

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

## **MARK SCHEME for the May 2013 series**

### **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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May 2013 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

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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 the candidate's knowledge and awareness.
- Extensive answers are not called for but candidates should offer well-written informative responses.
- 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 most tasks are worth up to 5 marks, it seems unnecessary to append virtually the same advice to each task. *This note is the guide for all 5 mark questions.* Where a mark different to 5 has been given a separate guide will be given after each question.

| <b>Marks</b> | <b>Descriptors</b>  |
|--------------|---|
| <b>1</b>     | A response indicating some basic or limited knowledge; identity of perhaps one element without discussion, explanation or application.  |
| <b>2</b>     | A response which indicates elementary knowledge; offers key words; indicates some awareness, limited explanation.   |
| <b>3</b>     | Default mark. A good answer reflecting understanding, obvious knowledge and application; good use of text as a source; perhaps limited context.   |
| <b>4</b>     | A firm answer reflecting a good understanding of the issue; obvious knowledge and application; good use of text; context.   |
| <b>5</b>     | 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 why SSL may set the objectives of helping to provide employment and raising living standards in the community. [5]

- SSL need employees to run the business and employees need jobs in order to obtain income
- The government will pay out less benefits if people are employed and this will help the overall economy
- Raising living standards will be the goal of any government that wants to be re-elected
- By helping the government and the community, SSL will be seen as a good corporate citizen

(b) If sales growth exceeds expectations, SSL may need further finance. Describe two suitable sources of medium to long term finance available to the business. [2 × 2 = 4]

- Internal finance from past profits, shareholders forgoing dividends, loans from shareholders
- External finance from bank loans, leases, mortgages on property, sale and lease back, venture capital, selling more shares in SSL

| Marks | Descriptors   |
|-------|---|
| 1     | A basic description or reason.  |
| 2     | A good description or reason that has been expanded and possibly offers some explanation and is usually in context. |

(c) Explain the advantages of positive cash flow which has been forecast throughout the next year for SSL. [5]

- This means that SSL should always have enough cash to pay their bills as they fall due
- Will be able to take advantage of discounts for early payment of bills
- Will be looked at favourably by banks if they need to borrow for capital projects

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**(d) Explain why general growth in the Indian economy should help increase sales for SSL. [6]**

- Leads to more employment and therefore people will have more disposable income to spend on shoes
- Increase in middle class disposable income will lead to better, more fashionable shoes being purchased
- Growth in economy may lead to improvements in communication which are more widely used and more people will be aware of SSL products

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|--------------|--|
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| <b>2</b>     | A response that offers some explanation of one element or identifies two elements without discussion, explanation or application.  |
| <b>3</b>     | A better answer that offers two or more elements with some limited discussion and maybe some context.  |
| <b>4</b>     | This answer will offer good discussion on two or more elements usually in context.   |
| <b>5</b>     | A good discussion on all elements requested showing excellent knowledge with some reasoning and maybe limited judgement.   |
| <b>6</b>     | The best possible response given the examination pressure; clear and direct answer to the task. The response is well structured and reflects knowledge, application, reasoning and some judgement, and importantly, context. |

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2 (a) Explain why the span of control might be narrow at the senior levels of SSL and wide on the shop floor. [5]

- A narrow span of control would be used where closer supervision is needed or where jobs are complex and very different. It also gives the supervisor more time to spend on their own activities
- A wide span of control is needed where close supervision is not needed or where all the jobs being supervised are very similar
- The senior employees of SSL would not need close supervision but their jobs are complex and different
- The shop floor employees would be doing very similar, practical work which would require less supervision for each individual

(b) Palash is a strong believer in McGregor's Theory Y. Explain how he might, in practice, apply this in SSL. [5]

- Theory Y believes workers are motivated by many different needs and when motivated can enjoy work and show creativity
- Palash must introduce other motivators such as chance of promotion, recognition of effort and responsibility
- He must try to ensure that the workers believe that their efforts are recognised by SSL and that good two-way communication exists

(c) Describe the advantages and disadvantages of two methods of communication that SSL might use to inform the shop floor workers of a change in shift patterns. [2 × 2 = 4]

- A general meeting – advantage of allowing questions and comments – disadvantage of being time-consuming and may be dominated by a few employees with a grudge
- Notice on notice-board – advantage of being quick and cheap – disadvantage of not allowing two-way communication and of being perceived as impersonal
- Letter to each individual employee – advantage of definitely being seen and being more personal – disadvantage of not allowing two-way communication and of being more expensive

Candidate can achieve full marks by outlining one advantage and one disadvantage for each method.

| Marks | Descriptors   |
|-------|---|
| 1     | A basic description or reason.  |
| 2     | A good description or reason that has been expanded and possibly offers some explanation and is usually in context. |

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**(d) Explain why team-working may be important to SSL. [6]**

- Team working improves the motivation of the members of the team
- It can help in training as the less experienced members of the team learn from the more experienced
- Productivity should be improved because building teamwork will involve a sense of responsibility to every other member of the team

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3 (a) Rajesh believes in offering fair wages but no other incentives to his employees. Describe one other practical incentive that Palash might want to offer and give the reasons why it might be effective. [4]

- Bonuses based on individual work, team work or results of the whole business
- Healthcare, life insurance. These are fringe benefits valued by employees
- Job enlargement, rotation or enrichment. These make the job richer and more varied, motivating employees and preventing boredom.
- Palash might want to offer some of these because of his belief in McGregor's Theory Y and his belief that the employees will be motivated to work harder by these incentives

| 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 identifies two elements without explanation or discussion, or identifies only one element but offers some discussion or explanation of that element. |
| 3     | A better answer that offers a very full discussion of one element or identifies two elements with some discussion or explanation on each.                             |
| 4     | The best possible response given the examination pressure; clear and direct answer to the task in context; reflects knowledge application and perhaps some judgement. |

(b) SSL has employees with various types of employment arrangements working for them. Describe the advantages and disadvantages to SSL of the following arrangements.

(i) fixed term contracts [5]

- These are usually given to workers with special skills whose expertise is only needed for a certain period e.g. a computer programmer setting up a new system
- SSL knows what the cost will be and can easily release the worker at the end of the fixed contract
- Fixed contract workers will have less loyalty to the company because they will know they will only be there for a fixed period
- May be difficult to motivate

(ii) casual workers [5]

- Workers who only work for SSL when needed with no regular hours and usually for lower pay than regular employees
- SSL can hire them at peak periods and release them at any time thus minimising costs
- Casual workers are often low skilled and have no loyalty or commitment to SSL

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(c) A trade union has started to recruit members from among the employees of SSL. Describe the advantages and disadvantages to SSL of recognising the trade union. [6]

- Advantages – SSL has only one organisation that it has to negotiate with
- A union can control its members therefore individuals with grievances have less effect
- On many occasions a trade union can be more reasonable because they have wider knowledge of modern practice
- Disadvantages – Will have to enter into meaningful negotiations instead of imposing settlements
- More difficult to divide and conquer
- More likely to end up facing industrial action because the trade union is more powerful than the sum of the individual workers

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**4 (a) Describe how Indian Government taxation policies could affect the expansion plans of SSL. [5]**

- Increases in business direct tax will reduce the amount of profit available to plough back into the business, decreases will have the opposite effect
- Ploughed back profit is an important source of capital for expansion
- Higher direct taxes on employees will reduce their disposable income and perhaps reduce their motivation. Lower taxes will have the opposite effect.
- Higher taxes will have a general dampening effect on the economy leading to less sales for SSL and to them postponing their expansion plans

**(b) Describe how a general increase in interest rates in India might affect the sales of SSL. [5]**

- This will mean a lower disposable income for most Indians and therefore less sales in India for SSL
- Higher interest rates will mean that the Indian currency strengthens and therefore SSL's goods will be more expensive in foreign markets and there will be a reduction in export sales
- With a stronger currency, imports into India will be cheaper and therefore foreign made shoes will be cheaper and more competitive, again leading to lower sales in India for SSL

**(c) India operates in a mixed economy. Explain how a change in government, resulting in a move towards a planned economy, could affect SSL. [6]**

- A planned economy means much more control from central government
- SSL may find that there are restrictions on the products they produce
- They may also find that there are restrictions on the supply of raw materials
- There may be more emphasis on practical day-to-day shoes and less on fashionable shoes

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(d) If SSL were to expand and build a second factory in India, describe two types of government incentives it would find useful. [2 × 2 = 4]

- Investment grants or allowances
- Government subsidies such as lower taxes for a set period
- Grants to train new employees

| <b>Marks</b> | <b>Descriptors</b>  |
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**5 (a) Explain why SSL uses agents resident in the importing country to obtain their export sales. [5]**

- Agents will know their local markets and probably have established connections with major shoe wholesale and retail outlets
- They are normally paid on a commission basis and therefore only cost SSL when they have made a sale
- If they have experience in the shoe industry in their country, agents may be able to advise SSL on the type of shoes that will sell best

**(b) Palash has calculated that the break-even point for a new line of shoes is 10 000 pairs. Explain what this means to SSL, and how this figure can be used when setting the selling price of the shoes. [5]**

- If SSL sells less than 10 000 pairs of the new line of shoes they will lose money
- They should not start manufacturing the new shoes until market research has been completed showing that there is a good chance of achieving 10 000 sales
- The break-even point will have been calculated using a projected selling price. Any decrease in this price will mean that more than 10 000 pairs will have to be sold to break-even. An increase in selling price will have the opposite effect

**(c) Describe how a customer complaints department might help SSL to increase sales. [5]**

- The department would be trained to handle complaints correctly and SSL should not lose so many dissatisfied customers with this department in place
- The types of complaint should enable SSL to correct common manufacturing faults
- Customers will have more confidence in buying from SSL if they know that any complaints are handled professionally

**(d) Recommend a method of determining the likely sales of a new line of ladies' shoes before its introduction to a new export market. [5]**

- This would involve conducting market research in the new export market
- Secondary research could be conducted by examining any government records of shoe sales in that market. Sales of shoes in a similar market that SSL already supplies could be examined
- Primary research could be carried out by asking a sample of potential customers the new market. Visits to shoe retailers in the new market would also show the type of shoes selling and their prices
- A SWOT analysis could be used but only allow a maximum of 2 marks if this is the only method mentioned