

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge Career Awards

MARK SCHEME FOR the October 2002 question paper

CAREER AWARD IN BUSINESS

ADVANCED LEVEL

5171 Business Organisation and Environment

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially 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.

The mark scheme must be read in conjunction with the question paper.

- CIE will not enter into discussions or correspondence in connection with this mark scheme.



MARK SCHEME

The following are **not model answers** but are nevertheless to be regarded as persuasive. A candidate may offer other relevant and appropriate material and argument. The key is to test a candidate's sufficiency of knowledge and awareness

The following tasks are awarded 5 or 10 marks each and the suggested assessment structure is set out below:

- (a) 5 mark or two level task:
- | | | |
|----|---|------------------|
| L1 | demonstrates limited or partial knowledge or offers an unsupported view/ response | 1-2 marks
3-5 |
|----|---|------------------|
- (b) 10 mark or four level task:
- | | | |
|----|---|------|
| L1 | limited knowledge or unsupported point(s) | 1-2 |
| L2 | demonstrates some understanding | 3-5 |
| L3 | demonstrates understanding and knowledge | 6-8 |
| L4 | discussion reflecting exemplary knowledge & application to case | 9-10 |
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- 1(a) Using the scale of 1cm to every \$100,000, draw a break-even graph or chart for 'IronF' and calculate the break-even point. The sales forecast is \$1.7m with a profit of \$75,000; fixed costs are \$350,000. (10 marks)

all the information is available in the text and the task; the assessment is based on the following approach:

vertical and horizontal axes	1 mark each	
turnover line (45°)	1	
fixed costs (parallel line)	1	
variable costs (line from FC/vertical to 0.75cm below t/o at \$1.7m)	2	
correct use of scale	2	
BE point is \$1.4m, allow range \$1.3-1.5m	3	(10)

- 1(b) The bank was willing to assist 'IronF' with a loan of \$150,000 but made two specific conditions.

- i Briefly explain what a mission statement is and why you think the bank wanted a copy. (5 marks)

MS contains aims of the business; object to create a sense of drive, common purpose; meant to stimulate employees; focus on QA and customer service; bank needs to assured that company knows its direction and focus ∴ good business, profits, success

- ii Explain why you think the bank demanded that one of its own managers be appointed to the Board of Directors (5 marks)

needs to keep an eye on its investment; company needs prudent financial advice; helps to keep company on track; can advise on wide range of business matters

- 2(a) The Managing Director reckons that the firm's distinctive approach to company organisation will make every employee a 'Theory Y person'. With reference to McGregor's Theory X and Theory Y, explain what you think the MD means. (10 marks)

theory basically explained; company has investors who are employees, directors are drawn from company at large, MD expects hard work = better t/o = profits = dividends to investors (employees) + better wages: all this = motivation and responsibility in Theory Y context

theory X: workers considered inherently lazy, unambitious, avoid responsibility, dislike work, coerced to work, prefer to be directed.

theory Y: workers enjoy work, see it as self-fulfilment, seek responsibility, develop self-confidence and reliance, help create climate for growth

2(b) 'IronF' has introduced teamworking and quality circles.

i Define *either* teamworking *or* quality circle, and (5 marks)

ii explain how you think it might benefit both 'IronF' and the employees. (5 marks)

2(b)i teamworking: team of workers on a large task eg making the complete piece of furniture rather than a component; focuses worker on the product and its process, not just a single repetitive task;

quality circles: usually between 4 & 10 employees under the same supervisor; meet regularly to solve work related issues and to think about likely problems; meet in work time; pass responses to management;

2(b)ii teamworking: workers happier and more committed; multi-skilled; motivation; leads to both job enrichment and enlargement

quality circle: involves staff = raises motivation and so productivity.

3(a) Despite being shareholders ie the owners, the employees still expect the company to recognise its responsibilities towards them. Explain and discuss the following two expectations of employees:

i to be offered appropriate financial and non-financial incentives
ii to have a channel of communication, consultation and negotiation (10 marks)

i: eg wages or salary appropriate to role/task; profit sharing; share issues/options; pension scheme; discounts; sports facilities; paid leave related to service

ii: eg means of representing workforce; means of raising issues with management; quality circles; bulletins, newsletters and company meetings;

3(b) The firm bought better machinery but recognises that to remain in business it must invest in 'leading edge' technology. Advise 'IronF' how the introduction of new technology is likely to affect the company and employees. (10 marks)

why new technology? = improve production, quality of output, control costs, better use of resources, improve eg finance, admin, R&D, communications, improve working environment;

implications: possible redundancies, training for new skills, reduction of waste and costs, security/data protection

4(a) 'IronF' realises that all firms are affected to some extent by business environmental or PEST factors. Discuss how 'IronF' might be influenced by

i the trade cycle, and (5 marks)

ii competition. (5 marks)

indicate knowledge and application of general impact of PEST issues:

i trade cycle: progress of economy from slump to boom; major movement now thought to be 50 yrs; each successive boom bigger than previous one; strong economy reflects confidence and growth; question of government response; markets; spending patterns

ii competition: stimulates a company; encourages creativity; makes it aware of quality, pricing, customer care, improvement in products, newer products; move with fashion; satisfy consumer demand

4(b) Assuming 'IronF' considered relocating to another region, discuss two examples of likely Government support and incentives which you think the company can expect (10 marks)

eg: employment creation allowances; tax relief; training costs allowances; relocation costs; modernisation grants or tax allowances; grants for environmentally friendly/efficient buildings

5(a) To the develop its export market, 'IronF' adopted destroyer pricing and appointed an agent in the UK:

i briefly explain what is meant by destroyer pricing (5 marks)

price low enough to drive out competition, improve market share; possible to drive others out of market or business; regarded as anti-competitive; similar to dumping; used to gain secure foothold in market.

ii briefly discuss the reason(s) for appointing an agent (5 marks)

agent is an independent expert appointed to handle sales and distribution in another country/region; agent has in-depth knowledge of the area; cheaper than setting up office/network; agent works for commission not salary

5(b) If 'IronF' wants to increase exports it must carry out a marketing plan. Advise 'IronF' of the benefits of market planning. (10 marks)

MP enables firm to reflect on marketing activities; evaluate policies; use of human and financial resources; market budgeting; objectives and targets; strategy; forecasts, SWOT; consider branding, pricing, advertising
