing threat of terrorism have brought in much more business.
- It can be assumed that CIS is profitable and therefore putting some of the profit to reserves.
- It can fund the expansion from its own resources. It is a highly suitable and cheap means of raising the necessary funds.

Marks: 1–2 depending on quality and content.

(b) CIS is a public limited company. Identify and explain two features of a public limited company. [4]

- This is a fairly standard task which requires the rehearsal of just two features. If a candidate offers more than two then mark all the responses and choose the best two.
- Candidates have several points to choose from and perhaps the following are the more likely examples.
 - Limited liability
 - Shares are freely transferred
 - Accounts must be published
 - Public listing potentially enables a large amount of capital to be raised.

Marks: 1–2 for each feature:

1 mark for just identifying the feature e.g. limited liability

2 marks for a fuller response.

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(c) Explain the following business objectives of CIS:

(i) growth [4]

- Growth means that CIS have more contracts, business activity, higher turnover, more consultants, better profits, enhanced market share.
- CIS will want to be a dominant player in the critical incident market which will benefit reputation, profitability, size.

(ii) satisfying client demand including product development [4]

- The consultants must be able to advise clients appropriately – which is why there are so many specialists among the consultants.
- Client demand will change as the nature of critical incidents change – so the product i.e. the advice and accompanying systems, must change/be updated.
- As each new disaster occurs, CIS needs to learn and develop keener advice/strategies.

(iii) one other relevant objective (other than profit) [4]

- Candidates have a free choice here and they are expected to explain a point in context.
- Please note that *profit* is *excluded* from the choice and it is likely that some candidates will ignore that rubric – in which case, please do not mark it.
- They are likely to choose from, for example,
 - Market penetration
 - Economic survival
 - Improving revenue
 - Provision of employment

Marks: 1–4 marks per objective as follows:

1–2 for a limited response basically identifying the objective and no expansion

3–4 for good interpretation, demonstration of knowledge and context.

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2 (a) Identify and explain one advantage and one disadvantage of a matrix structure.

(i) one advantage [2]

- Encourages better coordination of work and projects
- Offers staff better opportunities to employ their talents, expertise, and skills
- Brings together staff from different sections or areas of expertise within CIS

(ii) one disadvantage [2]

- Consultants may find it difficult to carry out tasks when answerable to two line managers/project managers
- Possible absence of the clear line of accountability usually claimed for in a more hierarchical structure.

Marks: 1–2 for each feature depending on content and treatment

(b) Identify and explain two stakeholders in CIS [other than investors] [4]

- Candidates have several stakeholders to choose from but note that the investors are to be excluded – give 0 marks to any response about investors.
- *The two obvious choices are:*
- *Clients:* They pay CIS for professional and reliable advice and systems; without clients there would be no business; they have the right to expect the best use of resources for their benefit
- *Consultants:* the essential employee elements in the business – they have skills and expertise which CIS sells to clients;

Other stakeholders: can include e.g. bankers, directors, executives, insurers, other employees

Marks: 1–2 marks for each stakeholder depending on knowledge and treatment

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(c) Explain the features of the following motivational theories:

- This looks like a difficult task but candidates should have covered motivational methods in AO2/CC2.
- Essays on Maslow's hierarchy of needs, or Herzberg's two-factor theory, or MacGregor's Theory X are not required.
- Candidates just need to demonstrate that they understand the essentials of these motivational ideas. There is some linkage between all three tasks.
- Some will rehearse all they know but please remember each response is only valued at 4 marks.

(i) self-actualisation [4]

- Self-actualisation is a high order need
- It reflects the fulfilment of an individual's potential through achievement, being enriched by learning and experience
- Consultants are highly skilled and will always seek to improve
- Consultants expect high earnings, challenges, engaging with business and political leaders.

(ii) theory Y [4]

- A paragraph on Theory X is not required but some reference may be legitimate in order to emphasise a Y point.
- CIS consultants are Y because they are self-motivated, stimulated by their work, like responsibility, are creative.
- Their work is not 9-5 but a way of life.

(iii) job enrichment [4]

- Job enrichment improves motivation by giving opportunities to use abilities
- Consultants needs to employ their skills to good effect
- They have large areas of work and meaningful tasks, and are involved in the totality of a project

Marks: 1–4 marks per feature as follows:

1–2 for an outline response with little expansion and no context

3–4 for good explanation, demonstration of knowledge and context.

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3 (a) Consultants are paid, salaries, fees and bonuses.

(i) explain what is meant by an annual performance-related bonus [2]

- A bonus which is awarded in respect/recognition of a consultant's achievements/contributions over the past year
- Mostly related to the amount of fee income earned for CIS

(ii) explain the difference between a salary and a fee [2]

- A salary is related to a year's contracted work
- A fee is a negotiated payment for services related to a specific project and period of time.

Marks: 1–2 depending on treatment.

(b) Explain the meaning of teleworking and identify one benefit of it to the consultants [4]

- Teleworking enables consultants to work in any location i.e. aeroplane, train, home, overseas so long as there is a link between them and their base offices – telephone, fax, modem.
- The essential benefit is that it enables the consultants to keep in touch with base regardless of where they are in the world – it also assists them in planning their own work schedules and probably cuts down time-wasting commuting.

Marks: 1–2 for the definition plus 1–2 for the benefit according to content and treatment

(c) Discuss the following expectations that CIS might reasonably have of its consultants;

- The expectations are appropriate to any business but some context is still required.

(i) effective time management [4]

- a critical expectation in CIS – 'time is money' – so any advisory or assistance programme needs to be tightly managed
- very important attribute when disaster strikes and CIS has to resolve ensuing problems
- CIS has no room for time wasters

(ii) appropriate skills [4]

- No consultant would be appointed without appropriate skills but further self-development would be expected to meet changing disaster scenarios
- Apart from specialist skills, consultants need negotiating, people and presentation skills

(iii) commitment to the business and its objectives [4]

- Loyalty is required among the consultants
- They have good employment packages and are expected to work hard to ensure the success of CIS
- The objectives of CIS ought to be similar to their own individual objectives

Marks: 1–4 marks per expectation as follows:

1–2 for a poor application of the expectations; little knowledge and expansion

3–4 for a good interpretation and context

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4 (a) Every company is affected by external factors that influence its business activity. Explain how CIS might be influenced by:

(i) competition [4]

- Competition may sharpen CIS's focus on its market with an impact, perhaps, on fees charged, advice packages, nature of systems installed.
- Competition could potentially force CIS out of business.
- Depends how many other critical incident agencies are in the market
- Growth of natural disasters [e.g. hurricanes, tsunamis] and terrorism may mean a growth in the number of agencies in the market.

(ii) government policies towards business [4]

- This is not a question of government business policies e.g. location incentives, employment grants,
- but whether the government is awake to the likelihood of critical incidents and has policies to assist e.g. direct aid or tax holidays for defence systems [computers, buildings, staff]

(iii) one other relevant factor [4]

- Candidates must choose and justify the third factor which could be, e.g.:
- Interest rates
- Inflation
- Trade cycle
- Exchange rates

Marks: 1–4 marks per factor as follows:

1–2 for a weak interpretation, basic knowledge of factors only

3–4 for clear knowledge, interpretation, and context

(b) The location of CIS's offices is considered crucial. Explain the following factors of location and how they might affect CIS:

(i) occupancy costs [4]

- Prestige offices/addresses are expensive – rent/lease/mortgage plus services, furnishing, security
- They reassure/impress clients as they indicate success
- But they need to be monitored and controlled

(ii) access to markets [i.e. clients] [4]

- The CIS market is not only global but also local [serving a country or an international area] so offices are required to deal with 'local' business.
- Since the CIS market is global, modern day communications means that CIS can stay in touch with or be contacted by clients anywhere – so the location may not be so important.
- Equally consultants can be in place anywhere in the world within 24 hours so perhaps proximity to major airports is a factor.

Marks: 1–4 marks per factor as follows:

1–2 for a weak knowledge of location factors, little application, no expansion

3–4 for good knowledge, understanding, context, and application.

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5 (a) The CEO says that CIS is in a global rather than an international market. Explain the meaning of:

(i) global market [2]

- The market is literally the entire world
- The nature of CIS's business means that it can be called to any business or Government anywhere in the world.

(ii) international market [2]

- It is a market which involves more than one other country although for a company to claim being in the international market it would need to be selling to or operating in several countries.

Marks: 1–2 per market depending on content and treatment.

(b) CIS regards clients as its main resource. Explain what this statement means [4]

- Quite simply, without clients there would be no business
- Clients mean employment, business, earnings, profit, success
- Clients should be treated with due respect and importance
- They are stakeholders

Marks: 1–2 for a weak or basic interpretation

3–4 for a clear and competent expression, knowledge and application.

(c) Explain each of the following influences on the company's marketing policy:

(i) pricing [4]

- No specific reference to pricing has been made in the text but it can be assumed that the prices are high to reflect the level of experience and expertise of CIS consultants
- CIS can charge as it likes so long as it remains a leader in its field and offers high quality advice and systems
- Candidates can assume some degree of discrimination – a multinational or a leading US company is likely to be charged more than in, say, the Philippines.

(ii) availability of substitute services [4]

- The availability dictates CIS's position in the market – are there many others or are there just a few?
- What range and quality of advice and service do they offer?
- Presence of competitors may influence CIS in terms of fees and services
- Situation may encourage CIS to be the best.

(iii) the size of the market [4]

- The market has no size – it is global
- Since critical incidents can affect everyone in an area the market is limitless
- It can be argued that as CIS gathers more experience and operates more portfolios that its potential market gets larger

Marks: 1–4 marks per influence as follows:

1–2 marks for little evidence of awareness and knowledge of marketing policy.

3–4 for clear understanding and application of each influence.