

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Diploma Advanced Level

MARK SCHEME for the October 2004 question paper

CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS

5171 Business Organisation and Environment, maximum mark 100

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. 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 discussion or correspondence in connection with these mark schemes.



October 2004

CAMBRIDGE INTERNATIONAL DIPLOMA
Advanced Level

MARK SCHEME

MAXIMUM MARK: 100

PAPER: 5171

Business Organisation and Environment



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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.

- 1 (a) **PPL has authorised capital of \$250,000 and issued capital of \$120,000. Explain the difference between authorised and issued capital.** [5]

The candidate only needs to offer an explanation of each type of capital. Two or three good explanatory sentences are required.

Authorised capital is the maximum amount of capital the company is permitted to raise; it is stated in the Memorandum of Association.

Issued capital is the amount of capital that has been actually subscribed.

L1	limited definition, perhaps one definition	1-2 marks
L2	good to strong demonstration of knowledge	3-5 marks

- (b) **Define unlimited liability and suggest why the partners were concerned about it.** [5]

The candidate needs to stress that the partners enjoyed no protection from or limit to the business's debts. In the case of unlimited liability the partners would be responsible for the full extent of any business debt. The partners were concerned about it because they would have to meet that debt even if it meant using their private resources.

L1	basic response, limited understanding of the issue	1-2 marks
L2	good to strong understanding of unlimited liability	3-5 marks

- (c) **The original objective was to provide additional part-time income for five people. Now that PPL has developed into a private company, select and discuss *three* likely business objectives of the company.** [10]

The candidate has a range of objectives from which to choose. The objectives need to be discussed in context of the case. There needs to be three suitable choices e.g.

Profit: the purpose of business enterprise, reward for initiative and risk, return on capital, accumulation of savings [capital] for future development.

Satisfying customer demand: provision of a (profit-making) service to people who want to get their work published.

Market penetration: despite being a niche market, it is important to be a leader, to secure a firm position in the market; seize opportunities.

The candidate must offer the three objectives in order to earn 6 or more marks.

L1	limited response indicating little knowledge	1-2 marks
L2	descriptive, rehearsing the points generally	3-5 marks
L3	analytical, clear understanding of three objectives	6-8 marks
L4	evaluative, reflecting firm awareness of three objectives and case related	9-10 marks

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- 2 (a) **PPL has three executive directors and five non-executive directors. Explain the difference between executive and non-executive directors of a company. [5]**

There is a clue in the case and the candidate is expected to offer two clear explanations to demonstrate understanding e.g.

Executive directors:

They work in the company as executives/managers but also have seats on the Board owing to seniority, experience and knowledge.

Non-executive directors:

Not employed by the company, brought in from 'outside' because of their experience, specific knowledge. One might represent shareholders, another the company's bankers.

Both types of director must be considered to earn 3 or more marks.

L1	little understanding of directors and the difference	1-2 marks
L2	good to strong understanding and awareness of difference	3-5 marks

- (b) **The staff only receive one incentive i.e. pay plus commission. List *three* suitable incentives you would give the staff of PPL. [5]**

The candidate is asked to provide a list of three e.g.

Pension scheme, medical insurance, subsidised canteen, bonuses, opportunity to buy company shares.

L1	one or two incentives, perhaps little relevance to case	1-2 marks
L2	good set of choices related to case	3-5 marks

- (c) **PPL staff work in teams. Explain what team-working means and describe *two* benefits it offers to both employees and employers. [10]**

The candidate needs to define the idea of team working i.e. several people all working on and contributing to the same project on an equal footing.

The benefits favour both employees and employers i.e. the advantages enjoyed by a member of staff also benefits the company, e.g: Flexibility of staff working arrangements, adaptability of staff, acquisition of several skills, increasingly wider experience.

These points need to be discussed and applied. Teamworking and the two benefits need to be discussed in order to earn 6 or more marks.

L1	limited response, rehearsing or listing basic points	1-2 marks
L2	definition plus points indicating some knowledge	3-5 marks
L3	analytical, firm knowledge and application to case	6-8 marks
L4	evaluative, clear understanding of issues and case	9-10 marks

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- 3 (a) **The staff have to be computer-literate. Identify and explain two likely problems posed by the increasing use of computer technology.** [5]

The candidate needs to rehearse and explain issues like training, skills shortages, changes in the working environment, recruitment.

L1	weak understanding or one problem explained	1-2 marks
L2	good to strong awareness of computer-related issues	3-5 marks

- (b) **A director of PPL thought the staff seemed demotivated and needed appraisals. Explain two purposes of a staff appraisal.** [5]

The candidate is not asked for a definition of staff appraisal although one should be implicit in the responses. Two choices to be made, and explained, from e.g: attempt to increase motivation, salary increases, promotion, identity of training needs, measure of performance.

L1	limited awareness, perhaps one explanation	1-2 marks
L2	good to strong indicating understanding of appraisals	3-5 marks

- (c) **Select and explain three expectations the staff might reasonably have of their employer.** [10]

The candidate can choose from an extensive list. Three points need to be identified and clearly explained:

E.g. fair and appropriate wages and salaries, appropriate incentives (financial and/or non-financial), suitable training and retraining, safe conditions of work, opportunities for advancement.

The candidate needs to offer the three expectations in order to earn 6 or more marks.

L1	basic rehearsal of points with little explanation	1-2 marks
L2	descriptive approach, some understanding,	3-5 marks
L3	analytical, good understanding and application to case	6-8 marks
L4	evaluative, awareness and application, related to case	9-10 marks

- 4 (a) **Select and explain three likely reasons why PPL, located in South Africa, benefits from using a printing works located in Malaysia.** [10]

This calls for some conjecture but also knowledge of business location issues. The candidate is not asked for an essay or an in-depth response but must choose three reasons which can be readily explained e.g:

Costs: the costs of printing may well be lower in KL than in South Africa; enables PPL to keep its production costs down

Availability of Labour: probably there is a ready supply of trained labour to maintain the printing industry

Skills: higher skills may be available in KL resulting in good quality printing and picture reproduction

Access to resources: Access to better quality

Reliability: Ng Printing always delivers on time, it is dispute free, well managed.

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Three reasons need to be considered if 6 or more marks are to be awarded.

L1	basic rehearsal of points, limited knowledge	1-2 marks
L2	descriptive response but identifies location issues	3-5 marks
L3	analytical, good awareness and application to case	6-8 marks
L4	evaluative, clear demonstration of knowledge and case	9-10 marks

- (b) In assessing the influences of the business environment, PPL feels particularly affected by Disposable Income and Competition. Discuss the likely impact of these two factors on PPL. [10]**

The candidate has only two factors to discuss. An essay is not required but the candidate needs to demonstrate understanding and application, and relate the response to the case. The task asks for the discussion of two factors and in order to earn more than 5 marks both must be discussed. The assessment approach here is holistic.

Disposable income:

The amount an individual has available after taxation and living expenses, i.e. surplus income which enables the purchase of quality items, better choice of foodstuffs, clothing, etc. holidays, indulgences like paying to have a book published - the latter point is important as PPL relies upon it.

Competition:

At the moment PPL is in a niche market but PPL would like to improve its position in it; possibility that other publishers might enter the vanity publishing market especially if they regard it as profitable; the market is not large but the entrance of a more aggressive publisher could seriously affect PPL.

L1	basic rehearsal of points, limited awareness	1-2 marks
L2	descriptive response to the issues and the case	3-5 marks
L3	analytical, good awareness of PEST factors	6-8 marks
L4	evaluative, clear demonstration of knowledge and case	9-10 marks

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5 (a) PPL has a code of ethics. Explain the purpose of a code of ethics. [5]

The candidate has only to look in the case for the appropriate response. PPL has a statement or a policy which dictates the way it will [largely] run its business. Whilst it will publish material which may not be very good, PPL will not publish material that is pornographic, defamatory, or discriminatory. The code reflects the company's attitudes.

L1	simplistic and basic response, limited	1-2 marks
L2	good to strong, understanding of the code and the case	2-3 marks

(b) PPL enjoys a healthy position in a niche market. Define the meaning of a niche market. [5]

The candidate is asked to define niche market e.g. a small or specialised segment of a much larger market, a market in which there are few competitors, a market which has more exclusive and limited editions of products, a market focusing on the individual rather than on the mass market. PPL deals with a very specialised market.

L1	basic response showing limited understanding	1-2 marks
L2	good to strong, clear knowledge and application to case	3-5 marks

(c) Authors pay PPL to publish their work regardless of their books' merit and quality. In view of the criticisms made by some authors, suggest what PPL should do to ensure a high level of customer service. [10]

The candidate can rehearse the problem i.e. the company sells a service which an individual will buy only once so there is no [?] incentive to 'court' the customer. To counter this, PPL could introduce quality assurance to ensure no typographical errors but totally satisfactory and satisfying production; there should be recognition that despite the quality of the manuscripts the publication of the books is all important to the authors; PPL should be more sensitive in dealing with its clients; full or partial refunds could be considered in cases of complaint; staff could be trained in customer care.

L1	basic rehearsal of points, limited awareness	1-2 marks
L2	descriptive response to customer service	3-5 marks
L3	good awareness of customer service and the case	6-8 marks
L4	evaluative, clear demonstration of knowledge and case	9-10 marks