

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

## **MARK SCHEME for the May 2008 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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**Examiners should note that:**

- The following are **not** model answers but should be regarded as persuasive.
- The points given in each task in the mark scheme are guidelines and ideas, and they are also the most likely responses. They do not necessarily represent full answers but may be more or less than is required.
- A candidate may offer other relevant and suitable responses.
- Although some tasks may apply to any business, all responses should be made in context where appropriate.
- The key is to test a candidate's knowledge and awareness.
- Each task or component earns either 2 or 4 marks. A 2-mark response requires one/two well written sentences which clearly indicate the knowledge required whereas a 4-mark task calls for a little more detail and understanding. *Candidates should respond in context where that is appropriate.* Extensive and essay-type answers are not required.
- English is not the first language of the majority of our candidates. The quality of written language is not part of the assessment.

**1 (a) Explain the following business objectives of EasyPack:**

- (i) Sustained growth [4]**
- Growth means that EasyPack will have more contracts, business activity, higher turnover, better profits, enhanced market share.
  - The growth should be incremental i.e. nothing startling but steady growth which they can afford.
- (ii) Market Penetration [4]**
- Case mentions niche market: therefore probably no other competitors;
  - There is the need, however, to capture the niche, to ensure a secure position, to challenge any likely competition
- (iii) Continual improvement in the nature and quality of its service [4]**
- EasyPack is a success because it has developed a list of quality services.
  - It is necessary for the company to continue monitoring developments in respect of its services and improve them as appropriate and demanded.
  - In order to keep its place in the market the company must innovate and respond to clients' needs.

Marks: 1–4 marks as follows

- 1–2 elementary appreciation of objectives
- 3–4 evidence of knowledge, context

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**(b) All companies need financing and EasyPack relies on retained profits and overdrafts.**

**(i) Describe what is meant by retained profit. [2]**

- *Retained profit*: the profit left after all deductions [tax, distributed profit to shareholder etc.] and reinvested in the business to help with, for example, renewal and expansion.

**(ii) Describe what is meant by an overdraft. [2]**

- *Overdraft*: e.g.: borrowing arrangement with the bank to permit the withdrawal of more funds than are in the account; agreed maximum overdraft; need not be drawn out at all. Abdul needs financial resources as cash flow may be subject to peaks and troughs.

Marks: 1–2 marks for each definition

**(c) (i) Explain what is meant by a business plan. [2]**

- Candidates are *not* expected to produce a detailed explanation – it is only a 2-mark task but candidates need to highlight the main elements.
- The business plan is a report/statement which indicates how the company will achieve its objectives.
- It contains e.g. the company's marketing plan, cash-flow forecast, projected profit/loss, finance, medium to long term business forecast

**(ii) Explain one benefit to EasyPack of revising their business plan annually. [2]**

- It is a necessary document when setting up a business
- revising their plan annually keeps the directors and executives focussed on their objectives
- It enables the company to rethink its ideas and plans, and forward planning.

Marks: 1–2 marks depending on knowledge of the business plan

**2 (a) The Managing Director claims that all the company's stakeholders are important. Suggest why the Managing Director considers the following stakeholders to be the most significant:**

**(i) Customers [4]**

- Without them there would be no business
- The company is customer focused
- Customers provide the turnover and profit – and the jobs
- The security and future of the company rely on them

**(ii) the employees [4]**

- Major factor of 'production'
- The company relies on their effort, expertise, commitment and cooperation
- Quality of employees enhances image and reputation and so improves turnover

Marks: 1–4 marks as follows

1–2 basic appreciation of stakeholders

3–4 good knowledge, possible context

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**(b) The structure of the company is currently hierarchical and the Directors are in favour of a flat structure.**

**(i) Describe what is meant by a hierarchical structure. [4]**

- An organisational structure containing a large number of ranks between the 'shop floor' and the senior leadership team;
- many layers but narrow spans of control;
- each person has a clear role and responsibility;
- top-down structure.

**(ii) Explain why a flat structure might be more appropriate. [4]**

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

Marks: 1–4 marks as follows

1–2 basic appreciation of structures

3–4 good knowledge and understanding, context

**(c) The Board expect to appoint two non-executive directors.**

**(i) Explain what a non-executive director is. [2]**

- A non-executive director is not employed by EasyPack and as such has no day-to-day involvement.
- The director can be invited to join the Board because of expertise or the representation of a stakeholder e.g. the company's bankers, shareholders, company pension fund.

**(ii) Suggest one benefit to EasyPack of appointing non-executive directors. [2]**

- Not being directly involved in the company, it can be argued that the non-executive director is more likely to be independent and offer unbiased advice.
- It is also thought that the director can act as a brake on dominant executive directors or at least encourage the Board to rethink its position.

Marks: 1–2 according to knowledge of directors and content

**3 (a) Discuss the following expectations that EasyPack's employees might reasonably have of their employers:**

**(i) Opportunities for advancement [4]**

- Good work and satisfactory results ought to be rewarded by some form of promotion e.g. better job, increased responsibility, more money;
- Job enlargement
- Job enrichment
- the chance to move sideways to widen experience

**(ii) Fair wages and salaries [4]**

- basically the idea of a 'fair day's wage for a fair day's work';
- pay to be commensurate with the nature of the job, working conditions and responsibility;
- recognition of training, experience, results, achievement

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**(iii) Suitable training and retraining opportunities [4]**

- EasyPack's services demand skilled personnel
- In order to offer a reliable service it is necessary to monitor and update the skills of their personnel
- Motivation of the employees will be encouraged as training helps their personal development
- Training gives them a stake in the business

Marks: 1–4 marks as follows

- 1–2 basic grasp of expectations, pedestrian
- 3–4 knowledge and awareness evident, context

**(b) EasyPack offers its employees a number of incentives. Suggest two incentives which the company might offer its employees. [2 x 2 = 4]**

Only **two** incentives are asked for – if more are offered then mark them all and choose the best two. Likely incentives:

- medical/dental care
- performance bonuses
- loyalty bonuses
- annual profit-sharing bonus
- holidays and service days

Marks: 1–2 marks for each incentive as follows

- 1 for just a mention
- 2 for description/explanation

**(c) The company has recently introduced job-sharing.**

**(i) Explain what job-sharing is. [2]**

- where one job is undertaken by two people who split the working week [or other appropriate time period] between them [not necessarily 50:50] with each employee being paid pro rata

**(ii) Identify one benefit to the company of job-sharing. [2]**

- two fresh minds are applied to the job
- effectively two part-timers will have less time off
- synergy i.e. greater productivity than with just one employee

Marks: 1–2 marks for the definition and  
1–2 marks for the benefit

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

**(i) Competition [4]**

- Competition may sharpen EasyPack's focus on its market with an impact, perhaps, on its pricing structure and menu of services;
- Aggressive competition could potentially force EasyPack out of business.

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**(ii) Inflation** [4]

- Effectiveness of Government control
- Own government's fault or imposed by world economic circumstances
- Moderate or extreme inflation
- Impact on company via staff wages and prices

**(iii) Government policies towards business** [4]

- Government's general attitude towards enterprise
- Taxation policies
- Employment laws
- Incentives to e.g. train, invest, expand
- Restrictions on overseas trading

Marks: 1–4 marks per factor as follows

- 1–2 elementary appreciation of impact of PEST factors
- 3–4 good awareness and knowledge, context

**(b) Explain why the following factors influenced EasyPack's choice of location.**

**(i) Infrastructure** [4]

- Road and rail links
- Telecommunications
- Utilities e.g. waste disposal, power

**(ii) Site and occupancy costs** [4]

- Prestige addresses are expensive and their upkeep must be provided for in the pricing structure
- They impress clients and may indicate success but not necessarily for EasyPack's business
- To offer an affordable list of services EasyPack needs to control costs so there is a need for reasonable rent/leases/maintenance
- Every square metre of warehouse, garage and office has to pay for itself

Marks: 1–4 as follows

- 1–2 elementary grasp of location issues
- 3–4 good to firm knowledge; contextual

**5 (a) Explain the importance to EasyPack of a customer service policy.** [4]

- The policy recognises the client as EasyPack's main resource i.e. clients provide salaries and wages, and profits.
- Customer service deals with a client's experience of dealing with EasyPack and will include:
  - How the employees behave towards customers e.g. manners, speech;
  - How well the employees are trained.
- The company's reputation depends on client reaction.
- The policy should have as its aim the development of customer loyalty and further business.

Marks: 1–4 marks as follows

- 1–2 a weak understanding of customer service
- 3–4 a clear explanation and interpretation

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**(b) Explain each of the following influences on Easypack’s marketing policy:**

**(i) Pricing** [4]

- Fixed prices for standard services but negotiated prices for larger customers and special requirements
- EasyPack can, to some degree, charge what it likes so long as it remains the leader in the niche market
- Prices need to be seen to be fair in order to attract repeat business

**(ii) The size of their market** [4]

- Being in a niche market means there is little if any competition for Easypack
- The size of the market is therefore limited and this imposes on Easypack the need to be innovative and responsive to clients

**(iii) Availability of substitute services** [4]

- Are there any others in the niche market?
- What range and quality of advice and service do they offer?
- Presence of competitors may influence EasyPack in terms of fees and services
- If there are substitutes then the situation may encourage EasyPack to be the best.

Marks: 1–4 marks per marketing influence as follows

- 1–2 little evidence of awareness and knowledge of marketing policy
- 3–4 well understood, knowledge and awareness, context

**(c) Explain what the Managing Director means when he says the Company has the right marketing mix.** [4]

The candidate does not need to give a detailed breakdown of the 4Ps although some reference is clearly required: clues are in the text. The company is a success so that justifies the claim regarding the marketing mix.

- **Price:** standard pricing but some discrimination pricing;
- **Product:** first class and expert packing/unpacking and removal service;
- **Promotion:** word of mouth, assume appropriate publicity;
- **Place:** home and abroad.

Marks: 1–4 marks as follows

- 1–2 basic understanding of the application of marketing mix
- 3–4 well written, knowledge, context