

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma Advanced Level

MARK SCHEME for the October 2009 question paper
for the guidance of teachers

CAMBRIDGE INTERNATIONAL DIPLOMA IN BUSINESS

5171 Business Organisation and Environment, maximum mark 100

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1 (a) The Jewel of India Partnership is a private company with elements of other types.

(i) Explain what Mr Ghopal means when he says that although the company is a private company it has elements of a partnership and a cooperative society. [4]

- the specific knowledge of types of company is not demanded here but rather a general appreciation of Ghopal's comment is required;
- the comment is not strictly true but these points may be considered as part of a general argument;
- Partnership: profits are shared;
- Cooperative: democratic basis to the organisation.

(ii) Explain *two* features of a private company. [2 × 2 = 4]

This task requires the rehearsal of two familiar features:

- the features can be drawn from:
 - limited liability;
 - minimum of two shareholders;
 - not quoted on the stock exchange;
 - no obligation to publish accounts;
 - separate legal identity from that of its members;
 - transfer of shares only with the consent of other shareholders – in this case, very difficult as they are held in trust.
- each point to be supported by a brief description or explanation.

(b) Explain and justify the following *two* business objectives of the Jewel of India Partnership:

(i) helping to provide employment and better living standards for the community at large; [4]

A general argument is required which pursues e.g. the following points:

- expansion to 400 stores provides 60,000 jobs;
- partners are paid fair wages plus profit-sharing bonus – they are released from poverty, enables them to maintain their families and enjoy a reasonable standard of living;
- as they spend so it creates more jobs within the community.

(ii) sustained growth. [4]

- sustained growth means that the Jewel of India will have more business activity, higher turnover, better profits, enhanced market share;
- ideally the growth should be incremental i.e. steady growth hopefully ahead of any inflation;
- implication of controlled costs and firm profits – investment in future development.

(c) Describe what is meant by break-even analysis. [4]

- the break-even point is reached when total revenue = total costs;
- it is the point at which the company moves into profit;
- the analysis helps the Partnership to calculate what it needs to sell to cover costs i.e. break-even;
- break-even analysis can assist the Partnership to calculate/forecast results given changes in both cost and selling prices, costs, level of supplies;
- failure to move beyond the break-even point means a trading loss.

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2 (a) **The Directors of the Partnership have certain duties and powers. Explain what is meant by the duty to act as an agent of the company.** [4]

- directors are not personally liable for their actions if they act within their authority;
- they must not act beyond the powers they possess – this is a safeguard against the misuse of shareholders' funds.

(b) **The Jewel of India Partnership has a hierarchical business structure and a democratic structure for employee participation.**

(i) **Explain what is meant by a hierarchical structure.** [4]

- an organisational structure containing a large number of ranks between the 'shop floor' and the senior leadership team;
- many layers but narrow spans of control;
- each person has a clear role and responsibility;
- top-down structure.

(ii) **Describe what is meant by the span of control.** [4]

- the span of control reflects the number of subordinates under the direction of one manager/supervisor;
- as each manager/supervisor in the Partnership has a large number of staff, it is essential to delegate effectively;
- a wide span means many subordinates, narrow means few.

(iii) **Explain how the structure of employee participation contributes to motivation and the flow of internal communications.** [4]

- the text clearly indicates that their company is owned and run for the benefit of the employees aka partners;
- they feel important as stakeholders;
- they are able to contribute in a meaningful way to the progress of the Partnership;
- they have a sense of ownership which is a strong motivator;
- the representatives are required to report back to partners.

(c) **The Partnership has some important stakeholders. Explain why the following stakeholders can be considered the most important:**

(i) **employees;** [2]

- they are a major factor of 'production';
- the Partnership relies on their effort, expertise, commitment and cooperation;
- the quality of the employees enhances image and reputation and so improves turnover;
- the business is run for their benefit.

(ii) **customers.** [2]

- without them there would be no business;
- they are another major resource;
- customers provide the turnover and profit – and therefore the jobs;
- the security and future of the company rely on them.

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3 (a) Explain why the employees have an obligation to work for the improvement of the business. [4]

- Jewel of India treats them with respect and dignity and considers their happiness to be important;
- they have good pay plus the profit-sharing bonus – the better they perform the better the profit – a very strong incentive to work hard;
- the democratic process encourages their motivation and commitment – they have a firm stake in the business – it is to all intents and purposes their business.

(b) The Partnership has several employment arrangements. Define what is meant by:

(i) temporary full-time; [2]

- an employee is in every sense a full-time member of the business but is unlikely to enjoy all the employment benefits e.g. pension scheme;
- the position is only available for a limited period and perhaps for a specific purpose e.g. to cover maternity leave;
- may be subject to a fixed-term contract.

(ii) flexitime. [2]

- the arrangement which permits certain staff (those not committed to working shop opening hours) to complete their agreed weekly hours at times largely convenient to themselves subject to their attending core hours.

(c) Describe the *three* following expectations that the employees might reasonably have of their employers:

(i) to be treated with respect; [4]

- no discrimination e.g. gender, race, faith;
- acknowledgement of their contribution to the business;
- treated as partners;
- employees expected to be honest and courteous – reciprocation expected;
- recognised along with customers as the main stakeholders.

(ii) to have training and retraining opportunities; [4]

- there is the assumption that the Partnership considers training as a priority;
- the success of the business depends upon training staff and permitting them to update and/or improve their skills;
- training is all part of the Partners' obligation to work for the improvement of the business.

(iii) to have suitable and safe conditions of work. [4]

- as the business is employee-oriented, it is safe to assume that working conditions at least meet minimum health and safety standards;
- no illegal or unsafe practices;
- provision of protective clothing where appropriate;
- appropriate training;
- the matter would be monitored by the Partners' committees.

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4 (a) Every business is influenced in some way by external or PEST factors. Explain how the Partnership might be influenced by:

(i) **social, ethical and environmental issues;** [4]

- Jewel of India responds to these issues by demonstrating good citizenship in its business behaviour within the community;
- shows respect for the environment e.g. responsible sourcing; replacing plastic bags with recycled bio-degradable shopping bags;
- being a large organisation, it will be a target for environment (or green) pressure groups.

(ii) **business confidence;** [4]

- a factor in the Partnership's decisions and policies regarding e.g. manpower planning, investment, refurbishment;
- related to government policies affecting business e.g. taxation, licensing, employment law;
- reflected by the position in the trade cycle.

(iii) **disposable income.** [4]

- this is the amount a salary/wage earner has left after all deductions and expenses i.e. it is money that is free of all commitment to be spent as an individual wishes;
- taxation and rising prices can affect the amount of disposable income;
- if economic conditions improve or remain good then more people may be able to earn more and enjoy higher disposable income;
- Mr Ghopal clearly wants people to have sufficient disposable income to spend in the Jewel of India's shops, perhaps on the more expensive luxury and/or impulse lines.

(b) Describe the following *two* factors which are likely to influence the location of the Partnership's stores:

(i) **suitability of sites;** [4]

- the locations need to be readily accessible for customers and suppliers;
- they need to be in busy areas like town/city or serving residential centres (supermarkets);
- served by reliable infrastructure;
- not likely to be affected by planning blight or local policies which would create trading difficulties.

(ii) **occupancy costs.** [4]

- prestige and town centre locations tend to be expensive e.g. rents, leases, mortgages, services, security, upkeep;
- every square metre of warehouse, garage and office has to pay for itself;
- they need to be monitored and controlled;
- Jewel of India needs to be in prime locations – perhaps carries enough influence to negotiate advantageous terms.

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5 (a) Explain the following *two* marketing objectives of the company:

(i) to achieve and maintain a targeted market share; [4]

- market share can be measured by units sold or by value (turnover);
- calculating/targeting market share indicates to Jewel of India where it stands in relation to the market as a whole;
- targeting represents a deliberate 'attack' on the market in an effort to achieve a certain degree of penetration.

(ii) to establish the image of the company and its products. [4]

- employing methods to boost the awareness of Jewel of India logo as their 'brand';
- good use of the marketing mix, especially promotion, to encourage customers' attention and better sales;
- image of the Partnership and the goods it sells should be seen as e.g. meaning quality, value for money, reliability.

(b) Mr Ghopal says that the Partnership's market is dictated by *two* specific factors. Explain the possible effect on the Partnership of *each* of the following factors:

(i) the state of the economy; [4]

- reflected by the trade cycle;
- if the economy is running down then this will be reflected in turnover – only essential items will be sold – less disposable income;
- if the economy is strong then business will be optimistic and profitable.

(ii) competition. [4]

- competition may sharpen the Partnership's focus on its market;
- ignoring the competition could potentially cost the company sales, profits, even the closure of stores;
- it depends how many other big store companies are in the market;
- it will make Jewel of India monitor its costs, prices, quality, customer service policy, employment policy.

(c) The Partnership is keen to promote customer service in order to develop loyalty and further business. Explain the importance of a customer service policy to the Partnership. [4]

- a customer service policy deals with a client's experience of dealing with Jewel of India and will include:
 - how the employees behave towards customers e.g. manners, speech;
 - how well the employees are trained;
- the policy should have as its aim the development of customer loyalty and further business;
- essentially it recognises the customer as the Jewel of India's main resource.