

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Advanced Level

MARK SCHEME for the October 2010 question paper
for the guidance of teachers

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 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.

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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 may relate to any business, responses should be made in **context** where appropriate.
- The key is to test a candidate's knowledge and awareness.
- Extensive answers are not expected but candidates should offer well-written informative responses.
- Each task can earn up to 5 marks.
- English is not the first language of the majority of our candidates. The quality of written language is no 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 each task is worth up to 5 marks, it seems unnecessary to append virtually the same advice to each task. *This note is the guide for the entire examination paper.*

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 indicates elementary knowledge; offers key words; indicates some awareness, limited explanation.
3	Default mark. A good answer reflecting understanding, obvious knowledge and application; good use of the text as a source; perhaps limited context
4	A firm answer reflecting a good understanding of the issue; obvious knowledge and application; good use of the text; context
5	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 the following business objectives of the All-Asia Steel Corporation:

(i) economic survival;

[5]

- Economic survival is a concern to all businesses;
- The Corporation is aware that the car market is highly competitive and consumers have a choice although in this case there is little challenge because of the price;
- The Corporation identified a gap in the market which should enable it to survive until a similar alternative becomes available.

(ii) market penetration.

[5]

- This is a fairly typical and obvious objective: increase sales and thus market share;
- There is the need to ensure a secure position in order to challenge any likely competition;
- There are two major thrusts with this policy: attract customers away from the competition, and secondly, to appeal to first-time car buyers.

(b) Explain what is meant by a quoted public limited company with an authorised capital of 1 billion ordinary shares.

[5]

- The word 'quoted' is significant as a public limited company (plc) need not be quoted i.e. it does not have stock exchange listing;
- In this case the Corporation is listed which means its shares are freely transferable on the open market;
- The memorandum of association details the amount of share capital;
- The Corporation is authorised to sell up to but not more than 1 billion ordinary shares.

(c) The Corporation needed additional capital to fund the WHZZZ project. Explain the why the Corporation raised that capital by selling unissued shares rather than issuing debentures.

[5]

- The part of the authorised capital actually owned by the shareholders is the issued capital;
- It is usual for a plc to hold some shares in reserve i.e. unissued shares, so that they can be sold at a later date to finance big projects like WHZZZ;
- The benefit is that if the business does well and the share prices rise, selling unissued shares will bring in more capital;
- Debentures are an alternative to shares as a means of raising long-term capital – they do not dilute ownership but raise gearing.

[Total: 20]

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2 (a) Describe what is meant by a stakeholder and explain why the Chairman believes the employees are major stakeholders. [5]

- Any person, group of persons, or organisation that has a direct interest in a business is a stakeholder;
- The employees are an important factor of production;
- The business relies on their efforts, commitment, skills, and cooperation;
- The quality of the employees reflects upon the quality of the Corporation in terms of production and image;
- The prosperity of the both the Corporation and the employees is mutually dependent.

(b) The organisational structure of the All-Asia Steel Corporation is hierarchical. Describe what is meant by a hierarchical structure and explain why it might be suitable for the Corporation. [5]

- An organisational structure containing a large number of layers or ranks between the shop-floor and the senior leadership team i.e. a top-down structure;
- Many layers but likely to have narrow spans of control;
- Each person has a clear role and responsibility;
- The Corporation is huge and divided into five major divisions – employing thousands and operating on several sites, it may seem appropriate for the senior management team to keep a tight control through a hierarchy;
- The view might be that except in cases of creativity, the Corporation is just too big to trust flat structures;
- A hierarchy, it might be argued, should be able to maintain long but effective lines of communication through the chain of command.

(c) Within the structure of the Corporation are examples of team-working and matrix management.

(i) Explain how more team-working will improve motivation and commitment. [5]

- Teams tend to comprise multi-skilled and trained staff; T
- A team is given an entire project or process to manage; A
- Employee involvement = more responsibility and opportunity = better motivation; C
- Teamwork creates interest in work and the company;
- Within the Corporation, it can be means to offset the effect of a hierarchy – employees feel they have something to contribute.

(ii) Describe what is meant by matrix management. [5]

- It is suitable for running specific projects such as developing a new product;
- Specialists are brought together from different departments/areas/specialisms to share knowledge and advice;
- Willingness to organise a task that crosses departmental/divisional boundaries;
- Projects are often much better coordinated;
- Employees have the opportunity to use their abilities to greater effect.

[Total: 20]

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3 (a) Discuss the following expectations that the All-Asia Steel Corporation might reasonably have of its employees:

(i) willingness to undertake any work reasonably asked of them; [5]

- M
attitude of employee attitude;
- Related to work ethic and support for the Corporation;
- P
possible multi-tasking;
- Preparedness to undertake any task that is within competence but not if it is unsafe, hazardous or illegal.

(ii) commitment to the business and its objectives. [5]

- Also a question of personal attitude as well as the attitude of senior management;
- A good employment package [e.g. pay, bonus, medical insurance] ought to motivate employees and encourage loyalty to the Corporation;
- Prosperity of both Corporation and employees rely on commitment;
- Commitment = good quality of work.

(b) Describe what is meant by job-sharing and explain why the Corporation offers it to female employees. [5]

- This is where one job is undertaken by two people who will split a job and the working week between them nominally, but not necessarily, on a 50:50 basis;
- Each employee is paid *pro rata*;
- Generally the arrangement will produce greater productivity than with just one employee;
- It is assumed/accepted that women may have family commitments [children, aged parents] which inhibit full-time working;
- The arrangement allows them to work and earn an income.

(c) Explain what is meant by the official view that 'when the Corporation prospers then so do the employees' [5]

- This task pulls together the points rehearsed in 3(a)(i) and (ii);
- Commitment to the business means success for both business and employees;
- If the Corporation is aware and forward-looking then it will recognise the efforts of the employees through pay and bonuses;
- Employees, equally, should feel obliged to support their company.

[Total: 20]

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4 (a) Every business is affected by PEST or external factors that influence its activity. With reference to *WHZZZ*, explain how the All-Asia Steel Corporation might be influenced by:

(i) consumer preference; [5]

- Passive consumer resistance to *WHZZZ* because of loyalty to other car manufacturers;
- The Corporation needs to place consumer interest uppermost in advertising and promotion;
- *WHZZZ* needs to be actively chosen by consumers;
- Market research helps to identify the market and forecast demand;
- If the Corporation has read the market correctly then the car will survive longer.

(ii) social, ethical and environmental issues. [5]

- Being a very large Corporation means being a bigger target for environmental pressure groups;
- There is growing concern worldwide about damage to the environment;
- *WHZZZ* is seen as another source of pollution and consumer of non-renewable resources;
- The question is – does the sub-continent need this car?
- The Corporation's view would be that it provides employment and contributes to the economy.

(b) The Corporation benefits the community at large but public opinion is concerned about the negative externalities caused by the production processes.

(i) Explain what is meant by externalities. [5]

- Externalities are costs or benefits which occur as a result of the Corporation's many operations;
- The costs are borne not by the Corporation but by the community at large;
- Benefits arise through the knock-on effect on local services and supply industries e.g. new firms being attracted to the area, related industries; job opportunities.
- Costs may be incurred through e.g. waste, noise, foul air.

(ii) Describe the kind of negative externalities that are causing public concern. [5]

- Related to 4(b)(i) above;
- These are mainly environmental problems arising from the operation of the Corporation's plants;
- The tasks asks about the 'kind' of negative externalities so candidates have a choice of likely issues e.g. waste and its disposal, pollution of air, land and water, noise, congestion, use of dangerous chemicals.
- The new car is seen by some as a negative externality;
- These problems are the price paid for the employment and business the Corporation provides.

[Total: 20]

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5 (a) With reference to *WHIZZZ*, explain the following marketing objectives:

(i) the achievement and maintenance of a targeted market share; [5]

- It can be measured by units sold or by value;
- The market share indicates where *WHIZZZ* stands in relation to the car market as a whole;
- Targeting represents a deliberate attack on the market to achieve a certain penetration;
- Once the target has been achieved then it has to be maintained by product support and/or improvement.

(ii) a successful marketing mix. [5]

- A detailed breakdown of the 4Ps is not required but clearly some basic analysis should be offered;
- Price: this is \$2 600 which, even in sub-continent terms, is attractive, cheap and competitive: demand is currently outstripping supply;
- Product: an affordable family car and one to replace scooters and bicycles;
- Promotion: Corporation supports advertising: assume newspaper, hoardings, television, special events, motor shows;
- Place: sold through retail outlets, primarily car dealerships;
- The four elements should relate in a way that makes the selling of *WHIZZZ* successful.

(b) Explain how the state of the economy and competition influence the market for *WHIZZZ*. [5]

- These are reflected by the trade or business cycle;
- If there is an economic slow-down then there will be less disposable income and car sales will fall;
- If the market is recovering or in boom then sales ought to be strong;
- Even if the economy falters, the Indian middle class is so large that a significant proportion of it will still be able to buy *WHIZZZ*;
- The Corporation must focus on the car market and monitor competition trends e.g. what other car manufacturers are doing, prices, imports.

(c) Describe what is meant by customer service and explain why it is important that the car dealerships should be committed to it. [5]

- Customer service reflects a customer's experience with car dealerships;
- Customer service covers staff attitudes and behaviour towards customers;
- It should recognise the customer as the main resource i.e. without customers there is no business – satisfied customers = employment and profit;
- Poor customer service will not only reflect upon a dealer but also on the producer of *WHIZZZ*;
- Poor sales and complaints will lead to a withdrawal by the Corporation of its support;
- Commitment to customer service will encourage business other than car sales e.g. spares, repairs, servicing.

[Total: 20]