

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Advanced Level

MARK SCHEME for the October 2006 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 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.

Mark schemes must be read in conjunction with the question papers and the report on the examination.

The grade thresholds for various grades are published in the report on the examination for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses.

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Examiners should note that:

- The following are **not** model answers but should be regarded as persuasive.
- The points given in each task in the mark scheme are guidelines and ideas, and they are also the most likely responses. They do not necessarily represent full answers but may be more or less than is required.
- A candidate may offer other relevant and suitable responses.
- Although some tasks may apply to any business, all responses should be made in context where appropriate.
- The key is to test a candidate's knowledge and awareness.
- Tasks earn either 3 or 4 marks except that **1 (a)(i)** is worth 8 marks. A 3-mark response requires perhaps two well-written sentences which clearly indicate the knowledge required; 4-mark tasks call for more detail, understanding, knowledge and context. Extensive and essay-type answers are not required but candidates should offer informative responses. The 8-mark task calls for linkage and judgment.
- English is not the first language of the majority of our candidates. The quality of written language is not part of the assessment.

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1 (a) (i) Explain and justify the Chief Executive Officer's claim that Linguists International plc is only in business to make the 'best possible profit'. [8]

- This is mostly a rehearsal of profit and its justification – motivation, payment for risk-taking, reason for being in business.
- The response needs to be in context – the 'best possible profit' is synonymous with profit maximisation [or optimisation].
- The essential point is that the company controls costs and marketing to get as much profit as it can [the text explains/suggest that profit is the *sole* reason for the business].
- Language learning may be seen as 'an essential activity' by the CEO but it is, nonetheless, a means of making money.

1-8 marks as follows:

1-2 basic, unsupported one/two points about profit

3-5 a more general approach than a strictly contextual one

6-8 in context, firm understanding, application and judgement

(ii) Describe what is meant by the 'business or enterprise culture'. [4]

- The candidate needs to acknowledge the political and/or economic climate that encourages risk, investment and business.
- The candidate must offer a firm working definition which includes suitable reference to one/two of the points given below.
- There is context – re CEO's statements in the second paragraph of the text:
 - profit motive
 - establishment of SMEs in particular
 - self-employment
 - business confidence
 - government intervention/policies to encourage enterprise
 - pro-business attitudes/optimism.

1-4 marks for the definition as follows:

1-2 limited/basic knowledge/definition only

3-4 well defined, identity of relevant points

(b) LIP is a public limited company. Identify and describe two features and/or advantages of a public limited company. [2 x 4 = 8]

- The **features/advantages** need to be appropriately discussed and may be drawn from:
 - limited liability
 - the company is regarded as an artificial legal person
 - the company has continuity
 - enables the company to be listed on the stock exchange
 - enables the company potentially to raise a large amount of capital through the public sale of shares
 - gives the company greater status and profile.

1-4 marks per feature/advantage as follows:

1-2 limited/basic knowledge only

3-4 well defined, good knowledge and understanding

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2 (a) Suggest and describe three reasons why the CEO has been described as a ‘Theory X manager’. [3 x 4 = 12]

- The candidate must *only focus on Theory X* – any Y reference must be for comparison only if justified.
- The text offers much of the response.
- Context is important here:
 - centralised structure
 - offers little opportunity to managers to display initiative
 - attitude towards target setting and monitoring performance
 - prefers to direct staff
 - feels that staff need to be led/coerced.

1-4 marks per reason as follows:

- 1-2 basic/limited treatment of a reason; maybe outline response only
- 3-4 clear understanding, in context, fluent

(b) The company has a centralised structure. Identify and discuss one advantage and one disadvantage of a centralised structure. [2 x 4 = 8]

- The candidate must offer ONE advantage and ONE disadvantage:
 - *advantage*: consistent policies can be applied throughout the organisation – LIP operates in 40 countries; ensures decisions are taken more quickly than via consultation; management has to carry out set procedures; conformity helps to build image
 - *disadvantage*: removal of initiative among managers – except for low profile issues; reduces input of the college Principals/SMTs to day-to-day running; increased volume of communication between colleges and HQ

1-4 marks per advantage/disadvantage as follows:

- 1-2 basic/limited understanding of an advantage/disadvantage
- 3-4 clear understanding, knowledge, in context

3 (a) Identify and explain three expectations the employees of Linguists International might reasonably have of their employers. [3 x 4 = 12]

- This is a standard task. Three expectations are called for and each point requires to be explained.
- Candidates may offer a general approach but context will improve marks.
- The points to include:
 - fair treatment
 - appropriate salaries, wages, and fees [e.g. supplements because of specialisms]
 - safe conditions [e.g. colleges in city centres]
 - opportunities for advancement
 - appropriate channels of communication [e.g. disputes, teleworkers]
 - training and retraining [perhaps mostly for permanent staff].

1-4 marks per expectation as follows:

- 1-2 basic/limited appreciation of an appropriate expectation
- 3-4 relevant choice and context, application, judgement

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(b) (i) **Some members of staff undertake teleworking. Explain what teleworking means and identify one benefit to an employee of teleworking.** [4]

- **Definition** – draw from:
 - enables a person to work in any location other than an established office/factory [for example from text: those producing course materials do not have to live and work in Hong Kong]
 - teleworkers may work at home, from a train or car
 - *but* a link between employee and employer must be established via computer [internet, emails], also some reference to phone and fax
 - some minimal contact with base.
- **Benefit:**
 - enables employee to work from home [e.g. family commitments, single parents, disabled, personal resources], to organise work schedules
 - enables those with shortage skills to sell their services world-wide without having to travel.

1-2 for the definition of teleworking
plus
1-2 for the advantage to the employee.

(ii) **The company has some self-employed staff. Explain what self-employment means and identify one benefit to the company of using self-employed staff.** [4]

- **Definition:** individual operates as a sole trader i.e. as own boss:
 - can work freelance [as per text] or run a business
 - person who markets self with skills and specialisms [from text – language specialists, writers, editors].
- **Benefit to the company:**
 - only pay for contracted work
 - cheaper to employ – fewer employment costs
 - only need to employ when demand is right; if freelance does not satisfy, they do not need to be re-contracted – no complications.

1-2 marks for the definition
plus
1-2 marks for the benefit to the company

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4 (a) Every company is affected by factors that influence its business activity. Explain how Linguists International might be affected by

(i) **competition** [4]

- LIP recognises it is in a competitive market – that will affect costs, prices and target market[s].
- Competition may encourage the introduction of new products/services/policies.
- Sharpens a company's focus.
- The downside is that the company could be forced out of the market.

(ii) **the impact of advertising** [4]

- An issue related to competition; if a competitor's advertising is effective then it forces a response from LIP – even with less threatening advertising LIP would need to remind the market of its existence.
- The text says that LIP spends a lot on advertising to maintain and improve [hopefully] its market position.
- This is part of the competitive culture – LIP may have to introduce new products or adjust prices.

1-4 marks per factor as follows:
 1-2 basic/elementary description
 3-4 recognises the effect of the factors, in context

(b) The company will do business with any type of economy. Give a definition of each of the three types of economy – market, mixed and planned. [3 x 4 = 12]

- **Market:** allows operation of the markets to allocate resources with minimal government direction or interference; supply and demand; freedom of choice; efficiency.
- **Planned:** production and distribution organised and controlled by the State; goods and services rationed; price controls.
- **Mixed:** seen as a compromise; combines free market with a public sector [e.g. power, railways]; some government regulation over both sectors.

1-4 marks per economy as follows:
 1-2 limited knowledge, basic facts
 3-4 firm knowledge, appropriate description, fluent

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5 (a) (i) Describe two features of the company's Customer Services Policy [4]

- LIP offers no unconditional guarantee on its products i.e. consumer cannot return goods just because of dissatisfaction with the product.
- The company will replace a faulty product but will not offer a refund.
- Customers must pay for postage and packing.
- No refunds of course fees; no complaints procedure.

1-2 marks per feature

(ii) Suggest two ways how the company might improve its Customer Services Policy. [4]

- LIP could become more consumer-friendly [in response to competition] – refunds, action on faulty or low performing goods and services, free returns service, helpline.

1-2 marks per feature

(b) The CEO believes the company's marketing mix is successful. With reference to the 4 Ps, explain what the CEO means. [4 x 3 =12]

- The candidate needs to use the case study:
 - **Price:** discrimination pricing – highest prices in USA and Europe; also means market discrimination
 - **Product:** language courses in colleges; language learning packs and materials
 - **Promotion:** website, advertising, USP – learn anywhere
 - **Place:** colleges, anywhere, bookshops, magazines/newspapers.

1-3 marks for each of the 4Ps as follows:

1 basic identity of a P, no development

2-3 knowledge, context