

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Advanced Level

MARK SCHEME for the May 2010 question paper
for the guidance of teachers

CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS

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, 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.

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

CIE is publishing the mark schemes for the May/June 2010 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.



Page 2	Mark Scheme: Teachers' version	Syllabus
	Cambridge International Diploma – May 2010	5179

THE EXOTIC FRUIT JUICE COMPANY LTD

Examiners and Centres should note that:

- The following are **not** model answers but should be regarded as persuasive.
- The guidance 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.
- Each task can earn up to 5 marks.
- English is not the first language of the majority of our candidates. The quality of written language is not part of the assessment.
- This is an *advanced level* paper.
- Usually, each response is followed by advice on the interpretation and application of marks. Since each task is worth up to 5 marks, it is unnecessary to append virtually the same advice to each task. *Therefore this note is the guide for the entire examination paper.*

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 indicates elementary knowledge; offers key words; indicates some awareness, limited explanation.
3	Default mark. A good answer reflecting understanding, obvious knowledge and application; good use of the text as a source; perhaps limited context
4	A firm answer reflecting a good understanding of the issue; obvious knowledge and application; good use of the text; context
5	The best possible response given the examination pressure; clear and direct answer to the task; reflects knowledge, application, perhaps some judgement and, importantly, context; well structured.

Page 3	Mark Scheme: Teachers' version	Syllabus
	Cambridge International Diploma – May 2010	5179

Candidates are expected to use material in the case study to support their responses i.e. respond in **context** wherever appropriate. This is *advanced level* so the responses are expected to display a higher level of knowledge and application than standard level responses. We are looking for balanced responses which indicate knowledge, understanding, application and context.

1 (a) Explain the following business objectives of The Exotic Fruit Juice Company Ltd:

(i) Satisfying customer demand; [5]

- The satisfaction of consumer demand i.e. meeting a need, is fundamental to any business operation;
- In this case, the product range contains fruit juices which must be of good quality and priced reasonably;
- The retail outlets and restaurants need to be supported by 'Exotic' by reliable delivery;
- The company should monitor trends and think possibly about extending the product range i.e. different juices, creating new tastes.

(ii) Helping to provide employment and better living standards in Bangladesh. [5]

- It is not unusual for Bangladeshi business people to support companies in 'the home country' e.g. printing of menus, staff uniforms.
- The fruit juices could be produced in the UK but the entire process is cheaper in Bangladesh;
- The production plant there is giving employment to 100 people;
- The employees receive fair wages plus bonus which enables them to maintain themselves and their families;
- It may only be 100 employees but they contribute to their community by paying tax and purchasing goods and services.

(b) (i) Explain why Abdul and Khalid prefer to keep 'Exotic' as a private company. [5]

- Abdul and Khalid set up the business; they identified the opportunity;
- Remaining as a private company will permit them to maintain their ownership and control;
- Shares can only be transferred with the agreement of other shareholders;
- They won't be vulnerable to take-over bids and investors wanting large share holdings;
- They do not have to publish their accounts.

(ii) Describe why they might have to convert to a public limited company. [5]

- The company could become very successful: e.g. the 6% of Indian restaurants becomes 12%, more business to airlines and shipping companies; growing opportunity in New York;
- If the company grows too rapidly it will overtrade because it won't have the requisite long-term finance;
- The company cannot apply to increase the share capital without losing private company status;
- It could raise finance by issuing debentures but it is likely to become either a quoted or an unquoted plc;
- If it became quoted then there is the prospect of raising sufficient capital but ownership will be diluted.

Page 4	Mark Scheme: Teachers' version	Syllabus
	Cambridge International Diploma – May 2010	5179

- 2 (a) **The membership of the Board of Directors includes five non-executive directors. Explain why 'Exotic' appointed non-executive directors.** [5]
- Non-executive directors are not directly involved in the company i.e. they are not employed by it;
 - They are independent and can offer the company unbiased advice;
 - They can encourage the Board to think carefully and perhaps influence Abdul and Khalid on their decision-making;
 - The non-executives in this case have backgrounds in fruit juice production, marketing and finance – all useful to the business;
 - 'Exotic' invited them because of their expertise.
- (b) **Communications present a few problems for the company. Describe the methods you would use to ensure a smooth flow of information, instructions and feedback within 'Exotic'.** [5]
- This task invites candidates to rehearse their general knowledge of communications;
 - Reference to oral, visual, textual and electronic forms;
 - Comment on appropriate selection of communications to suit a situation e.g. mobiles to maintain contact with delivery drivers; emails for general contact between the profit centres; conference calls for major discussions between the owners; website for clients.
- (c) (i) **The management style is said to be authoritarian. Explain what authoritarian means in the context of 'Exotic'.** [5]
- Abdul and Khalid want to keep strict control because the company is still young and developing;
 - It means that most of the company's detail and information will be restricted to Abdul and Khalid;
 - They have many plans for the future of the business and so want to keep a close hands-on management approach;
 - Their attitude may also reflect a lack of confidence in their staff to make appropriate decisions;
 - Being authoritarian means they expect to give the instructions without challenge;
 - It enables them to make quick decisions.
- (ii) **Describe what a quality circle is and suggest one benefit of it to 'Exotic'.** [5]
- A quality circle is a group of employees which meets to consider and recommend solutions to problems with the company's operations;
 - They may also meet to consider 'what if' situations;
 - The circle will involve employees from several departments or specialisms encouraging cooperation e.g. production and sales;
 - Employee participation in problem solving, using their knowledge and experience, makes them feel valued and motivated.

Page 5	Mark Scheme: Teachers' version	Syllabus
	Cambridge International Diploma – May 2010	5179

3 (a) Discuss the following expectations that the employees may reasonably have of their employer, The Exotic Fruit Juice Company:

(i) Financial and non-financial incentives; [5]

- The text says that the company looks after its employees but some reasonable assumptions may be made here:
- Fair wages, performance bonus, pension scheme, profit sharing;
- Medical insurance, protective clothing;
- Able to purchase fruit juices at trade price or cost price;
- Paid public and annual holidays;
- Any other appropriate incentives identified by candidates.

(ii) Suitable and safe conditions of work; [5]

- The company has a range of jobs which could have some threat to personal safety e.g. driving, delivering, loading/unloading, production process itself; handling glassware; flushing out the bottling machines with chemicals;
- Employees need to feel safe in the workplace in order to their jobs satisfactorily;
- Issue of protective clothing;
- No illegal or unsafe practices;
- Company must ensure that appropriate training is given.

(iii) Appropriate training and retraining opportunities. [5]

- Some link with **3(a)(iii)**;
- Candidates can make the assumption that training has some priority;
- Part of the company's success depends upon workforce being suitably trained and skilled;
- Skills may need updating;
- Employees, in a medium sized business, could be trained to multi-task;
- Training is an employers' commitment to improve the business and prospects of the employees.

(b) The Exotic Fruit Juice Company applies computer technology to all aspects of the business. Explain what this statement means. [5]

- The text does not state specifically how computer technology is used [except the reference to the website] so candidates may make appropriate assumptions;
- The website which advertises the fruit juices and enables customers to buy online;
- Other applications will include payroll, transactions, processing orders, personnel records, stock control, communications, production control;
- Contextual comment is required.

Page 6	Mark Scheme: Teachers' version	Syllabus
	Cambridge International Diploma – May 2010	5179

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

(i) the business or trade cycle in the UK; [5]

- It is the cycle of economic growth, the fluctuations in economic activity;
- Basically, the cycle moves from boom to slump and back to boom – over time;
- The cycle will impact on 'Exotic': in periods of recovery, stability, or boom, customers will have more disposable income e.g. they will spend more on eating out and drinking special fruit juices;
- When the economy slows down, customers will cut back somewhat in favour of less expensive choices or water.

(ii) exchange rates. [5]

- International trading is often conducted or recorded in US dollars but it is also likely that the business will trade in Australian dollars, Bangladeshi Taka, £ Sterling, and even Euros;
- The company needs to monitor exchange rate movements so that it doesn't buy goods and services at a high price or sell in a market which increases the price of their juices;
- Even if all transactions are conducted in US dollars, there will still be a relationship with the currencies above.

(b) Khalid said the reasons for locating the business in both the UK and Bangladesh were obvious. Explain the reasons for locating in:

(i) the UK; [5]

- The warehouse and office give immediate access to the target market;
- Necessary to import, stock, sell and deliver fruit juices directly to your customers so a UK location is required;
- The UK has a large and popular 'curry house' market;
- It also means employing people with a working knowledge of the UK geography and tastes.

(ii) Bangladesh. [5]

- Some reference to the response in 1(a)(ii) re. commitment to Bangladesh and employment;
- Bangladesh offers relatively cheap labour, transport and materials;
- Ready supply of labour and materials;
- Enables the company to control total production costs more effectively than in the UK;
- Economic situation enabled Abdul and Khalid to purchase the production plant for a fraction of the likely costs in the UK.

Page 7	Mark Scheme: Teachers' version	Syllabus
	Cambridge International Diploma – May 2010	5179

5 (a) Explain the following marketing objectives of 'Exotic':

(i) to operate a successful marketing mix; [5]

- A detailed breakdown of the 4Ps is not required but clearly some basic analysis should be offered;
- Product: 'designer' fruit juices especially for mild, medium and hot curries or spicy dishes;
- Price: this is above the average for fruit juices but they are specialist and quality juices;
- Promotion: website, in-house promotions [retailers, restaurants], journalism;
- Place: internet, retailers, restaurants.

(ii) to establish the image of the company and its product range. [5]

- Need to employ methods to boost awareness of 'Exotic';
- Good use of the marketing mix especially promotion to encourage customers' attention;
- Press coverage i.e. food writers to give their verdicts;
- Appropriate promotional techniques to create a favourable image based on good quality, value for money, suitability for purpose.

(b) In the UK, the company's juices are sold in a niche market. Explain why 'Exotic' juices are sold in a niche market. [5]

- It is a small market segment;
- It enables 'Exotic' to operate in a market dominated by larger producers and suppliers;
- It enables 'Exotic' to get established in the UK;
- Consumers are willing to pay a premium for a relatively exclusive or quality product;
- At the moment 'Exotic' are just breaking into the market with fruit juices that have been designed to accompany one kind of food and at a price higher than competing juices.

(c) Explain what the mission statement means when it says the customers are the company's main resource. [5]

- Without customers there is no business;
- The money spent by customers gives employment, profits, business growth, and (hopefully) success;
- The long-term future of 'Exotic' rests on satisfying customers i.e. trade and consumers;
- Customers should be treated with respect and importance.