

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge International Diploma

MARK SCHEME for the May 2004 question papers

CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS

5171	Business Organisation and Environment (Core), maximum mark 100
5172	Effective Business Communication (Core), maximum mark 100
5173	Business Finance (Core), maximum mark 100
5174	Marketing (Optional), maximum mark 100
5175	Human Resource Management (Optional), maximum mark 100

These mark schemes are published as an aid to teachers and students, to indicate the requirements of the examination. They show 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.

May 2004

CAMBRIDGE INTERNATIONAL DIPLOMA

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 5171/01

BUSINESS

BUSINESS ORGANISATION AND ENVIRONMENT



Page 1	Mark Scheme	Syllabus	Paper
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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) Muneer has sold 120 franchises. Explain what a franchise is. [5 marks]

The candidate needs to draw out points like: the franchisee buys the right to use Muneer's name and logo, and to sell his products. The franchisee is generally supported by the franchisor [Muneer] in terms of, for example, promotion, and training.

If the candidate points out that a franchise is a contract between two business organisations and that the forms of the businesses are irrelevant then award 5 marks.

- L1 basic response, limited knowledge, weak 1-2 marks
- L2 good to strong definition and demonstration of knowledge 3-5 marks

(b) Suggest one reason for Muneer remaining a sole trader and one reason for becoming a private company. [5 marks]

The candidate needs to offer one well constructed sentence or explanation for each of the two points asked for. For example:

Sole Trader Muneer can remain in sole charge and retain full responsibility for his business;
 Enables Muneer to enjoy quicker decision-making;
 Muneer is entitled to keep all the profit.

Private company Enjoys limited liability;
 The company continues even after the death or resignation of the majority shareholder
 Shares cannot be sold on the open market – reduces the chance of a takeover.

- L1 two weak reasons or one fair reason 1-2 marks
- L2 awareness of the features of organisations, two good to strong reasons 3-5 marks

(c) Explain the purpose of a business plan and how it might help Muneer's business. [10 marks]

An essay is not required but the candidate needs to demonstrate a clear awareness of what a business plan is i.e. it is a detailed statement of how a company will use strategies to achieve its objectives e.g. regarding finance, cash flow, production, personnel, suppliers, markets, profit forecasting, costings, long term expectations.

A business plan would enable Muneer to plan his business in fine detail, define policies and strategies should the market change, consider changes to product ranges, set performance related targets.

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L1	weak, some attempt at defining the business plan	1-2 marks
L2	descriptive effort giving contents of plan without comment	3-5 marks
L3	analytical effort demonstrating knowledge and application	6-8 marks
L4	evaluative, exemplary explanation and application	9-10 marks

- 2 (a) **Muneer’s six sons manage all the 250 employees so there is a wide span of control. Explain what is meant by a ‘wide span of control’ and indicate two problems it may cause.** [5 marks]

The candidate needs to explain that a span of control refers to the number of subordinates directly under a manager or supervisor; so a wide span means that a lot of staff are under one person’s direction – probably more than can be reasonably and effectively directed.

The two problems need only to be mentioned e.g. too many staff will mean stress for the supervisor; probably poor and disjointed communications; ineffective methods of control; inefficient use of supervisor’s time.

L1	little understanding and weak definition of span of control	1-2 marks
L2	good to strong, appropriate definition and application	3-5 marks

- (b) **Muneer’s management style is autocratic. Suggest and describe a different management or leadership style.** [5 marks]

The candidate can choose from three others:

Democratic: discussion and consultation with the workforce before major decisions are taken; staff encouraged to participate and offer suggestions; motivating method; two-way communications encouraging feedback from staff.

Paternalistic: management does what it considers best for the workforce and company; some consultation but final decision-making power vested in senior management; no participation; little delegation.

Laissez-faire: delegation of virtually all authority and decision-making power; staff do the work and take decisions within very broad limits; method offers free reign to staff

The candidate needs to offer a clear idea of the chosen style; perhaps two or three well constructed sentences.

L1	limited response with little or no real knowledge	1-2 marks
L2	good to strong, demonstration of knowledge	3-5 marks

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- (c) Muneer’s business seems to be working well even though it has no formal internal structure. Select and explain three purposes of having a formal structure to a business organisation.** [10 marks]

A lengthy or essay type response is not required but the candidate must demonstrate a knowledge and an awareness of organisational structure.

The candidate needs to select three issues to support the point that a structure can assist with, for example, defining relationships between staff, decision-making, identifying levels of authority and responsibility, the chain of command, span of control. The three purposes must be offered to earn 6 or more marks.

The response is likely to be general but if it is related to Muneer’s business and the three points are discussed then the response can earn 6 or more marks.

- | | |
|--|------------|
| L1 basic showing limited knowledge | 1-2 marks |
| L2 descriptive attempt outlining [possibly] two purposes | 3-5 marks |
| L3 good explanations of points, probably related to case | 6-8 marks |
| L4 excellent demonstration of knowledge and application | 9-10 marks |

- 3 (a) Muneer’s employees are all casual. Explain the difference between permanent and casual employment.** [5 marks]

So long as the difference is clear, the candidate may approach the response in any way, e.g.:

Permanent: employee appointed on the basis of continuity, probably career; enjoys various benefits e.g. paid holidays, pension, medical scheme; will assume certain responsibilities

Casual: taken on whenever required e.g. peak demand, cover for absences
hourly paid, short-term appointment

Both need to be considered to earn 3 or more marks.

- | | |
|---|-----------|
| L1 weak difference, little appreciation of one or both | 1-2 marks |
| L2 good to strong, clear distinction, obvious knowledge | 3-5 marks |

- (b) MMM relies heavily on computerisation. List three ways in which computer technology is likely to be used in Muneer’s business.** [5 marks]

The candidate is asked to LIST three ways which need to be appropriate e.g. financial records, processing customers’ orders, payroll, cloth cutting machines, contact with franchisees. All three ways must be listed to earn 3 or more marks.

- | | |
|------------------------------------|-----------|
| L1 one or two plausible ways | 1-2 marks |
| L2 three good and apposite choices | 3-5 marks |

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- (c) Identify and explain three expectations that the employer, Muneer, might reasonably have of his employees.** [10 marks]

This is quite an open task, the candidate needs to make a choice and then offer suitable explanations or descriptions. The points need to be relevant to Muneer

E.g.: three from cooperative attitude, have or willing to achieve appropriate skills, able to manage time effectively, willing to accept company code of conduct, work safely and not endanger self or others, work efficiently and effectively.

Three expectations must be discussed in order to earn 6 or more marks.

L1 weak response reflecting limited knowledge	1-2 marks
L2 descriptive but offering three relevant points	3-5 marks
L3 clear and firm demonstration of Muneer's expectations	6-8 marks
L4 excellent treatment of relevant expectations	9-10 marks

- 4 (a) With reference to availability of labour, costs, and access to markets, suggest how Muneer is able to run a successful business in Dubai although many of his customers are thousands of miles away.** [10 marks]

The response lies within the case study and task which directs the candidate to the following points:

Availability of labour: Muneer has, presumably, no problem in recruiting appropriately skilled and experienced labour, particularly if the area has a history of handling textiles.

Costs: these will be lower than in Europe and USA, particularly labour, location and occupancy costs; also the franchisees will be responsible for most of the marketing and distribution expenses.

Access to markets: local, regional and tourist, plus access to the markets represented by the 120 franchisees;

All three issues must be offered to earn 6 or more marks.

L1 basic appreciation of the case	1-2 marks
L2 descriptive extension of the points given in the task	3-5 marks
L3 analytical response expressing knowledge of location	6-8 marks
L4 evaluative, demonstrating knowledge and awareness	9-10 marks

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(b) Muneer is aware of PEST issues. Explain the likely influence of the trade cycle and disposable income on Muneer’s Memorable Menswear. [10 marks]

This task directs the candidate to the issues to be discussed. A deep knowledge is not required but the candidate should offer sufficient discussion to indicate that the issues are understood and can be applied.

Trade [or business] cycle: Swings in economic activity that occur in economies from time to time; boom to slump to boom; economic output high or in decline; question of business confidence; when there is growth, unemployment is low, consumer spending rises, demand for imports rises;

Disposable income: What is left of an individual’s gross earnings after taxation and living expenses have been met; successful business /employment may give the individual sufficient available cash to spend on luxuries and/or high-class items like Muneer’s tailoring; a strong economy encourages people to spend.

A related comment suggesting that Muneer’s customers in certain countries may benefit or suffer from government action to correct economic problems [e.g. taxation, interest rates] and so affect MMM could put the response into L3 or L4.

The two issues must be discussed if 6 or more marks are to be awarded.

- L1 basic response revealing general weakness in understanding of the issues 1-2 marks
- L2 descriptive approach but suggesting some knowledge 3-5 marks
- L3 analytical, good discussion of the two issues 6-8 marks
- L4 evaluative, excellent demonstration of understanding 9-10 marks

5 (a) Explain the main features of Muneer’s customer service policy. [5 marks]

The detail is clearly identified in the case. A statement is required to emphasise the fact that Muneer offers a guarantee on the quality of cloth, the quality of workmanship, and on the delivery date; he also guarantees to make according to the measurements but limits his liability where the customer has provided the measurements and made a mistake. Muneer will also attempt to satisfy a customer if any fault lies with the franchisee.

- L1 a weak statement indicating poor grasp of the issue 1-2 marks
- L2 good to strong appreciation of the case and the policy 3-5 marks

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- (b) Explain how Muneer can be sure that the franchisees maintain the reputation of his business.** [5 marks]

To some extent this is an extension of the points made above. There is a contract between Muneer and each franchisee and clearly it will contain reference to the way in which business will be conducted. The candidate can make that assertion, it is implicit in the response to 1[a]. Muneer offers certain guarantees [re response to 5[a] above] and will settle with a customer, even if he has no legal liability, in a case where the franchisee is at fault. Muneer could terminate the contract and the threat of that would help keep the franchisee in support of the arrangement and thus maintain Muneer's reputation.

- L1 weak appreciation and interpretation of the case 1-2 marks
 L2 good to strong acknowledgement of both case and issue 3-5 marks

- (c) Muneer believes he has got the right marketing mix. Explain what he means.** [10 marks]

This calls for the interpretation, expansion and application of what is known as the 4Ps:

- Product: high-class bespoke tailoring, well cut and styled, luxury product, appeals to those with money and taste
 Price: high and reflects quality both of product and market
 Promotion: advertising, catalogues, samples, word of mouth
 Place: 120 franchisees throughout the world

A candidate who has been taught the 7Ps might also refer to People, Process, and Physical evidence, but it is highly likely that only the 4Ps will be used.

Certainly 4Ps must be considered in order to earn 6 or more marks.

- L1 basic response, rehearses the mix but not in context 1-2 marks
 L2 descriptive showing knowledge, but maybe fewer than 4Ps 3-5 marks
 L3 analytical with firm demonstration of application of the mix to the case 6-8 marks
 L4 evaluative, firm knowledge and application of the mix 9-10 marks

[End]

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CAMBRIDGE INTERNATIONAL DIPLOMA

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 5172/01

BUSINESS

EFFECTIVE BUSINESS COMMUNICATION



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The following are not model answers, but are nevertheless to be regarded as persuasive. Candidates may offer other relevant and appropriate material and arguments.

1 You are the Public Relations Manager at Fords, and have now heard that the bonuses will not be paid to employees this year.

(a) Explain and justify **four** methods of two-way internal communication which could be used to communicate this decision to the staff involved. [8]

Answer could include any of the four following expanded methods

- Team meetings – gathering of teams to discuss issue in a formal way and receive feedback
- Seminars – these are usually presentation of information which leads to a discussion
- Briefings – this is where management brief staff about the key issue and current problems. This is often more one-way communication than two-way communication
- Telephone communications – informal, instant feedback, quick method but now often talking to voicemail rather than person concerned which loses some of the value of the communication
- Face to face discussion to discuss the key implications for that individual

1 mark per method + 1 mark per explanation = 8 marks

(b) You notice that a number of staff seem to have problems in understanding the message about the lack of bonuses. Explain each of the following and give one example for each. [6]

(i) **Non-verbal communication**

(ii) **Metacommunications**

(iii) **Paralanguage**

(i) **Non-verbal communication**

kinesics, body language, dress, facial expression, posture etc.

Example

Staff may be standing with folded arms or hands in their pockets which communicates distance [2]

(ii) **Metacommunications**

Metacommunication – description

Comes from the Greek meaning beyond. The sense that humans have in feeling that there is more to what a person says than just the words – i.e. beyond the words

Example

An example might be that employees say that they are fine with the decision but it is apparent that this is clearly not the case and their body language indicates that they are very upset and roll their eyes. [2]

(iii) **Paralanguage**

The intonation used to emphasise what the real meaning of the words are. It is not what is said but the way in which it is said.

Example

An example would be when employees ask questions using appropriate phrases but emphasise key words and the tone is sarcastic. [2]

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- (c) **Identify and explain three main barriers to communication, which may be experienced by the staff understanding the information about the lack of bonuses.** [6]

Causes could include:

- No clear aim or purpose to communication
 - Use of inappropriate language such as 'management' speak
 - Staff unable to understand the message due to education/experience levels
 - Use of inappropriate medium such as informal chats
 - Problems with language and cultural barriers
- 2 marks per point = up to 6 marks**

[Total: 20]

- 2 You are concerned that staff have become demotivated by the decision to discontinue bonuses, and by the success of Ford's competitors.**

- (a) **You have decided to offer counselling interviews. Explain how you will prepare for these interviews.** [12]

Answer should include points for the interviewer:

- Plan the interview
 - Consider the purpose of the interview
 - Liaise with other members of the management where required
 - Consider location, timing and structure of the interview
 - Prepare discussion points/questions as necessary
 - Need to consider that this is a two-way communication process
 - Needs to be helpful and supportive of the employee
 - Needs to be a confidential and trusting environment
- 2 marks per point which is not expanded, 4 marks for expanded points = 12 marks**

- (b) **Suggest four different types of questions, and give an example of each, which could be used within these counselling interviews.** [8]

Closed question – offer only a choice of answers i.e. Do you feel that you can cope without the bonus this year? The answer would be yes or no.

Leading question – lead the interviewee into speaking about specific issues i.e. What do you think the company could offer instead of the bonus?

Open question – a question which allows the interviewee the opportunity to give open, frank and in-depth information i.e. how is this going to affect your work performance?

Hypothetical question – gives a scenario to allow the interviewee to answer in role, i.e. What if Ford decided there are no bonuses to be awarded ever again? How would you handle this?

1 mark per type of question and 1 mark per example up to 8 marks

[Total: 20]

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3 The employees are worried about the potential 35,000 redundancies worldwide which Ford are planning to undertake in the next few years. This is also having a negative impact on working teams.

(a) Explain why there appears to be group conflicts in the workforce currently, especially at the shop floor level. [6]

Group Conflict in the workforce due to:

- Lack of information or poor communication system
- Non-verbal Communication (NVC) – poor body language and distortion of message
- Inappropriate language
- Poor listening and feedback
- Pre-judgement
- Poor relationships – shopfloor, unions and management conflict
- Emotional responses – not fair
- Different ideologies – i.e. shopfloor should get bonus rather than senior staff who already get paid more

1 – 2 marks per point up to 6 marks

(b) Explain how the workforce could be helped through this period of uncertainty to make work teams effective again. [8]

Workforce could be helped through this period by:

- Developing more mutual trust
- Offering support to individuals and teams and local community
- Ensuring more consultation with staff
- Offering staff more opportunity for decision-making and involvement
- Team building exercises – i.e. social events
- Encourage a culture of mutual appreciation

1 – 2 marks per point up to 8 marks

(c) A meeting is to be called with the Board of Directors to organise and plan the redundancy process. Write the agenda for this meeting. [6]

Agenda will need to include:

- | | | |
|---|---|---------|
| • Heading (includes date, time & venue of meeting) | } | 1 mark |
| • Apologies for absence | } | 1 mark |
| • Objectives of meeting | } | 1 mark |
| • Up-date of current issues such as employee morale | } | 2 marks |
| • Methods of communication | } | |
| • Any other business | } | |
| • Date, time and venue of next meeting | } | 1 mark |

[Total: 20]

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4 It seems that the timing of communications, in this situation, is very important and so the use of technology is being considered.

(a) Explain how the following technology could be used and give one advantage for each.

- (i) Intranet for employee communication**
- (ii) Extranet for communication with Ford’s suppliers**
- (iii) Email for sending press releases to the national press** **[12]**

New technology – explanation of each method and one advantage

(i) Intranet – holds information which is accessible for all employees in all sections/offices/locations of the organisation
 Advantage: easy for staff to access a large range of information
 Quick for staff to access information

(ii) Extranet – Password protected area of the Intranet which suppliers can access, which allows them privileged information about Ford’s stock control etc.
 Advantage: builds trust and support for suppliers, relationship building therefore, more reliability and service from suppliers

(iii) Email – Electronic form of communication via WWW to external stakeholders – i.e. local/national press, where pictures, press releases etc. can be attached
 Advantage: quick, easy, reliable. 24/7 for international press – speed is important in these situations and email offers this.
2 marks for explanation and 2 marks for advantage each methods = 12 marks

(b) An internal report about the current situation is to be faxed to Ford Head Offices in the USA. Identify and explain the key stages of this report. **[8]**

Most appropriate internal report key stages

Report should conform to the following format:

- Report heading }
- To/from } 2 marks
- Date }
- Terms of reference – Objectives to illustrate current employee problems in light of lack of bonuses and redundancies } 2 marks
- Body of the report – staff affected by decisions, impact on work patterns and productivity etc } 2 marks
- Conclusion – needs to consider next step }
- Recommendations – need to consider next level of communication, international issues etc } 2 marks

[Total: 20]

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5 The local press have found out about the proposed redundancies.

- (a) You will be sending them Ford’s worldwide organisation chart. Explain what an organisation chart is. [6]**

Explanation of an organisational chart – i.e. clarifies the roles and responsibilities of employees, different types of structures, hierarchical or flat structures, illustrates span of control and self-managed groups. Candidates may attempt to draw an example.

Level 1: some understanding of the term 1 – 2 marks
 Level 2: further understanding and fuller descriptions 3 - 5 marks
 Level 3: full understanding and explanation 6 marks

- (b) You want to send the press further figures to indicate that sales are not yet in decline. Explain one advantage and one disadvantage of the following types of graphical forms of communication which you could use.**

- (i) Pie chart**
(ii) Line graph
(iii) Table [6]

- (i)** Explanation of pie charts - total value of items must be known, use of colours to enhance impact, limited to the amount of in-depth information that can be conveyed using a pie chart, need to work out in terms of 360°.
- (ii)** Explanation of line graphs - good for showing trends, cannot readily or clearly be interpreted if too many plotted lines of information, therefore not helpful for complex information.
- (iii)** Explanation of tables - good for tabulating complex information, limited immediate visual impact and difficult to interpret readily.

1 mark per advantage and disadvantage and an explanation for each method up to 6 marks

- (c) You decide to hold a press conference. Explain how you could employ technical advances for effective visual communication during this press conference. [8]**

Explanation of technological advances which could be used: multi-media facilities, CD ROM, video, computer graphics, video conferencing, webcam conferencing, overhead projectors, powerpoint with moving graphics, etc.

Level 1: some understanding of the term 1 –2 marks
 Level 2: further understanding and fuller descriptions 3 – 5 marks
 Level 3: Good explanation and examples offered 6 – 8 marks

[Total: 20]

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CAMBRIDGE INTERNATIONAL DIPLOMA

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 5173/01

BUSINESS

BUSINESS FINANCE



Page 1	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS – MAY 2004	5173	1

The following are **not model answers**, but are nonetheless regarded as persuasive. A candidate may offer other relevant and appropriate responses.

- 1 (a) Explain how the net profit figure had increased as expected even though the level of turnover had not risen. [3]**
- Candidate demonstrates knowledge of the meaning of net profit and turnover/sales revenue 1 mark
- Candidate develops argument of costs (expenses) being reduced to a greater extent than the increase in revenue 2 – 3 marks
- (b) Give one advantage and one disadvantage of producing under a ‘license from a multinational company’. [2]**
- 1 mark per advantage/disadvantage identified
 Advantages – guaranteed work, specification of product known etc
 Disadvantages – dependant on another firm’s sales, profit margin controlled, license fee etc
- (c) Explain what is meant by ‘sale or return’. [3]**
- For a vague explanation 1 mark
 For a more detailed explanation 2 – 3 marks
 Goods that are unsold are returned to the firm by the retailer and added to stocks for the next time period
- (d) (i) Explain what is meant by the term ‘working capital’. [2]**
- For a vague statement e.g. money required for everyday expenses 1 mark
- To achieve 2 marks candidate must refer to Net Current Assets and/or give the formula Current Assets - Current Liabilities 2 marks
- (ii) Explain how lack of management of the working capital could ‘restrict the planned growth of the firm’. [2]**
- To achieve 2 marks the Candidate must include reference to the inability to cover Current Liabilities, possibility of insolvency, likely to affect future plans
 Be prepared to award any reasonable argument 2 marks
- (e) For each of the three factors identified by the firm’s banker, explain how the factor would be likely to affect the future profitability of the firm. [2 x 3]**

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1 mark per factor extracted from the case study
plus 1 mark for explaining the possible effects
Technology – reduction in costs – profits increased
Economic – interest rates rising – costs up – profits reduced
Social – consumer boom – sales revenues rising

[Total: 18]

- 2 (a) **Identify three additional sources of funds that could be employed by C L Ltd to finance their proposed expansion plans.** [3]

1 mark per source of funds identified
Sale of shares, bank loan, mortgage, hire purchase, leasing etc

- (b) **For each of the additional sources you have identified suggest one advantage and one disadvantage of using that source** [2 x 3]

1 mark per advantage/disadvantage
Advantages – relative cost, ability to retain control, ease of access etc
Disadvantages – higher costs, loss of privacy, loss of control etc

- (c) **State with reasons which source of funds you would recommend the firm to use in order to finance its expansion.** [3]

For a vague statement as to choice allow 1 mark
For a more detailed explanation that explains the comparison of sources and refers to case study directly

2 – 3 marks
[Total: 12]

- 3 Use the information in **Item 1**.

- (a) **Calculate, using the LIFO method of stock valuation, the value of stock retained and the value of stock issued.** [6]

Level 1: Candidate demonstrates some knowledge of process required – many errors in calculations

1 – 3 marks

Level 2: Candidate shows understanding of the process required and errors are fewer and at top end the answers are accurate

4 – 6 marks

- (b) **Calculate, using the FIFO method of stock valuation, the value of stock retained and the stock issued** [6]

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Answer key as for **3(a)**

For suggested solutions to **3(a)** and **3(b)** see Appendix 1

(c) State with reasons which method of stock valuation you think C L Ltd should use. [3]

For a vague unsupported choice 1 mark

For a rational choice based on sound accounting basis, e.g. LIFO method will understate profits in line with prudence concept 2 – 3 marks

[Total: 15]

4 For published accounts to be useful they must be accurate and produced according to recognized accounting principles.

(a) Identify three recognized accounting principles. [3]

1 mark per principle identified 1 mark
Duality, prudence, matching, going concern etc

(b) Using your own examples, explain how each of the principles that you have identified contributes towards the production of accurate accounts. [3 x 3]

For a vague statement/explanation of a principle 1 mark

For a more complete explanation 2 marks

For an explanation that links the principle accuracy in the accounts 3 marks

(c) Explain why it is necessary to have accurate accounts independently checked by an auditor. [3]

For listing of reasons allow 1 mark 1 mark

If the reason is explained then allow 1 further mark 2-3 marks
e.g. legal requirements – ensure that the firm is complying with relevant legislation – enhances the firm’s reputation – protects the interests of stakeholders – reduce possibility of challenges to the accounts by interested parties

[Total: 15]

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7 Using the information contained in Item 3.

- (a) Calculate the allocation of fixed overheads to each of the firm's products by employing the following criteria:**
- (i) Floor space [4]**
- Level 1 Candidate demonstrates limited knowledge of the process required and/or many errors in calculations 1 – 2 marks
- Level 2 Candidate shows understanding of the process required and produces accurate results 3 – 4 marks
- (ii) Number of employees [4]**
- Marks to be awarded as in (i) above
- For suggested solution to (i) and (ii) see Appendix 3
- (b) List and explain two advantages of employing a cost-centered approach to allocating overhead costs. [6]**
- For listing of an advantage allow 1 mark e.g. ability to cover all costs, truer picture of actual production 1 mark
- Allow up to 2 further marks for quality of the explanation of the advantage e.g. more accurate budgeting process, decision making made easier etc. 2 – 3 marks
- [Total: 14]**

Appendix 1

LIFO Method

Date	Purchases	Issued	Stock Retained units	Stock Value \$
1 Jan			10,000	30,000
15 Jan	4,000		14,000	42,000
17 Jan		8,000	6,000	18,000
29 Jan		4,000	2,000	6,000
30 Jan	3,000		5,000	15,000
18 Feb		1,000	4,000	12,000
20 Feb	5,000		9,000	29,500
22 Feb		8,000	1,000	3,000
27 Feb	1,000		2,000	6,800
13 Mar	3,000		5,000	18,800
18 Mar		4,000	1,000	3,000
4 April	5,000		6,000	23,000
5 April		3,000	3,000	11,000
20 April	3,000		6,000	23,750
21 April		4,500	1,500	5,000

Stock Issued	=	24,000	Stock value retained = \$5000
		12,000	
		3,000	
		26,500	
		15,800	
		12,000	
		<u>18,750</u>	
		<u>112,050</u>	\$112,050

FIFO Method

Date	Purchases	Issued	Stock Retained units	Stock Value \$
1 Jan			10,000	30
15 Jan	4,000		14,000	42
17 Jan		8,000	6,000	18
29 Jan		4,000	2,000	6
30 Jan	3,000		5,000	15
18 Feb		1,000	4,000	12
20 Feb	5,000		9,000	19,5
22 Feb		8,000	1,000	3,5
27 Feb	1,000		2,000	7,3
13 Mar	3,000		5,000	19,3
18 Mar		4,000	1,000	4
4 April	5,000		6,000	24
5 April		3,000	3,000	12
20 April	3,000		6,000	24,750
21 April		4,500	1,500	6,375

Page 7	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS – MAY 2004	5173	1

Stock Issued	=	24,000	Stock value retained \$6,375
		12,000	
		3,000	
		26,000	
		15,300	
		12,000	
		18,375	
		110,675	\$110,675

Appendix 2

Balance Sheet for CL Ltd as at 30 April 2004

	\$000	\$000
Fixed assets at cost		670
Less Accumulated Depreciation		<u>140</u>
		<u>530</u>
Current Assets		
Stock	250	
Debtors	295	
Cash	<u>0</u>	
	<u>545</u>	
Current Liabilities		
Creditors	161	
Corporation Tax	96	
Proposed Dividend	125	
Overdraft	<u>90</u>	
	<u>472</u>	
Working Capital		<u>73</u>
		<u>603</u>
Less Debentures		<u>50</u>
		<u>553</u>
Financed by		
200,000 Ordinary Shares @ \$1		<u>200</u>
*Profit & Loss Account		<u>353</u>
		<u>553</u>
*Calculated as balancing item		

Page 8	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS – MAY 2004	5173	1

Appendix 3

6(a)(i)

Allocation of overhead = % Floor Space per product x overhead

$$\begin{aligned} \text{Circuit Boards} &= 60\% \text{ of } \$1,700,000 \\ &= \$1,020,000 \end{aligned}$$

$$\begin{aligned} \text{Mobile Phones} &= 24\% \text{ of } \$1,700,000 \\ &= \$408,000 \end{aligned}$$

$$\begin{aligned} \text{Calculators} &= 16\% \text{ of } \$1,700,000 \\ &= \$272,000 \end{aligned}$$

6(a)(ii)

Allocation of overheads = $\frac{\text{Number of employees per centre}}{\text{Total Employees}} \times \text{overhead}$

$$\begin{aligned} \text{Circuit Boards} &= \frac{88}{160} \times \$1,700,000 \\ &= \$935,000 \end{aligned}$$

$$\begin{aligned} \text{Mobile Phones} &= \frac{37}{160} \times \$1,700,000 \\ &= \$393,125 \end{aligned}$$

$$\begin{aligned} \text{Calculators} &= \frac{35}{160} \text{ of } \$1,700,000 \\ &= \$371,875 \end{aligned}$$

May 2004

CAMBRIDGE INTERNATIONAL DIPLOMA

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 5174/01

BUSINESS

MARKETING



Page 1	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS – MAY 2004	5174	1

Examiners should accept any examples given in the paper which are suitably justified.

Generally *[marks shown relate to a task of 10 marks]*

Level 1 answers will leave the examiner to ‘fill the gaps’. The answer will show little evidence of understanding the theory, simply listing terms and failing to explain them in a marketing context. 1 – 3 marks

Level 2 answers will be adequate answers that attempt to bring together theory and practice. Evidence of understanding is limited and the use of context restricted. 4 – 5 marks

Level 3 answers will combine theory and practice in an effective manner. It is not a Level 4 answer because it fails to apply the theory as effectively and/or is not as realistic/relevant as it might be. 6 – 8 marks

Level 4 answers will be rare, and will be exceptional, bringing together theory and practice in a professional manner. The answer will demonstrate an understanding of theory used effectively in the context of marketing and the circumstances described. 9 – 10 marks

1 Mobiles4u are conscious of the need to develop customer loyalty, and have decided to implement a customer care programme within their organisation.

Explain five key aspects of customer care that should be included in a training programme for Mobiles4u’s staff. **[5 x 4]**

Key aspects of customer care include –

- Defining customer requirements
- Setting service standards
- Setting up a process to measure performance to those standards
- Setting up mechanisms for employees to feedback ideas for improvements
- Setting up a customer feedback process
- Welcoming complaints
- Recording and analysing complaints
- Setting up systems to ensure improvements are made
- Treating customers as you would like to be treated
- Developing the right ‘attitude’ towards customers

Candidates may select any five issues from the list above, or other relevant issues, and explain fully what is involved – 4 marks for each of 5 points, fully explained

[Total: 20]

Page 2	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS – MAY 2004	5174	1

2 The developers of ‘Musicmail’ predict that their new service will be a success. Their prediction is based on their experience of launching an existing service.

(a) Explain and discuss three benefits of using marketing research for making marketing decisions, rather than simply basing decisions on previous experience. [3 x 5]

Benefits of using market research include –

- Decisions based on research are more objective
- Ventures are more likely to succeed
- Forecasts can be made more accurately
- Can avoid costly mistakes
- Research has the benefit of established techniques and processes

Candidates should be able to identify at least three of the above benefits, and expand them in the context of the Case Study

3 benefits x 5 marks = 15 marks

2 (b) List the five stages of the process for planning a marketing research project. [5]

The five stages are –

- Define the problem
- Design research and sampling plan
- Collect the data
- Analyse and present the data
- Evaluate/justify methods used and implement action

1 mark for each stage listed = 5 marks

[Total: 20]

3 Mobiles4u sell their phones to corporate clients, as well as to individual consumers.

(a) Suggest the most appropriate way for them to segment their business customer market [5]

There is no ‘one best way’, and candidates should be rewarded for sensible answers to this question. However, a combination of geographic segmentation and business demographics based on the number of employees in an organisation would be the most suitable in terms of generating volume sales. 5 marks

Page 3	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS – MAY 2004	5174	1

- 3 (b) Explain the **five** stages of the consumer buying decision process, identifying marketing activities for each stage. [5 x 3]

Five stages are –

Stage of the buying process	Marketing Activity
Problem Recognition	Promotion – to ensure your company's products or services are high profile
Information Search	Promotion – PR in specialist magazines, website where information is easily accessible
Evaluation	Reliable product quality – so word of mouth communication will be positive. Promotion – showing price means good value for money
Purchase	Promotion – Good personal selling in retail outlets,
Post-purchase evaluation	Product – overall package may include guarantee or returns policy Promotion – should reassure buyer they have made the correct decision

1 mark for each stage identified, and a further 2 marks for suggesting sensible marketing activities for each stage – 15 marks [Total 20 marks]

- 4 (a) Explain the term competitive advantage, and say why it is important to Mobiles4u. [6]

Competitive advantage means that a company has –
a clear performance differential over the competition 2 marks
that is relevant, and important, to their target market. 2 marks
It is important in this case because the market is saturated 2 marks

- 4 (b) Identify the **seven** stages of the marketing planning process. Explain how each stage can help the management of 'Musicmail', to develop a plan. [14]

The seven stages of the planning process are –

- Marketing audit – analysis of internal situation, plans, activities, structures and analysis of external environment that may impact on marketing activity
- SWOT – identification of internal strengths and weaknesses and external opportunities and threats from analysis
- Objectives – what the company is looking to achieve. Should be SMART
- Segmentation – selection of suitable target markets
- Strategy – use of models to select overall strategy (how objectives are to be achieved)
- Marketing Mix – tactics to be used in achieving objectives – 7 Ps
- Control – mechanisms to assess progress to and success of the plan

Page 4	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS – MAY 2004	5174	1

1 mark for correctly listing each step and 1 mark for explaining in the context of the case – 14 marks

[Total 20 marks]

- 5 (a) **Suggest a marketing mix to Mobiles4u, for their phones.** **[4 x 2]**

Mix Element	Relevant to mobile phones
Product	Innovative design, easy to use, reliable
Place	Retail outlets, Internet ordering, direct sales force for business to business sales
Price	Reflecting the quality of phone, competitive, value for money package
Promotion	Press advertising, PR, TV ads, Point of sale material in retail outlets

2 marks for each 'P', made relevant to mobile phones – 8 marks

- 5 (b) **In contrast, 'Musicmail' is a service. Using 'Musicmail' as an example, explain the additional 3Ps that apply to the marketing mix for a service, and why these are important.** **[3 x 4]**

Mix Element	Links to Musicmail service
People	Correct attitude, trained to sell benefits, enthusiastic about service, good product knowledge
Process	Easy to use. Can be arranged over their phone, or via the Internet. Easy to pay for.
Physical Evidence	Advertising bright and representative. Information with phones clear in terms of what is available, and how to arrange. Opportunity to hear examples on Internet or in retail outlets selling phones.

Important because services are intangible, heterogeneous, inseparable, and perishable.

1 mark for each 'P' correctly identified	3 marks
1 mark for each characteristic of services identified	4 marks
5 marks for links to Musicmail service	5 marks

[Total: 20]

May 2004

CAMBRIDGE INTERNATIONAL DIPLOMA

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 5175/01

BUSINESS

HUMAN RESOURCE MANAGEMENT

Page 1	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS – MAY 2004	5175	1

1 (a) Identify three operational and two strategic purposes of HRM. [10]

Operational purpose: providing and deploying the right mix of skills, knowledge and experience; controlling the costs of employment (wages and salaries, support costs, social costs); maintaining systems for motivating and developing individuals and resolving conflict; replenishing the organisation's human resources over time.

Strategic purpose: contributing specialist expertise to the medium and long term development of the organisation; creating the ability to react effectively to change; handling growth efficiently.

Level 1 (0-4 marks)

The candidate will **list** any or all of the points above without any explanation. Alternatively the explanations provided may be incorrect or only one part of the question will be correctly answered, i.e. only the strategic or only the operational part will be dealt with.

Level 2 (5-8 marks)

The candidate will explain fully and accurately **at least one operational and one strategic purpose** of HRM. Other purposes may be explained but will contain inaccuracies or may be brief.

Level 3 (9-10 marks)

The candidate will explain fully and accurately **at least three operational and two strategic purposes** of HRM. Errors may still exist with other explanations but if the above is fulfilled it is sufficient for this band.

Please note reference to the case study is not required in this part of the question and does not gain any additional credit.

(b) Explain whether the HRM at KitKars has fulfilled its strategic and operational purpose? [10]

Operational purpose: has failed on all of these but "controlling the costs of employment"

Strategic purpose: has failed on all of these but it may be argued that he has **personally** contributed specialist expertise to the medium and long term development of the organisation.

Level 1 (0-4 marks)

The candidate may make a simple statement to say that KitKars has failed on both of these. There may be some attempt to explain how but this will contain errors or may be incomplete.

Level 2 (5-8 marks)

The candidate will state that KitKars has failed on both of these and go on to explain how. At the bottom of this band a correct explanation for at least how the operational OR strategic purpose has failed is required.

At the top of this band a correct explanation of how both have failed is required.

Level 3 (9-10 marks)

The candidate will fulfil the conditions for level 2 but will be aware that there is no indication for failure for "controlling the costs of employment". A very sophisticated argument may make the point that Naimesh believes that he is fulfilling one of the strategic purposes.

Page 2	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS – MAY 2004	5175	1

- 2 (a) Explain the effect that the formation of a trade union may have on the HRM at KitKars. [10]

Level 1 (0-4 marks)

The candidate will not relate the answer to KitKars but will discuss trade unions in general. Alternatively the candidate may discuss the concept of an unofficial trade union or explain the fact that Naimesh did not agree with trade unions. At the top of this band the candidate may refer to the fact that the trade union has already changed the way in which Naimesh runs the company by asking for a meeting.

Level 2 (5-8 marks)

The candidate will link the functions of a trade unions to the situation at KitKars and may suggest formal legal contracts, compliance with H&S legislation, formal negotiation etc. The marks within this band are for the quality of the explanation.

Level 3 (9-10 marks)

The candidate will not only provide a quality level 2 answer but will also make specific reference to **at least four points** made in the case study.

- (b) Identify the changes KitKars might need to make if they are to conform to the correct legal environment for HRM. [10]

Level 1 (0-4 marks)

The candidate may make simple statements that the workers did not have contracts and Health and Safety regulations were not followed. At the top of this band the candidate may notice that Equal Opportunities do not exist with reference to the advert.

Level 2 (5-8 marks)

The candidate will state that the workers do not have legal contracts and so are not entitled to sickness benefit and are probably paid under the minimum wage rate. The EO legislation is ignored in the advert and H&S laws are not followed at the factory. At the top end of this band the candidate will begin to evaluate how these factors may change KitKars.

Level 3 (9-10 marks)

The candidate will fulfil the requirements of level 2 but will note the changes that will need to be made – legal contracts for everyone; entitlement to sickness and unemployment benefit; payment at least at the minimum wage rate; a change in the advert (deleting “Men”); all H&S legislation complied with.

- 3 (a) Outline the recruitment and selection process a company should use to recruit the right employees. [10]

Level 1 (0-4 marks)

The candidate may produce a list that confuses recruitment with selection or is in the wrong order. Alternatively certain aspects may be discussed at great length without covering the whole process.

Level 2 (5-8 marks)

The candidate will outline the complete process from the job description and person specification through to the final interview. There will be some additional comments that distinguish this answer from a pure list.

Page 3	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS – MAY 2004	5175	1

Level 3 (9-10 marks)

The candidate will produce a level 2 answer but in addition will mention the purpose of recruitment; the importance of choosing the right media for advertising and the use of agencies. The candidate may also mention the use of testing.

- (b) Compare the recruitment and selection process that KitKars intend to follow to recruit extra workers with the ‘best practice’ for such processes. [10]**

Level 1 (0-4 marks)

The candidate will simply extract the process from the case study, the use of an advert, telephone calls and then an interview with Naimesh. Anything less than this will obtain less than the maximum within this band.

Level 2 (5-8 marks)

The candidate will extract the process from the case study and make comments as to the suitability of the process. At the top of this band candidates may suggest some alternative methods that Naimesh could have used.

Level 3 (9-10 marks)

To obtain marks within this band the candidate must show an understanding that the process was against EO legislation – therefore illegal, and would not have produced the right candidates for the job.

- 4 (a) Explain the different ways in which the workers at KitKars may have their performance monitored. [10]**

Level 1 (0-4 marks)

The candidate may produce a list of methods or explain one method in some detail. There may be errors or omissions in the answer provided.

Level 2 (5-8 marks)

The candidate will produce a full list of the methods available with some explanation. The explanation may be brief, incomplete or in some cases inaccurate. The balance of the answer should be accurate.

Level 3 (9-10 marks)

The candidate will produce a full list of the methods available with full and accurate explanations. For a top mark the candidate may recommend one method although this is not essential to obtain full marks.

Possible methods – standards; targets; key accountabilities and competencies; appraisal

- (b) Describe the different systems for communication and conflict resolution and recommend the most appropriate approach for KitKars. [10]**

Level 1 (0-4 marks)

The candidate may produce a list of systems for communication or conflict resolution. Alternatively a list for both may be produced without an adequate or accurate description.

Level 2 (5-8 marks)

The candidate will fully and accurately describe the different systems that exist for communication and conflict resolution to obtain the top marks in this band. Errors in the description or brevity will leave candidates in the lower end of the mark band.

Page 4	Mark Scheme	Syllabus	Paper
	CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS – MAY 2004	5175	1

Level 3 (9-10 marks)

The candidate will fully and accurately describe the different systems that exist for communication and conflict resolution and provide a sensible recommendation for KitKars.

Possible systems – briefing structures; surveys; discipline and grievances processes; works councils; committee structures; worker directors; collective agreements.

- 5 (a) Describe a system of training and development that could be used by KitKars. [10]**

Level 1 (0-4 marks)

The candidate will discuss training in general and not relate this to KitKars. Alternatively one aspect of training may be outlined and related to KitKars.

Level 2 (5-8 marks)

The candidate will begin to put together a system of training for KitKars that includes new skills training and training for new employees. There may be errors or omissions but generally the system will be acceptable.

Level 3 (9-10 marks)

The candidate will put together a full and relevant system of training for KitKars that includes an analysis of the training needs and objectives.

- (b) Explain the different methods of payment and reward schemes and recommend the most appropriate approach for KitKars. [10]**

Level 1 (0-4 marks)

The candidate will produce a list that does not distinguish between payment and reward. There may be an attempt to explain some parts but these will be brief or inaccurate.

Level 2 (5-8 marks)

The candidate will clearly understand the difference between payment and reward. The majority of the methods will be accurately and fully explained or the list will be incomplete with full and accurate explanations. At the top of this band a full and accurate list will be fully and accurately explained. Recommendations may be attempted but will not be practical or logical.

Level 3 (9-10 marks)

The candidate will clearly understand the difference between payment and reward. A full and accurate list will be fully and accurately explained with sensible recommendations made for KitKars.

Methods that may be used – fixed rates; piece work; payment by results; annualised hours; bonuses; profit sharing; share options; pensions; holidays; cheap loans; company cars; subsidised food and accommodation; health care; product discounts.