

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Advanced Level

MARK SCHEME for the May 2011 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.

- Cambridge 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 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 no 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 seems unnecessary to append virtually the same advice to each task. *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.

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.

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1 (a) Explain the following business objectives of Bangla-Print:

(i) Economic survival; [5]

- It means what it says – survival.
- Economic survival is a concern to all businesses.
- It can be assumed that Bangla-Print is in a fairly competitive market – it is not the only Bangladeshi firm looking for printing business in the UK.
- The firm enjoys a price advantage.
- Moklis saw a gap in the market and is exploiting it.
- The firm fills that gap until a similar provider comes along with better quality/price.

(ii) Making a profit. [5]

- Profit making is the essence of any business.
- It is a reward for risk taking.
- It is also a measure of success.
- Profit enables the accumulation of funds for development.
- It is a cheap source of internal capital which will allow the partners to expand or re-equip.
- A 'good profit' represents an attractive return on capital.

(b) When Moklis inherited the business he had to borrow \$20 000 to modernise it. Explain to Kaz how he might finance any future development of the business. [5]

- The candidate can select from these likely sources:
 - Retained profits/ploughed-back profits
 - Venture capital
 - Private loan
 - Bank loan
 - Overdraft

This task expects the candidates to rehearse knowledge of sources of funding. The task specifically asks for an **explanation** and 4 or 5 marks can only be awarded if one is given.

If a candidate lists plausible sources then do not award more than 2 marks. A single source without explanation can only earn 1 mark.

(c) When Kaz joined his brother in the business, he wanted what he called the protection of a Deed of Partnership. Explain what is meant by a Deed of Partnership. [5]

- It is a written legal agreement setting out the rights and responsibilities of the partners.
- It provides for the:
 - way the profits and losses are divided or shared;
 - specific responsibilities and duties of the partners;
 - procedure for introducing or removing a partner;
 - continuation of the business following the death of a partner.

[Total: 20]

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2 (a) Moklis regards Bangla-Print as having a flat structure. Explain what is meant by a flat structure and suggest one advantage of it to Bangla-Print. [5]

- It is not structured like a hierarchy since it has few layers of management.
- It has a wide span of control.
- It improves vertical communication or, in the case of Bangla-Print (BP), horizontal since there is only two layers – partners and the employees.
- It enables the easier delegation of tasks.
- It ought to encourage motivation because there is more of a team spirit.
- In BP there are only 21 employees plus 2 partners so a flat structure enables all to know what is going on.

Award up to 3 marks for the flat structure and up to 2 marks for the advantage.

(b) Kaz wants to introduce quality circles. Explain what a quality circle is and identify one likely benefit of it to Bangla-Print. [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.
- In BP it may involve all of the staff, probably, in three circles.
- It encourages employee participation in problem solving, using their knowledge and experience, and makes them feel valued.
- Better staff motivation and performance means better company performance.
- It helps the sharing of ideas.

Award up to 3 marks for the definition and up to 2 marks for the benefit.

(c) Kaz accuses Moklis of being authoritarian and a Theory X person.

(i) Explain what is meant by an authoritarian leader. [5]

- An authoritarian leader:
 - exercises strict controls;
 - has a close hands-on approach;
 - lacks trust in others;
 - believes decision-making is best made in his/her hands;
 - gives instructions without expecting challenge.
- A candidate may suggest that Moklis, as senior partner, marginalises Kaz i.e. keeps him out of the loop or else why would he say Moklis is authoritarian?

(ii) Explain what is meant by a Theory X person. [5]

- A Theory X person believes that:
 - most people dislike work;
 - people must be forced or coerced to make an effort;
 - people prefer to be directed.
- Moklis probably thinks that his employees accept direction since their main concern is security of employment. His attitude is dismissive of employees so maybe Kaz is right.

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3 (a) Describe the following expectations that Moklis has of his workforce:

(i) Loyalty and cooperation; [5]

- Commitment to Bangla-Print.
- Moklis would argue that in return for good wages and a job, employees should support the firm.
- Employees should undertake any task reasonably required of them.
- Employees should not challenge orders.
- This expectation fits in with Moklis' theory X attitude.

(ii) Effective and efficient work; [5]

- Good time-keeping is expected.
- Willingness to work long hours and to meet deadlines.
- Perform well as a part of a large team.
- Have high standards of work and expertise.
- Efficient means competent or capable.
- Effective means having an effect, delivering the work.
- Moklis clearly wants high standard work delivered on time.

(iii) Appropriate skills. [5]

- All staff must be appropriately skilled – this does not mean necessarily highly skilled but they should be skilled enough to carry out the work assigned to them.
- Clearly the employees should be skilled printers.
- Skills should be updated according to changes in technology.
- Moklis expects employees to have the appropriate skills when they join the firm.
- Some comment might be made as to how he can maintain a skilled workforce if he isn't willing to provide training.

(b) Moklis is against offering his employees any incentives other than their pay. Explain what an incentive is and describe just one incentive you would offer Bangla-Print's employees. [5]

- It is a reward or an inducement to encourage staff loyalty and/or better performance – it can be either individual or a group scheme.
- Incentives can be financial or non-financial and include, for example:
 - bonuses
 - pension scheme
 - profit sharing
 - performance bonus
 - medical insurance

Award up to 3 marks for the explanation and up to 2 marks for the incentive. If the incentive is just identified then 1 mark only.

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4 (a) Every business is affected in some way by external or PEST factors that influence its activities. Explain how Bangla-Print might be influenced by:

(i) Exchange rates; [5]

- Bangla-Print is not really an international trader as such so the movement of currencies is not likely to be of major concern.
- The only currency Moklis and Kaz need to worry about is Sterling, perhaps also the Euro and the US Dollar. They will obviously be concerned about the value of their own currency, the Taka.
- So Bangla-Print only needs to monitor a small number of currencies so it doesn't receive payments which have lost their value.

(ii) Competition.

- Competition may sharpen BP's focus on the market.
- Ignoring the competition could potentially cost the firm sales, profits, even the closure of the business.
- It will depend on how many other printers there are in the market.
- Competition may make Moklis monitor and review such issues as prices, costs, quality, customer service, and employment policy.

(b) Bangla-Print is located in the poor outskirts of Dhaka. Explain how important or not this location is to Bangla-Print. [5]

- Location has been accessible to clients.
- It can be assumed that it is accessible to local clients and that the firm is served by a reasonable infrastructure and enjoys low occupancy costs.
- As far as the UK based clients are concerned the location may not be important as repeat orders can be made via the internet or via family members living in Dhaka.

(c) Describe two examples of what Moklis calls 'suitable incentives' that the Government should give to Bangla-Print. [5]

- There are not many examples to choose from and candidates are expected to support their choices. Examples being:
 - Employment grant/allowance
 - Investment allowance
 - Modernisation subsidy
 - Preferential business tax
- Moklis thinks he should be offered some incentive for having developed BP. The examples chosen need to be discussed in context.

Each choice may be awarded 2 marks but if both choices are well described then the full 5 marks can be awarded.

[Total: 20]

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5 (a) **Moklis believes the business is successful because the 4Ps are in the right balance. Explain what he means.** [5]

- The candidate does not need to give a detailed breakdown of the 4Ps although some reference is clearly required – the clues are in the text. The firm is doing well so that generally justifies the claim that the balance is right. Only 5 marks are allocated so a general response is required just to prove or disprove the point.
- BP's 4Ps:

Price	competitive
Product	high quality printing
Promotion	local advertising [Bangladesh] but none apparent in the UK except perhaps word of mouth by satisfied clients in the UK
Place	Bangladesh i.e. cheap labour area

(b) **Market research is not undertaken by the company as they serve a niche market. Explain what is meant by a:**

(i) **Niche market;** [5]

- Clearly a description is required.
- It is a small market segment.
- In Moklis' terms the niche market is specialist in that it provides mostly for the expatriate community in the UK.
- It enables Moklis to operate in a market perhaps dominated by larger printers or those which are not interested in the niche.

(ii) **Market Research.** [5]

- It is the process of collecting information about a market in terms of the potential customers [age, earnings etc.].
- The basic idea of this research is to inform marketing decisions.
- The partners are probably right in thinking market research won't serve any useful purpose simply because they have managed to stumble upon an appropriate market to work in. Given a change in their fortunes, they may then need to undertake some market research.

(c) **Kaz says that customers are their main resource. Explain what he means by that comment.** [5]

- Without customers there is no business.
- The money spent by customers gives employment, profits, business growth, and success.
- The long term future relies on satisfying customers.
- Customers are major stakeholders and should be treated with respect and importance.

[Total: 20]