

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Career Award Advanced Level

MARK SCHEME for the October 2003 question papers**CAREER AWARD IN BUSINESS**

5171	Paper 1, Business Organisation and Environment (Core), maximum mark 100
5172	Paper 1, Effective Business Communication (Core), maximum mark 100
5173	Paper 1, Business Finance (Core), maximum mark 100
5174	Paper 1, Marketing (Optional), maximum mark 100
5175	Paper 1, Human Resource Management (Optional), maximum mark 100

These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show the basis on which Examiners were initially instructed to award marks. They do not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

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.



CAMBRIDGE
INTERNATIONAL EXAMINATIONS

October 2003

CAMBRIDGE INTERNATIONAL DIPLOMA

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 5171/01

BUSINESS
Organisation and Environment



Page 1	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA – OCT 2003	5171	1

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. Most of the tasks are small-scale activities and the key is to test a candidate's sufficiency of knowledge and awareness.

- 1 (a) Although Health Care International is profitable and well financed, it may require additional funding at some time in the future.**

List three ways in which it might raise additional capital. [5]

Candidate is only required to list three appropriate ways e.g. bank loan, venture capital, debentures, plough-back profits, sale of unissued shares; the list needs to be realistic – better marks for sale of unissued shares and ploughed-back profits - they indicate a grasp of the problem.

Level 1: limited response, perhaps only two listed [1-2]

Level 2: good to strong i.e. full response with reference to shares and profits [3-5]

- 1 (b) Health Care International is described as being 'profit-driven but socially aware'.**

Using information from the case study explain what this means. [5]

Candidate needs to emphasise the need to make a profit i.e. reason for being in business, the means to create investment in the future; being socially aware reflects the attitude of the organisation for putting something back into the community – in this case free or very cheap medical care, employment, training - all resulting in improvement of quality of life; showing concern for the population.

Level 1: basic and limited response, little obvious understanding [1-2]

Level 2: good to strong appreciating social contribution [3-5]

- 1 (c) Abdul Al-Huq is writing the Quetta mission statement and has included 'helping to provide employment and better living standards for the local community at large'.**

Explain how the Quetta hospital is attempting to achieve this business objective. [10]

Candidate needs to demonstrate a grasp of the issues in the case study – the text references ought to offer guidance; response may subsume 1(b) above – point may need to be reiterated; essentially the hospital is treating the poor and refugees either for nothing or a nominal charge; employment policy to recruit as many locals as possible; pay fuels the local economy; people can improve their lives; good health makes them stronger and better able to achieve.

Level 1: basic approach, limited discussion [1-2]

Level 2: descriptive, main points discussed but no depth [3-5]

Level 3: analytical approach, demonstration of understanding [6-8]

Level 4: evaluative, firm grasp of the issues, well discussed [9-10]

Page 2	Mark Scheme	Syllabus	Paper
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- 2 (a) **With reference to the leadership style in the Quetta hospital, explain what is meant by either the autocratic or the democratic leadership style.** [5]

Candidate needs to rehearse main elements to indicate knowledge:

Autocratic, also known as authoritarian: belief by those in positions of authority/responsibility that only they are fit to take decisions, show leadership; attitude of directing rather than encouraging participation; control.

democratic: encourages participation; shares decision-making; hands down responsibility; trust; delegation; advisory.

Level 1: poor definition, lacks content and application [1-2]

Level 2: clear definition, identification of salient elements, application [3-5]

- 2 (b) **With reference to the case study, suggest what indicates that the Health Care International company might be decentralised.** [5]

Not a difficult task but the candidate needs to read and interpret text; calls for some reasoning; the clue is 'might be' and found in lines 12-13 i.e. each hospital operates as a separate profit centre – it has the authority to run itself as a business within a business; there is no implication that each hospital is decentralised only Health Care International.

Level 1: weak appreciation, comment on decentralisation but no interpretation of task [1-2]

Level 2: good to strong, reference interpreted [for or against], firm understanding of decentralisation [3-5]

- 2 (c) **There seem to be some problems at Quetta regarding the general attitude towards staff although Abdul Al-Huq says he supports MacGregor's 'Theory Y' and Herzberg's job enrichment.**

Describe the main features of these two motivational theories. [10]

This type of task encourages the candidate to rehearse everything about the theories; essentials only required but sufficient to indicate clear understanding.

Theory Y: management approach encouraging employees to take responsibility; recognises employees will work well and responsibly if trusted; all levels seek job satisfaction; accepts need to contribute to decision-making; in Quetta there is the implication that only higher levels can be theory Y – not the essence of the theory.

Job enrichment: Herzberg's two factor theory [details not wanted]; job enrichment improves motivation; gives opportunity to use abilities; give larger areas/units of work rather than small and repetitive tasks.

Candidate might point out the two theories are resisted [at Quetta] below middle and junior management.

Level 1: basic response, rehearsal of some knowledge [1-2]

Level 2: descriptive, indicates a fair but not strong grasp of issues [3-5]

Level 3: analytical, firm demonstration of the theories, application [6-8]

Level 4: evaluative, excellent descriptions, good knowledge [9-10]

Page 3	Mark Scheme	Syllabus	Paper
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- 3 (a) The Quetta hospital offers a variety of employment contracts and ‘job sharing is widespread among the unskilled.’

Explain the benefit of job sharing to the employee. [5]

Job sharing means having one job shared between two people, perhaps on a 50:50 basis; gives people, particularly in and around the Quetta Hospital, a chance to work and earn money; offers the opportunity to be employed; enables an employee to do other work e.g. crop growing.

Level 1: no real idea, no supposition, no valid point made [1-2]

Level 2: good to strong suggestion, good interpretation [3-5]

- 3 (b) The hospital has strict written codes of conduct.

Describe what a code of conduct is and why it is thought to be necessary for Health Care International. [5]

Candidate may refer to code of ethics/practice/conduct so long as essential purpose is acknowledged; regulation/rules/guidance on e.g. behaviour, dress code, routines, practices, handling of hazardous waste etc.; object to set minimum standards, standardise routines, sets house style.

Level 1: basic definition, little understanding or application [1-2]

Level 2: clear understanding of purpose, application [3-5]

- 3 (c) The Health Care International hospitals appear to be good and flexible employers but the employees still have certain expectations of their employer’s responsibilities towards them.

In relation to the Quetta hospital, explain what is meant by the provision of suitable and safe conditions of work, and then identify and describe one other expectation. [10]

Responding to safe conditions is directed by the task; candidate must attempt this in order to get above Level 2 i.e. >5 marks; hospital deals with disease, contagion, blood products, hazardous waste – important to protect staff, codes should be in place but implication here re: level of English among lower and unskilled staff; responsibility to remedy that omission; emphasis on training.

The other can be drawn from, e.g. fair pay, incentives – financial and non-financial, opportunities for advancement, training/retraining, channels of communication; candidate needs to offer appropriate explanations.

Level 1: basic, weak on safety, poor understanding of other issues [1-2]

Level 2: descriptive, safety plus 2 others limited attempt [3-5]

Level 3: analytical, generally good demonstration of issues [6-8]

Level 4: evaluative, firm demonstration of knowledge/application [9-10]

Page 4	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA – OCT 2003	5171	1

- 4 (a) Health Care International is well aware that all businesses are from time to time influenced by what are generally known as PEST issues.**

Discuss how Health Care International and its hospitals might be affected by

- (i) pressure groups, and [5]**

Pressure group: group to fight specific campaign; seeks to influence public opinion; Health Care International subject to criticism re: its location and employment policies i.e. it exploits cheap labour and resources; Hospital could be faced by strike, Government enquiry and interference, restrictions, closure, change of practices, loss of business, poor image in its patient markets.

Level 1: basic, some understanding, limited approach [1-2]

Level 2: good to firm demonstration of understanding/application [3-5]

- (ii) changes in disposable income. [5]**

Being private sector, Health Care International relies upon people being able to exercise choice in health owing to financial ability; decrease could lead to lower prices and thus lower profits, also narrow range of treatment; increase could mean more business, better menu of treatment; Health Care International relies on a sufficiency of people wealthy enough to buy its services; economic downturn could affect Health Care International.

Level 1: basic, limited understanding of economic issue [1-2]

Level 2: good to firm demonstration of impact on HCI [3-5]

- 4 (b) Health Care International locates its hospitals in developing countries.**

Suggest why it prefers to do so and indicate what kind of incentives a host country might offer. [10]

Candidate can pick up on points made previously in the paper:
location because establishment and running costs are low compared to USA/Europe; gives greater potential profit but also enables reduction in prices to encourage business – results in more people realising private medicine is affordable; creates better business

Incentives: cheap resources; few restrictions e.g. planning consent, re: setting up business; employment allowances/subsidies; grants for building in certain areas. Preferential local/national tax; ease of visa restrictions on foreign employees, etc.

Level 1: basic approach, limited appreciation of the issues [1-2]

Level 2: descriptive, essentials only, little firm knowledge [3-5]

Level 3: analytical, good rehearsal of points, understanding [6-8]

Level 4: evaluative, firm demonstration of understanding [9-10]

Page 5	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA – OCT 2003	5171	1

- 5 (a) The marketing policy of Health Care International and its hospitals is kept under review.

Explain what the following two marketing objectives mean in the context of the Quetta hospital:

- (i) to develop a range of saleable products [5]
(ii) to establish the image of the hospital [5]

marketing objectives are goals to help the hospital achieve its aims/plans; saleable products may mislead – product used widely to denote goods and services – in the case it is medical treatment and medicines; all medical treatment has to be paid for i.e. bought by patients so an eye operation is a product; there must be consumer/patient confidence in the products.

equally the image is important; location may well give a misleading impression e.g. developing country = less than US/European standards of health care; need to promote the availability of world class medical staff and treatment; create acceptable impression.

Level 1: basic response indicating limited understanding [1-2]
Level 2: good to firm demonstration of understanding [3-5]

- 5 (b) The Quetta hospital is concerned to maintain a high quality of its patient service.

Keeping in mind that the hospital is not only a medical institution but also a private sector business,

- (i) explain the importance of a customer or patient service policy [5]

Points to make: e.g. - the policy is important for any business, even more so in medicine – chances of mistakes and wrong diagnoses leading to, say, death, disfigurement; question of reputation; loss of repeat business in a few cases and loss of recommendations; Policy affects not just the treatment but peripheral issues like the food, rooms, personal attention, cleanliness etc. people who pay for private medicine expect a higher level of services and attention; must have policy and procedures to avoid problems and to maintain high standards.

Level 1: basic argument but with limited understanding [1-2]
Level 2: good to strong rehearsal of the points stressing its importance to the business [3-5]

- (ii) describe two matters that you think the policy should contain. [5]

Candidate needs to stress that a policy must attempt to foresee all eventualities i.e. what might go wrong; whilst the marketing objectives seek to raise profile and image, the policy should give patients and their families, e.g.

- [1] the means of handling complaints,
[2] the possibility of refund of fees,
[3] a remedy in terms of corrective or further treatment.

Plus any other appropriate point.

Level 1: limited in application, maybe one point or two weak points [1-2]
Level 2: good to strong understanding indicating apposite points [3-5]

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MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 5172/01

BUSINESS
Effective Business Communication



Page 1	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA – OCT 2003	5172	1

The following are not model answers, but are nevertheless to be regarded as persuasive. Candidates may offer other relevant and appropriate material and arguments.

1 The organising Committee are very concerned that communications to all potential sponsors are effective throughout the planning of the games.

(a) Evaluate three two-way communications methods which the Committee could use to communicate to potential international sponsors. [6]

- team meetings – gathering of team on regular basis to discuss issues in a formal way and receive feedback
- joint consultations – discussions with two groups e.g. sales and design to discuss key issues of mutual interest such as the launch of a new product
- quality Circles – these are used to develop and implement improvements within the workplace. Select their own leaders and are seen as a practical way of devolving responsibility or empowering staff to enable total participation of the committee. Develops motivation and confidence.
- seminars – these are usually presentation of information which leads to a discussion, often used for training purposes or proposals
- briefings – this is where management brief staff often on a regular basis, about the key issues and current problems. This is often more one-way communication than two-way communication.
- telephone communications – informal, instant feedback, quick method but now often talking to voice mail rather than person concerned which loses some of the value of the communication

[1 mark per method + 1 mark per explanation each up to 6 marks]

(b) Identify and explain four main barriers to communication which may be experienced by international sponsors. [8]

Causes could include:

- no clear aim or purpose of communication
- use of inappropriate language such as 'management' speak
- staff unable to understand the message due to education/experience levels
- use of inappropriate medium such as informal chats
- lack of regular communication
- problems with language and cultural barriers

[1 mark per point = up to 4 marks]

(c) Explain the characteristics of a press release which could be sent to all the potential international sponsors. [6]

Press release characteristics to include:

- written for publication to different audiences – journalist and target audience
- content - information needs to be newsworthy, credible, true, etc.
- structure & style - needs to include headline, include facts, quotations, embargo date, needs to be double line spaced, include photos etc.
- needs to be checked internally before release, etc.

[1 mark per point + 1 point for explanation = up to 6 marks]

Page 2	Mark Scheme	Syllabus	Paper
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2 The Marketing Director has indicated that the corporate sponsorship needs to be gained as soon as possible.

(a) Write a letter to the potential corporate sponsors with the aim of trying to get them involved with sponsorship of the games. [8]

The letter should conform to the following format:

- letter heading of the company }
 - date }
 - reference number }
 - appropriate salutation – Dear Mr/Mrs }
 - letter Heading – Olympic Games 2008 }
 - the body/content of letter }
 - consideration of key benefits of sponsorship }
 - appropriate closure }
 - signature and position }
 - response mechanism }
- [2]
[4]
[2]

The content and tone of the letter should be persuasive and inviting for the corporate sponsors. It should include key benefits, etc. The letter should also include a response mechanism.

(b) Explain the structure of a formal business report on the Olympic Games. [8]

The structure of the formal business report should include:

- title }
 - author }
 - date }
 - reference }
 - contents page }
 - terms of reference }
 - aims and objectives }
 - body of the report – findings }
 - conclusion }
 - recommendations }
 - appendices }
- [2]
[2]
[2]
[2]
[2]

[1 mark per point up to 8 marks]

(c) It has been decided that the report and letter should be sent to each potential sponsor electronically. Explain four disadvantages of using electronic communications for this. [4]

Answer should include 4 disadvantages of using electronic coms:

- it may be deleted without reading
- there is no tangible presence like a brochure to look at again
- may be perceived as not that important as it is not a traditional approach for such an important communication – therefore may not be received well
- not all target audience have access to email
- documents may be too big to be sent electronically easily
- documents may be too big to be printed off or read on screen
- difficult to create a prestigious image

[1 mark per disadvantage = 4 marks]

Page 3	Mark Scheme	Syllabus	Paper
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3 It is important that the organising Committee arranges for the volunteers to be recruited within the next year.

(a) A meeting is to be called to organise and plan the recruitment process. Write the agenda for this meeting. [4]

Agenda should contain the following:

- time, date, venue
- welcome
- apologies
- approval of previous minutes of last meeting
- matters arising from previous minutes
- suggested job specs
- suggestions for advertising posts
- timescales for recruitment process
- any other business
- time and venue for next meeting

[1 mark per point which is correct = 4 marks]

(b) Explain what the Committee will have to do to prepare for recruitment interviews for the volunteers. [8]

Answer should include points for the interviewer:

- plan the interview
- consider the purpose of interview
- liaise with other members of the interview panel
- consider location, timing and structure of interview
- prepare questions
- consider methods of communicating to candidates after interviews
- design criteria for assessing each candidate

[1 mark per point which is not expanded, 2 marks for expanded pts = 8 marks]

(c) Suggest four different types of questions and give an example of each which could be used for these recruitment interviews for the volunteers. [8]

- closed question – offer a choice of answers only i.e. Do you feel that you can contribute to the Olympic games?
- leading question – lead the interviewee into speaking about specific issues i.e. Why do you think that you are suitable for volunteer work?
- open question – a question which allows the interviewee the opportunity to give open, frank and in-depth information i.e. what are your strengths which you will be able to bring to the Olympics?
- hypothetical question – gives a scenario to allow the interviewee to answer in role, i.e. You are working for the Olympics and you have been asked to work elsewhere for a good salary – what would you do?

[1 mark per type of question and 1 mark per example up to 8 marks]

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4 The organising Committee realise that they are not yet working well as a group.

- (a) Explain four reasons why there may be conflict within the group at present. [8]**

Main sources of group conflict:

- individual perceptions of unfair or different responsibilities for certain members of the group
 - inappropriate communications methods used for communication with certain groups such as informal verbal chats rather than formal 'official' information being disseminated
 - different ideologies about the role of the games
 - different beliefs about status and levels of power within the group
- [2 marks per point which has been explained up to 8 marks]

- (b) Explain four characteristics of an effective group. [8]**

Explanation of characteristics of effective groups to include:

- structure of group
 - culture within group and organisation
 - development of trust within the group
 - level of support within the group
 - consultation and communication
 - involvement in decision-making
 - respect for members of the group
 - norming, forming, storming, performing
- [2 marks per expanded point = 8 marks]

- (c) Suggest how the group should work more positively to be effective. [4]**

Explanation of the following areas:

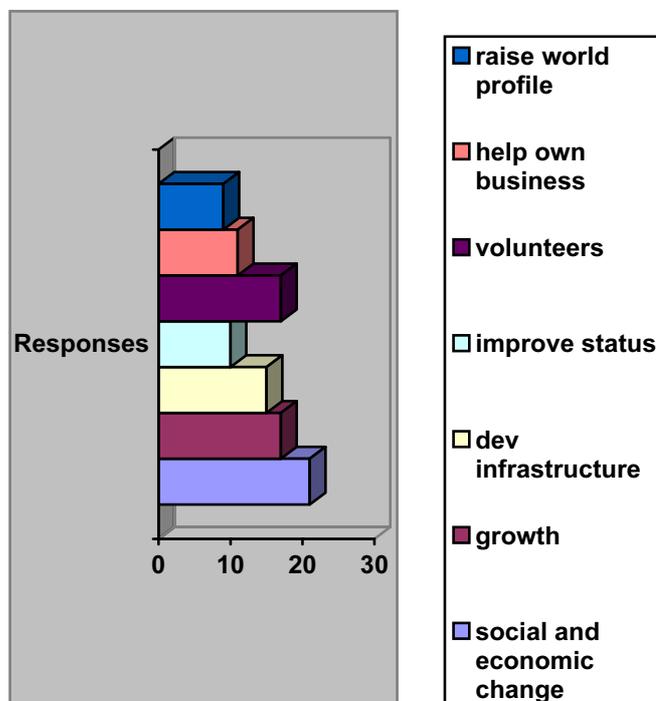
- arrange awaydays to get the group dynamics co-ordinated
 - arrange social events to develop trust and respect
 - ensure that communication methods used are appropriate
 - offer a good level of support for the group members
 - ensure that all are involved in consultation and decision making
- [1 mark per point for 4 pts or 2 suggestions which have been expanded = 4 marks]

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5 The data from the Gallup Poll is to be used within a press release.

- (a) Construct a bar chart for the Gallop Poll responses (last 11 lines of the case) [10]

Bar Graph to Illustrate Gallup Poll Responses



Appropriate method identified and used [3]
 Correct & accurate graph used [2]
 Correct values plotted [3]
 Correct shaded areas to illustrate key [2]

- (b) Explain the advantages and disadvantages of the following types of graphical forms of communication

- (i) Pie chart
 (ii) line graph
 (iii) table [10]

- (i) Explanation of pie charts – total value of items must be known, use of colours to enhance impact, limited to the amount of in-depth information that can be conveyed using a pie chart, need to work out in terms of 360°
- (ii) Explanation of line graphs – good for showing trends, cannot readily or clearly be interpreted if too many plotted lines of information, therefore not helpful for complex information
- (iii) Explanation of tables – good for tabulating complex information, limited immediate visual impact and difficult to interpret readily
 [1 mark per advantage and disadvantage and an explanation for each method]

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CAMBRIDGE INTERNATIONAL DIPLOMA

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 5173/01

BUSINESS
Business Finance



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The following are not model answers, but are nonetheless regarded as persuasive. A candidate may offer other relevant and appropriate responses.

- 1 (a) Identify three external (PEST) factors mentioned in the case study and explain how they might affect the profitability of M.R. Ltd. [6]**

Candidate correctly identifies PEST factors (downturn, environment, regulation) [1 mark per factor]
 Additional 1 mark if candidate explains how factor could affect costs/revenues/profits [3 x 2 = 6]

- (b) Explain how the branding of equipment (line 6) could become an asset for M.R. Ltd. [2]**

1 mark for vague idea of adding to profit
 For 2 marks, candidate must refer to intangibles/fixed asset value

- (c) Explain the role of the 'auditor' (line 8) in the accounting process. [2]**

1 mark for reference to checking of accounts
 Award 2 marks if reference to independence of auditor and/or reference to 'true and fair view'

- (d) Explain what is meant by:**

- (i) an agent (line 11) [2]**

1 mark for vague definition
 Reserve 2nd mark for precise definition of principal/agent relationship and/or payment of commission based on sales

- (ii) term marginal costs (line 9) [2]**

1 mark for vague definition
 For precise definition - addition to total costs of increasing output by 1 unit - 2 marks

- (iii) merger (line 16) [3]**

1 mark for vague definition
 For precise definition to include merging of capital to form new unified organisation - 2 marks

- (iv) 'sale or return' (line 17) [2]**

1 mark for vague definition
 For precise definition - goods bought with option of return of revenue if unsold - 2 marks

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- 2 Using the information provided in the balance sheets (Item 1) for M.R. Ltd.**
- (a) Totals (a, b, c and d) appear in the balance sheets. Give the correct accounting terms for each of these totals. [4]**
- For providing correct terms (1 mark per term) a - Net Fixed Assets, b - Current Assets, c - Current Liabilities, d - Net Assets/Capital Employed
- (b) Identify two internal and two external users who would be interested in the published accounts (Item 1) and explain why they would have an interest. [8]**
- For correct user identified [1]
For each explanation of the interest they would have [1]
- 3 (a) Using all available information select and calculate three ratios that could be employed to assess the current financial position of M.R. Ltd. [3 x 3 = 9]**
- 1 mark per appropriate ratio identified [1 x 3]
1 mark for correct calculation of ratios [1 x 3]
1 mark per relevant explanation of how ratio used for assessment [1 x 3]
- (b) Using all available evidence produce an assessment of the future profitability and financial standing of M.R. Ltd. [9]**
- Candidates need to employ the financial information and the information on the proposals for the future to answer this question.
- Level 1: candidate produces a weak response using financial information or proposals [1-3]
Level 2: candidate uses both sets of information and begins to make sensible predictions about the future [4-6]
Level 3: as Level 2, but candidate begins to be reflective about uncertainty of future plans/additional financial burdens, etc. [7-9]
- 4 (a) Using the information provided in Item 2 calculate the Accounting Rate of Return (A.R.R.) % for each of the proposals. [8]**
- For knowledge of process/formula for A.R.R. [2]
For applying formula to each proposal to arrive at correct solution [3 marks per proposal]
- Suggested solution at Appendix 1*
- (b) State, with reasons, which of the proposals should be implemented. [4]**
- To achieve an award the candidate must give a reasoned response based upon the calculations above [2 marks per reasoned explanation]
e.g. Machine A – higher average annual return %, less initial outlay Machine B - longer life - higher annual returns, etc. [2 x 2]

Page 3	Mark Scheme	Syllabus	Paper
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- 5** **The future expansion of M.R. Ltd will be dependent on raising additional capital.**
- (a)** **Identify four additional sources of capital that could be employed by M.R. Ltd.** **[4]**
- 1 mark per appropriate source identified [1 x 4]
- (b)** **For each of the additional sources provide one advantage and one disadvantage of using that source.** **[8]**
- 1 mark per advantage/disadvantage of each source of capital [2 x 4]
- (c)** **State, with reasons, which additional source of capital you would recommend for M.R. Ltd.** **[4]**
- 2 marks available for each reason for the chosen source of capital [2 x 2]
- 6** **Using all available evidence, identify and explain how four accounting concepts are currently being employed to produce the accounts of M.R. Ltd.** **[4 x 3 = 12]**
- Candidate needs to identify those concepts whose use can be inferred from the material - historic cost, business entity, disclosure, double entry, going concern
1 mark per concept identified plus up to 2 additional marks per explanation of how the concept is being applied in the accounting process [4 x 3]
- 7 (a)** **Using all available evidence identify the method of depreciation of fixed assets currently employed by M.R. Ltd.** **[2]**
- 1 mark for stating straight-line depreciation plus 1 additional mark if candidate explains constant depreciation allowance
- (b)** **List one other method of depreciation that could be employed and give one advantage and one disadvantage of using this method.** **[5]**
- 1 mark for identifying reducing balance method plus 2 marks for advantage/disadvantage of reducing balance method
- (c)** **List and explain two reasons why a firm such as M.R. Ltd should make allowances for depreciation.** **[4]**
- 1 mark for reason with weak or missing explanation
2 marks for well explained reason, e.g. the need to replace equipment to ensure business continues to thrive [2 x 2]

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Appendix 1

Suggested solution to Question 4 (a)

A.R.R. = (Average Net Return ÷ Initial Investment) x 100
 Net Return = Expected Return - Running Cost - Initial Outlay

Machine A

Expected Returns = (50 000 x 3) + (75 000 x 3) + (60 000 x 3)
 = 150 000 + 225 000 + 180 000
 = 555 000

Running Costs = 8000 + (15 000 x 6) + (18 000 x 3)
 = 8000 + 90 000 + 54 000
 = 152 000

Net Return = 555 000 – 152 000 - initial outlay
 = 403 000 – 250 000
 = 153 000

Average Net Return = 153 000 ÷ 9 = 17 000 p.a.
 A.R.R. = (17 000 ÷ 250 000) x 100 = **7 %**

Machine B

Expected Returns = (70 000 x 4) + (90 000 x 4) + (75 000 x 4)
 = 280 000 + 360 000 + 300 000
 = 940 000

Running Costs = 8000 + (18 000 x 4) + (24 000 x 4) + (30 000 x 4)
 = 8000 + 72 000 + 96 000 + 120 000
 = 296 000

Net Return = 940 000 – 296 000 - initial outlay
 = 644 000 – 380 000
 = 264 000

Average Net Return = 264 000 ÷ 12 = 22 000 p.a.
 A.R.R. = (22 000 ÷ 380 000) x 100 = **6 %**

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MAXIMUM MARK: 100

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BUSINESS
Marketing



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Across the whole Paper, examiners should accept any examples given which are suitably justified.

Generally: *(marks shown relate to a task of 10 marks)*

Level 1: answers will leave the examiner to 'fill the gaps'. The answer will show little evidence of understanding of theory, simply listing terms and failing to explain them in a marketing context. [1-3]

Level 2: answers will be adequate answers that attempt to bring together theory and practice. Evidence of understanding is limited and the use of context restricted. [4-5]

Level 3: answers will combine theory and practice in an effective manner. It is not a Level 4 answer because it fails to apply the theory as effectively and/or is not as realistic/relevant as it might be. [6-8]

Level 4: answers will be rare, and will be exceptional, bringing together theory and practice in a professional manner. The answer will demonstrate an understanding of theory used effectively in the context of marketing and the circumstances described. [9-10]

1 Until recently Ali has not seen the need for marketing within his business.

(a) Identify five points to explain how a marketing orientation might help him to define his home market and improve business from it. [5 x 2]

(b) Explain how Ali might use relationship marketing to maintain the status quo with his export customers while he focuses on establishing a home market. [5 x 2]

(a) A marketing orientation can help by:

- ensuring corporate goals are set and met
- focusing all operations within the organisation on the customer
- giving the organisation a sense of purpose and direction
- works towards meeting customer needs profitably
- increase awareness of the company and its products

[2 marks for each point identified and expanded x 5 = 10]

(b) Relationship marketing involves developing relationships with both customers and suppliers to be sure of quality of provision of stock, and service to customers.

- support overseas wholesalers with promotion to retailers to help them move goods
- develop good relationships with regular suppliers, perhaps by giving them preferential prices for a guaranteed level of service
- develop promotional campaign to 'pull' customers into retail outlets
- provide high level of information to wholesalers and retailers through the website
- offer incentives to customers for repeat purchases or for recommendations to other potential customers

[Candidates may offer a variety of suggestions in answer to this question – 2 marks should be awarded to each suitable suggestion to a maximum of 5 = 10]

Page 2	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA – OCT 2003	5174	1

2 (a) The business adviser consulted by Ali identified that little research has been carried out and yet Ali has started to sell blankets. Explain and recommend two research approaches that you might use to explore ideas for new products and check the suitability of blankets [10]

(b) Explain to Ali five reasons why continuous research can be used to monitor the firm's environment, and could help the business grow in the future [10]

(a) Candidates can earn marks for any two suitable types of research recommended. Level 4 marks will only be awarded to those who recognise the use of secondary research first, to help formulate primary research objectives.

Secondary research – published reports on the rug and textile market, trade press, lifestyle research reports, press articles.

Primary research – focus groups with target customer groups, surveys of retailers, existing customers, etc.

[5 marks for each of two types of research recommended = 10]

(b) Continuous research – monitoring of firm's environment on an ongoing basis can help identify:

- potential political threats and opportunities
- potential economic threats and opportunities
- potential societal opportunities and threats
- potential technological threats and opportunities
- potential competitor threats and opportunities

[2 marks for each area linked to case material x 5 = 10]

3 Ali is keen to supply larger retailers. Explain the concept of the Decision Making Unit (DMU), and identify the different categories of decision makers that could be found in a large retail chain. [10]

DMU – made up of

Gatekeeper
Buyer
Influencer
Decider
User

[2 marks for each category, suitably expanded = 10]

Page 3	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA – OCT 2003	5174	1

4 Explain two ways in which Ali might segment his market. [10]

There are several ways that Ali might segment his market. Candidates are to be awarded up to 5 marks for each of two suitable segmentation methods identified.

These may be consumer or organisational based.

Consumer –

Demographic – high income, older couples looking for quality textiles for their home

Lifestyle – wealthy tourists

Organisational –

Large wholesalers

Small wholesalers

Specialist retailers

Large retail chains

Geographical – linked to the above

[2 marks for the identification of each method, and a further 3 marks for links to the context of the case – 10]

5 You have established that Ali's original business focuses on supplying overseas markets with rugs for the tourist trade.

(a) Categorise four ideas that Ali has already tried, and plans to try, in terms of Ansoff's growth strategies. [8]

(b) Identify which of Ansoff's growth strategies has not been considered. [2]

[10]

(a) Further sales to overseas markets – market penetration

Sales to home market – market development

Sales to large retailers – market development

Sales of additional associated products (blankets) – product development

[2 marks for each area identified and correctly classified = 8 marks]

(b) 2 marks for identifying that he has not yet tried to 'diversify'.

[10]

6 (a) Explain 4 reasons why control methods are important in the marketing planning process.

(b) Identify and explain one qualitative and one quantitative control method which could be used in the marketing planning process

[10]

(a) Control measures are essential to ensure objectives are achieved, and that progress is being made towards the plan, that activity is effective, and that changes can be made as necessary.

(b) Qualitative examples may be – research into consumer awareness, attitudes or opinions.

Quantitative examples may be – sales figures achieved, profit targets met.

[4 marks for reasons control mechanisms are important – 3 marks for each or quantitative and qualitative example = 10]

Page 4	Mark Scheme	Syllabus	Paper
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7 (a) Ali has decided, from the results of research that you have carried out, to target large retailers in the home market with rugs and blankets. Identify and explain one type of advertising medium that could be used for each of the following audiences –

(i) Large retail chains. [5]

(ii) Potential consumer buyers of his products. [5]

[10]

There are no right or wrong answers to this question – marks should be awarded for suitable opportunities identified and expanded upon.

(i) Trade press – highlighting quality

(ii) Lifestyle magazines – glossy colour ads, illustrating design features of rugs

[5 marks for each suitable advertising opportunity = 10]

(b) Ali has started to receive orders direct from consumers through his website. He has recognised that he would earn more profit if he were to cut the wholesaler out of the chain, and sell direct.

Explain five potential disadvantages of cutting the wholesaler out of the chain. [5 x 2 = 10]

Role of wholesaler –

Full service wholesaler carry stock, use promotion to attract retailers, offer credit for purchases, make deliveries, provide after sales service. Ali would lose all of these benefits if he went direct to the end customer via the Internet.

[2 marks for each of 5 services identified = 10]

CAMBRIDGE
INTERNATIONAL EXAMINATIONS

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CAMBRIDGE INTERNATIONAL DIPLOMA

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 5175/01

BUSINESS
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Not Available