

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Advanced Level

MARK SCHEME for the October 2011 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.

- Cambridge will not enter into discussions or correspondence in connection with these mark schemes.

Cambridge is publishing the mark schemes for the October/November 2011 question papers for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

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NEW HORIZONS

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 can 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 called for 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.

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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. Further interpretation of the mark scheme will be dealt with at the Coordination meeting.

1 (a) Charities are non-profit making organisations. Explain what a non-profit-making organisation is and give one benefit of it to New Horizons. [5]

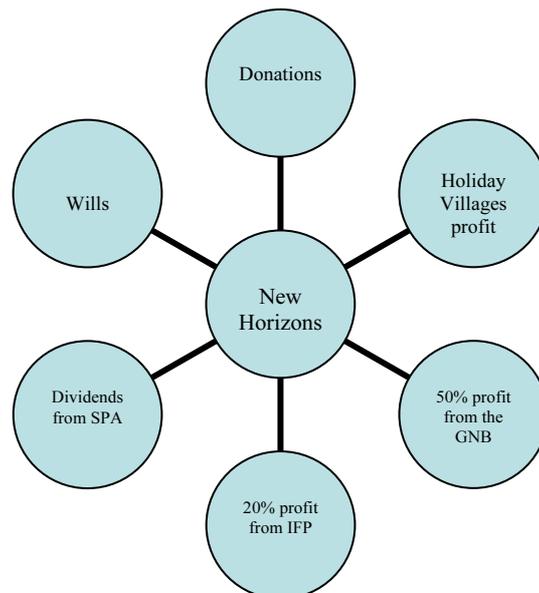
- It may be run like a business but it is not specifically driven by the profit-motive and the need to satisfy shareholders.
- A benefit is that it takes the pressure off the charity to achieve a specific return on capital.
- Also being non-profit-making means the charity can reasonably expect Government to offer concessions, grants and allowances not normally given to business organisations.

(b) Father Mahesh said that without a surplus the charity would not be able to grow. Explain what he meant. [5]

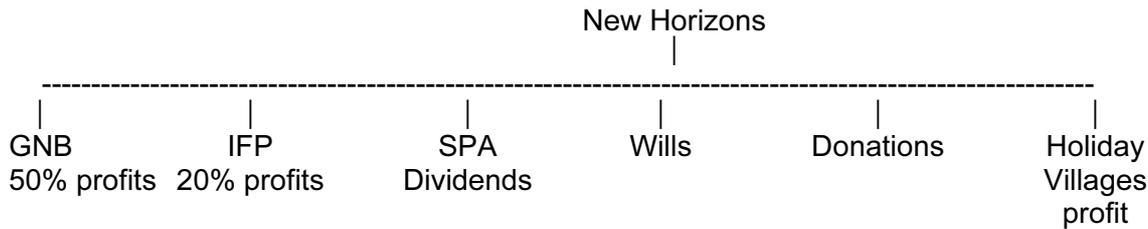
- This is basically the profit argument i.e. without profit/surplus there would be no accumulation of funds for future development.
- The charity needs to grow in order to meet its objectives and it needs funding to do that.
- The charity is involved in many humanitarian projects and an active funding stream is essential – this comes mostly from business activity.

(c) Draw a simple chart to show how New Horizons obtains its funding.

- Here are two examples of a simple chart.



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- The task calls for a simple chart so that the candidate can demonstrate an awareness of how New Horizons is funded.
- The essence of the chart is that it can be readily understood and makes sense.
- The chart should be given a heading or description.
- For 4 or 5 marks all items must be included and the chart must be clean.

(d) Explain the charity's objective of satisfying customer demand. [5]

- This is fundamental to any organisation whether it is for profit or non-profit.
- Being a religious charity it is important for it to deliver what it promises i.e. retreat, opportunities for study, meditation, in a holiday village environment.
- Maintenance of its multi-faith objective.
- Offering quality provision and acceptable pricing.

2 (a) Staff in New Horizons' holiday village division are organised into teams and quality circles.

(i) Explain what team-working is and identify one benefit of it to New Horizons. [5]

- Teams tend to comprise multi-skilled and trained staff.
- A team is given an entire project or process to manage.
- Employee involvement = more responsibility and opportunity = better motivation.
- Creates interest in work and the company.
- Within the organisation, it can be means to offset the effect of a hierarchy – employees feel they have something to contribute.
- The team-working also affects and involves the volunteers.
- As a general rule award not more than 3 marks for the definition and up to 2 marks for the benefit.

(ii) Explain what is meant by a quality circle and give one benefit of it to the employees and volunteers. [5]

- A quality circle is a group of employees/volunteers which meets to consider and recommend solutions to problems incurred by the charity's operations.
- The circles may also meet to consider 'what if?' situations.
- The circle may involve people from several departments or specialisms e.g. production, sales, finance.
- Staff and volunteer participation in problem solving, using their knowledge and experience, makes them feel valued and motivated.
- Participation enables people to understand more about the charity and its objectives.
- As a general rule award not more than 3 marks for the definition and up to 2 marks for the benefit.

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(b) The structure of New Horizons is hierarchical but there is a flat structure in the holiday village division. Describe what a flat structure is and say why it is not appropriate for the entire organisation of New Horizons. [5]

- A flat structure is based on a wide span of control and few layers of management or hierarchy.
- It enables the delegation of a high proportion of tasks and decisions.
- The charity is a large and complex organisation which needs to coordinate its work on a world-wide basis.
- From the organisation's point of view this means that it can deliver its objectives better through an hierarchical structure i.e. all personnel can relate to the structure and easily identify the chain of command.

(c) One function of an organisation's structure is to set and achieve targets. Explain how the flat structure of the holiday village division achieves this. [5]

- At the level of the holiday villages, staff are organised into teams and quality circles.
- A wide span of control works well here because:
 - vertical communication is easier as there are fewer layers through which it has to pass;
 - it enables the delegation of a high proportion of tasks and decisions;
 - it will help to motivate staff as they will have more responsibility.
- There is also the point that the visitors need to feel they are not obviously part of a huge organisation, that there is the personal touch.

3 (a) Both employer and employees have expectations of each other.

(i) Describe New Horizons' expectation that employees and volunteers should be committed to the charity and its objectives. [5]

- All organisations expect loyalty from their staff.
- Being a faith organisation, there is the suggested obligation that staff be extra supportive and committed.
- The charity is not so much about business but a way or an expression of life.
- There is an implicit view that the charity is also serving its staff.

(ii) Describe the employees' expectations that they will be given training [5]

- Part of the Charity's success depends upon having a fully trained workforce whether paid or voluntary.
- Training will enhance the commitment to improve the charity and prospects.
- It can be assumed that multi-tasking is appropriate and that will require training.
- Skills may need updating.
- Training will enable staff to get more out of their job and roles.
- The text suggests that most staff do not feel they get sufficient training for their jobs.

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(iii) As the volunteers do not receive any wage or salary, describe their expectation for appropriate incentives. [5]

- No specific references are made in the text so some conjecture is acceptable so long as the incentives are appropriate to a faith charity.
- Despite being volunteers, and motivated through faith, there is an expectation that they will receive something to encourage them. The text says that they are given air fares, accommodation, work clothing and medical treatment so what more can they be given?
- Examples might include bonus pay for languages, reasonable time off to enjoy the holiday village local environment, performance bonus.

(b) The staff of New Horizons are employed on a range of different employment contracts. Explain the difference between casual and temporary employees. [5]

- Casuals [which must not be confused with part-timers] are generally taken on during short intensive periods e.g. height of the summer season at one of the holiday villages.
- In the main, casuals have very short contracts.
- Being temporary just means that an individual is not on permanent staff.
- A temporary member of staff may work for the charity for months or even a year or so but still not be regarded as permanent.

4 (a) Environmental groups have complained to the charity that the visitors to the holiday-villages are causing negative externalities. Explain what is meant by a negative externality and give one example that would concern an environmental group. [5]

- Externalities can be either positive i.e. conferring benefits, or negative i.e. conferring costs and can arise as a result of activity undertaken by an individual, an organisation, or a government.
- The holiday villages are located in areas of extreme beauty and environmentalists would be concerned, for example, about the possible erosion of the forests, the countryside generally, possible pollution of rivers and streams, general upset to wild life.
- Visitors to the holiday villages combine their studies with outdoor pursuits which may cause negative externalities.
- An environmental group might also be concerned about whether or not the charity would meet the cost of remedying some of the negative effects of its activities.

(b) New Horizons' holiday villages provide much needed employment for a lot of local people. Explain why the charity thinks it should receive Government incentives and give one example of a suitable incentive. [5]

- Father Mahesh believes that the charity should receive incentives because of its objectives and it contributes to local economies.
- Examples might include tax concessions, perhaps employment grants and allowances, ease of planning consents, grants towards building faith centres.
- There are two implications here for special treatment: one is New Horizons is a faith organisation and should therefore receive special consideration, and the other is that it has given employment to those who lost their jobs when the holiday firm crashed.

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(c) Every business and charitable organisation is affected in some way by external or PEST factors that influence its activities. Explain how New Horizons might be influenced by: [5]

(i) exchange rates; [5]

- New Horizons operates throughout the world i.e. it is an international organisation and as such will necessarily deal with many currencies.
- It will need to monitor rate movements and adjust its prices accordingly so it doesn't make losses.
- The holiday villages will attract visitors from all over the world and it is likely they will bring their currencies with them.

(ii) social ethical and environmental considerations. [5]

- This item is tied in with 4(a) to some extent.
- Being a large organisation, New Horizons will be a target for pressure groups [especially ecological or green groups].
- New Horizons needs to demonstrate good citizenship in its behaviour within the community.
- Under this heading will come its activities in providing employment, developing faith, extensive use of beautiful environments – these influence its objectives and operations.

5 (a) New Horizons operates using cost-plus pricing for clients in the developed world but discriminatory pricing in the developing world.

(i) Explain what is meant by cost-plus pricing and say why the charity uses it in the developed world. [5]

- Cost-plus pricing means adding a set percentage surplus to the costs of each activity.
- The method ensures that the costs will be covered as they are passed on to the clients – in this way the surplus is protected.
- The charity's view is the people from the developed world can afford to pay full price i.e. there will be little consumer resistance to the prices.

(ii) Explain what is meant by discriminatory pricing and why New Horizons uses it in the developing world. [5]

- This involves charging different prices to different segments of the market.
- It helps to maximise revenue by charging more to those willing and able to pay e.g. cost-plus to developed world.
- Some of the charity's target market comes from the developing world where earnings are lower than in the developed countries.
- New Horizons is able to attract a lot of business from the developing world.

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(b) The marketing division has two main aims: establishing the image of the charity and getting the marketing mix right.

(i) Describe how New Horizons should establish and promote its image. [5]

- This involves application of the marketing mix [4Ps] – especially promotion.
- Advertising is essential to encourage visitors to the holiday villages and to support the charitable work.
- Various media will be employed e.g. brochures, newspaper inserts [faith press], direct mail to faith organisations, possibly even TV coverage in those areas New Horizons is targeting.
- New Horizons needs to become a caring brand.

(ii) Explain what is meant by the marketing mix. [5]

- The candidate is not required to give a detailed breakdown of the 4Ps as only 5 marks are allocated so a general response is required just to demonstrate understanding.
- The 4Ps need to be put into context of New Horizons, e.g.:
 - Price discriminatory or cost-plus, good value for money.
 - Product quality charitable work, faith study opportunities.
 - Promotion advertising using different media
 - Place remote holiday villages.
- The candidate needs to demonstrate a relationship of the marketing mix to New Horizons.