

CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Advanced Level

MARK SCHEME for the October 2013 series

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 should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the October 2013 series for most IGCSE, GCE Advanced Level and Advanced Subsidiary Level components and some Ordinary Level components.

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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 can relate to any business, responses should be made in **context** where appropriate.
- The key is to test the candidate’s knowledge and awareness.
- Extensive answers are not called for but candidates should offer well-written informative responses.
- English is not the first language of the majority of our candidates. The quality of written language is not 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 most tasks are worth up to 5 marks, it seems unnecessary to append virtually the same advice to each task. *This note is the guide for all 5 mark questions.* Where a mark different to 5 has been given a separate guide will be given after each question.

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 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 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) Apart from profit, describe two medium term objectives that may be set by the Board of Directors of SBL for the next 12–24 months. [5]

- Improve market share in Egypt or in whole Middle East
- Successful introduction of e-books
- Obtain Arabic rights to increased number of foreign authors
- Publish first novels by more Egyptian authors

(b) From the summary balance sheet, calculate the following:

(i) Total Working Capital [2]

$$\$1\,200\,000 - \$800\,000 = \$400\,000$$

- 2 marks for \$400 000 or \$400 or 400
- 1 mark for showing correct Current Assets and Current Liabilities totals

(ii) Current Ratio (Working Capital Ratio) [3]

$$\$1\,200\,000 / \$800\,000 = 1.5$$

- 3 marks for 1.5
- 2 marks for \$1 200 000/\$800 000 or \$1200/\$800
- 1 mark for \$800/\$1200 or similar

(c) SBL wishes to buy new printing machinery costing \$100 000. Describe suitable sources of finance for this purchase. [5]

- Ploughed back profits, profits made in previous years and retained in the business
- Bank loan, probably set up to be repaid monthly over a set period
- Lease, SBL does not own the machinery but leases it over an agreed period
- Not overdraft, trade credit, venture capital

(d) A short term target is to publish the first e-book versions of their previously published novels. Discuss how this target may be achieved and the resources required. [5]

- Target requires investment in technology to set up website
- Also requires hiring some experts probably on short term contracts
- Targets must be realistic e.g. two novels to be published a month chosen from previous bestsellers
- Market research needed to decide the format of e-book

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2 (a) Explain why a matrix organisational structure might be effective for SBL in the Head Office. [5]

- Matrix structure brings people with specialist skills together into project teams
- The project manager for a new book will bring together specialists in design, editing, marketing etc.
- This will also develop and motivate the junior members of the team

(b) Explain the advantages and disadvantages to SBL of employees working on flexitime in the Head Office. [5]

- An advantage is that employees will arrange their work schedule around their other commitments such as family. This will improve their motivation and commitment to SBL
- It will also reduce absenteeism as outside commitments are easier to fit in without taking a 'sickie'
- A disadvantage is that scheduling meetings is more difficult as there will be fewer hours when all the staff are at work

(c) Describe the reactions of three of the stakeholders to a successful launch of the e-books. Ensure you look at stakeholders who have negative reactions as well as those who have positive reactions. [3 × 2 = 6]

- Shareholders and most managers will be pleased because a successful launch will increase sales revenue and ultimately bonuses and dividends
- Employees may have a mixed reaction with employees in the printing works becoming concerned that the new technology may mean them ultimately losing their jobs
- Competitors will certainly be concerned if they lose e-book sales to SBL
- The local community will be concerned if new technology means less jobs

Marks	Descriptors
1	A basic description or reason.
2	A good description or reason that has been expanded and possibly offers some explanation and is usually in context.

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(d) Explain the difference between formal and informal communication. Give one example of when it would be appropriate in SBL to use formal communication and one example in SBL of the use of informal communication. [2 × 2 = 4]

- Formal communication takes place through channels approved by employers and employees
- Examples of formal communication would include redundancy notices handed to individual employees or a letter on a noticeboard advising staff of the purchase of a new machine
- Informal communication takes place when two or more employees discuss matters outside of a formal meeting with an agenda and minutes taken
- The purchase of a new machine may result in managers and employees discussing how to introduce the new machinery
- Informal communication is often done through the 'grapevine' although it is often only rumour and can be distorted

Marks	Descriptors
1	A basic description or reason.
2	A good description or reason that has been expanded and possibly offers some explanation and is usually in context.

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3 (a) Explain why SBL has introduced a team based bonus scheme in the printing workshop. [5]

- Bonus schemes help to motivate employees and are a financial incentive
- Making them team based will encourage teamwork which means that more experienced employees will help the less experienced so that all will qualify for the bonus
- This in turn should increase productivity which will be an advantage to SBL

(b) The latest printing machines that SBL is thinking of buying are computer controlled. Discuss the advantages and disadvantages to a skilled machine operator of working with these machines, if he has had little previous experience of working with computers. [5]

- The new machines may complete the tasks quicker thus improving the productivity of the employee enabling him to reach bonus targets
- After the initial training it may make the job easier
- Many individuals do not like change and introducing high tech equipment will worry the employee possibly leading to lower motivation
- Initial training may seem daunting to an employee with little computer experience

(c) Fadil Sharif has a laissez-faire leadership style. Explain the effects of this leadership style particularly on those senior managers who directly report to Fadil. [5]

- Laissez-faire leaders allow their employees to carry out activities freely within broad limits
- There are few guidelines and directions and often a relaxed atmosphere
- The employees must be motivated and very competent otherwise it can lead to poor productivity
- Fadil may successfully use this leadership with his senior managers who he trusts, it may not be successful with junior employees

(d) New Head Office employees are usually trained on-the-job. Explain the advantages and disadvantages of this type of training. [5]

- This involves the trainee learning by doing the job usually by watching an experienced employee
- It has the advantage of being relatively cheap
- It is effective in the case of simple jobs but further off-the-job training is often needed for more complex jobs
- The quality of on-the-job training depends on how good a trainer the experienced employee is
- There will be a cost to SBL in that the experienced employee will be less productive while training the new employee

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4 (a) Explain why SBL may belong to the Publishers' Trade Association of Egypt. [5]

- Other members of the Trade Association will also be publishers who although they are competitors of SBL will also have similar challenges and problems
- Full time staff and specialist advisers such as accountants and lawyers can advise on problems common to the business of publishing, this will often be the cheapest way of obtaining such advice
- They will meet their competitors in a more social setting and often resolve problems between them
- The Trade Association may carry out market research with consumers on behalf of all its members thus cutting down on costs for SBL

(b) If the trade cycle is in the boom stage at present, interest rates may increase. Explain the possible effect of this on SBL. [5]

- The classic way to cool a boom is to raise interest rates which reduces the disposable income of the consumers thus reducing the demand for SBL's products
- SBL will have to pay higher interest rates on its borrowing thus reducing profits
- SBL will also find that export markets are more difficult as the stronger Egyptian currency will make their product more expensive overseas unless they reduce prices and therefore reduce profits

(c) SBL has recently been accused of polluting the environment with harmful chemicals used in its printing process. Describe the overall effect on the company if these accusations are proved to be true. [5]

- Pollution is a social cost
- SBL will face pressure groups who will cause public opinion to be negative
- Unless they immediately stop polluting the environment they may well lose sales
- There will also be costs associated with cleaning up
- SBL may face legal action and fines

(d) Describe the advantages and disadvantages of having Head Office on one site and the printing workshop several miles away. [5]

- Property in the commercial centre will probably be more expensive than property in the suburbs
- Communication between the two sites will be more difficult than having the whole business on one site
- Head office in the commercial centre will mean that it is close to all professional support and customers and authors will find transport to the office easy to obtain
- It will be easier to transport the bulky books from the suburban site

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5 (a) Discuss two practical pricing methods SBL could use for its e-books. [2 × 2 = 4]

- Cost based pricing methods, the cost of producing an e-book will be less than producing a regular book and therefore the e-book could be priced lower than the regular book
- Market orientated pricing, based on what the market will pay they could use penetration pricing to gain a foothold as they are not the first publisher to enter the market. Customer value pricing could be used for the popular authors they publish as this involves charging what the consumer is prepared to pay
- Competition based pricing is based on what the competition are charging. Going rate pricing would be the most practical where they would be following what the competition are charging and would be reluctant to start a price war

Marks	Descriptors
1	A basic description or reason.
2	A good description or reason that has been expanded and possibly offers some explanation and is usually in context.

(b) Describe promotional methods that SBL could use for a series of four printed books, already published in English, that the company has acquired the right to publish in Arabic. [5]

- Advertise to the trade in trade magazines
- Advertise to the consumer in magazines
- Offer incentives to the wholesalers
- Encourage discussion about the books on radio and TV
- National newspapers could be used immediately prior to the publication date

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(c) Explain why it might be easier to market and distribute the e-books, rather than the traditional printed books, in other Arab countries. [6]

- E-books are distributed via the internet and thus distribution to other countries will be easy
- The books could be marketed via SBL's website and purchased by the consumer directly from the website
- SBL could pay for advertising on search engines which would then mean they are prominent when potential customers, living in any country, are searching for e-books

Marks	Descriptors
1	A response indicating some basic or limited knowledge, identity of perhaps one element without discussion, explanation or application.
2	A response that offers some explanation of one element or identifies two elements without discussion, explanation or application.
3	A better answer that offers two or more elements with some limited discussion and maybe some context.
4	This answer will offer good discussion on two or more elements usually in context.
5	A good discussion on all elements requested showing excellent knowledge with some reasoning and maybe limited judgement.
6	The best possible response given the examination pressure; clear and direct answer to the task. The response is well structured and reflects knowledge, application, reasoning and some judgement, and importantly, context.

(d) SBL faces considerable competition from other publishers both in Egypt and in other Arab countries. Explain some market research that the company could carry out to help them decide how to increase their market share. [5]

- Secondary research could be carried out by examining the brochures and catalogues of competitors
- Primary research could be carried out by speaking to wholesalers and book shop owners to determine their needs
- If the trade association has carried out any primary research on consumers this could be examined to see if it is relevant