

MARKSCHEME

November 2000

BUSINESS AND ORGANISATION

Standard Level

Paper 2

1. (a) **Explain what is meant by fixed assets and why Pezfresh has decided to buy boats and trucks (lorries) instead of leasing them.** [4 marks]

Fixed assets are items of a monetary value which have a **long term** function and can be used repeatedly. These determine the scale of the firm's operations. Examples are land, buildings, equipment and machinery. Fixed assets can provide collateral for securing additional loan capital, but they depreciate in value with use.

For Pezfresh fixed assets are fish freezing and packaging plant and machinery, fishing boats and trucks (lorries).

Pezfresh has decided to buy boats and trucks (lorries) as they represent assets to the company. It means that they do not have to rent or lease and depend on other companies to transport goods.

Level 1 [4 marks]: candidate clearly explains what is meant by fixed assets. They provide a detailed answer on why Pezfresh bought boats instead of leasing them.

Level 2 [2 - 3 marks]: candidates may or may not explain what is meant by fixed assets, but the answer may lack detail and/or they may or may not explain why Pezfresh decided to buy boats instead of leasing them.

Level 3 [1 mark]: candidate makes a limited response.

- (b) **Describe in detail two reasons why the workers accept the conditions in which they work.** [4 marks]

Workers might have to accept the conditions because of high levels of unemployment. The workers may be unskilled; workers maybe poorly represented by their unions; unions may have little power or maybe there are no unions. Reference to the macro economic situation of the country might be made: recession, a less developed country or a developing one. Other jobs in the country might be similar. Reference to labour immobility might be made (occupational, geographical, psychological).

Level 1 [4 marks]: candidate clearly explains two suitable reasons as to why workers might accept the conditions in which they work. Their reasons are related to Pezfresh.

Level 2 [2 - 3 marks]: candidate explains two reasons why workers might accept the conditions, but their answer may lack detail, reasons may not be entirely suitable and/or may not be related well to Pezfresh.

OR

candidate explains one suitable reason well and relates it to Pezfresh.

Level 3 [1 mark]: candidate makes a limited response.

- (c) **The human resource manager of Pezfresh has agreed to listen to the views of the workers. Write a detailed memo to her, discussing how productivity would increase if conditions improved. Use motivational theories to support your answer.**

[8 marks]

Conditions would improve if the following took place:

- increase the temperature of the work areas by insulation
- provide warm clothing
- provide regular hot drinks
- give all workers a meal break
- provide a warm area for meal breaks
- enable workers to have a say in improving conditions

Benefits:

- improvement in morale
- increase in productivity
- decrease in labour turnover
- higher levels of Maslow addressed *etc.*

Motivational theory should be included in the answer (it is an easy case and candidates should include references to Maslow, Mayo, Hawthorne, *etc.*)

[1 mark] to be awarded for a correct memo format.

Level 1 [6 - 7 marks]: candidate provides a detailed response including a range of suggestions and benefits for productivity which includes appropriate applied motivation theory.

Level 2 [3 - 5 marks]: candidate develops a response with a few suggestions and benefits. Motivation theory may be absent at the bottom of the band and brief at the top.

Level 3 [1 - 2 marks]: candidate makes a limited response, with few suggestions, benefits and no theory.

- (d) **Evaluate *two* reasons that explain why Pezfresh is finding it increasingly difficult to compete in a global market.** **[4 marks]**

The firm is finding competition in a global market difficult because:

- cheaper labour in other parts of the world.
- higher productivity of labour (better technology/more capital).
- a better qualified workforce that can operate more sophisticated technology.
- many countries subsidise their production therefore selling at very low prices.
- other countries dump their excess output, dragging prices down.
- better communications bring markets closer.

Level 1 [4 marks]: candidate evaluates two reasons in detail that explain the difficulties faced by Pezfresh, their reasons are directly related to the difficulties in the global market.

Level 2 [2 - 3 marks]: candidate attempts to evaluate two reasons, though their answer lacks detail. The difficulties are related to the global market.

OR

candidate evaluates one reason in detail, related to the global market.

Level 3 [1 mark]: candidate makes a limited response.

2. (a) **Explain at least *three* benefits of forming a partnership.** [3 marks]

Benefits:

- more capital
- more 'know how'
- simplification of documentation
- more formal structure
- fewer legal requirements than forming a company

Award [1 mark] for each suitable benefit up to a maximum of [3 marks].

- (b) **Give *four* examples of the statements (articles) that would appear in their Deeds of Partnership (Association).** [4 marks]

Examples:

The partners are ...

The capital will be invested in the following manner ...

The profits will be divided in the following manner ...

If one of the partners decides to leave then the remaining partners will ...

Distribution of tasks and responsibilities ...

If a partner dies the heirs of the deceased will receive ...

Award [1 mark] for each suitable statement or article up to a maximum of [4 marks].

- (c) **Give *three* reasons to explain why the friends decided against a private limited company.** [3 marks]

- too much paper work
- the expense of forming a company
- the risk of losing control if the shares end up in unwanted hands
- the loss of privacy

Award [1 mark] for each suitable reason up to a maximum of [3 marks].

- (d) Assess the *three* growth strategies in Figure I examining *two* advantages and *two* disadvantages of each. *[10 marks]*

I Another House

This strategy implies having to get a mortgage for the house they are buying while still renting one house. They have to have savings for the down payment and inflows that will allow both rent and mortgage payment.

Advantages: they are investing in the long term and the house will add value to the firm.

Disadvantages: If business fails they are tied to the mortgage and they might lose the property if they fail to make the payments.

II One House per Partner

To rent more houses requires no down payment although they are tripling the outflows per month so they will probably need more money than they have incoming. They will have to produce a proposal for the credit manager. The credit manager will need to see a budgeted cash flow, and the firm's history. Rent will not result in long-term investment.

Advantages: no down payment and the possibility of running three parties at one time. They can diversify and each partner can specialise.

Disadvantages: It is hard to sustain if they don't have enough parties. The partners will never own the houses.

III Franchising

Advantages: no need to invest large quantities of capital; the franchisee runs the bigger risk; the franchisor earns both a franchise fee for expertise and know how and royalties for sales.

Disadvantages: not easy to get the franchisee's interest; franchisor must have something to offer; the franchisee can harm the franchisor's name if not efficient enough.

Level 1 [8 - 10 marks]: candidate addresses all three strategies and shows a good understanding of renting, buying real estate (mortgage) and franchising. Their answer addresses the advantages and disadvantages of each in a balanced fashion.

Level 2 [4 - 7 marks]: candidate addresses all three strategies but possibly briefly for [4 marks]. The advantages and disadvantages are considered but not fully and not necessarily in a balanced fashion.

Level 3 [1 - 3 marks]: candidate's answer is generally poor and may omit a strategy or advantages/disadvantages.

3. (a) **Construct a cash flow forecast. Start the cash flow in January.**
(N.B. enrolment will be going down by 10%).

[7 marks]

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Inflow	0	0	90 000	90 000	90 000	90 000	90 000	90 000	90 000	90 000	90 000	90 000
Outflow												
Staff	62 500	62 500	62 500	62 500	62 500	62 500	62 500	62 500	62 500	62 500	62 500	62 500
Overheads			25 000	25 000	25 000	25 000	25 000	25 000	25 000	25 000	25 000	25 000
Total	62 500	62 500	87 500	87 500	87 500	87 500	87 500	87 500	87 500	87 500	87 500	87 500
Opening balance	0	(62 500)	(125 000)	(122 500)	(120 000)	(117 500)	(115 000)	(112 500)	(110 000)	(107 500)	(105 000)	(102 500)
Debit	(62 500)	(62 500)										
Credit			2 500	2 500	2 500	2 500	2 500	2 500	2 500	2 500	2 500	2 500
Closing balance	(62 500)	(125 000)	(122 500)	(120 000)	(117 500)	(115 000)	(112 500)	(110 000)	(107 500)	(105 000)	(102 500)	(100 000)

Level 1 [6 - 7 marks]: candidate produces a cash flow forecast, where the entries are correct and final balance is accurate. It is in an appropriate format.

Level 2 [4 - 5 marks]: candidate produces a cash flow forecast, in an appropriate format. There are one or two errors.

Level 3 [2 - 3 marks]: candidate attempts to produce a cash flow forecast, though the layout is not appropriate. There may be errors.

Level 4 [1 mark]: candidate makes a limited response.

- (b) **Explain the purpose of a cash flow forecast.**

[3 marks]

- it aids planning
- it shows the cash inflows and outflows
- gives idea of how possible it will be for the firm to face its payments
- shows liquidity position and need to borrow to deal with problems

Level 1 [2 - 3 marks]: candidate explains the purpose of a cash flow forecast. At the top end the answer is related to the liquidity needs of the firm.

Level 2 [1 mark]: candidate makes a limited response.

- (c) **Consider the cash flow forecast and identify two problems that might arise. Explain two options available to the school administrator if he decides to keep the school open all year.**

[4 marks]

The school administrator will have to negotiate an overdraft facility up to a maximum of \$122 500, which is the worst position. Either that or a secured loan against one of the assets of the school. He should reconsider the building of the high school and analyse its overheads. Maybe even the sale of an asset. Interest rates for the alternatives should be considered. The school may raise fees but this action may affect student numbers.

Level 1 [3 - 4 marks]: candidate identifies two problems that might arise from the cash flow forecast. They explain two options available. At the lower end one problem and/or option is considered.

Level 2 [1 - 2 marks]: candidate makes a general response.

(d) Analyse each of the alternatives below and choose the best one for the school at this time.

(i) put the fees down

(ii) put the fees up

(iii) leave the fees unchanged and devise a new marketing strategy [6 marks]

(i) Decrease fees: although the idea is to increase enrolments it might not be a good idea since fees can not be put up again later. The parents will want to know why fees were higher before. Education may not be price elastic. Not much will be gained in enrolment in a recession by decreasing fees. If numbers increase, there may be problems related to space, teacher numbers *etc.*

(Candidates should show that there are advantages and disadvantages: maybe more enrolment, but bad for the product image – presently and in the future).

(ii) Increasing fees: it might be a bad idea at the time because enrolment can fall even further but if what is left in the school has an inelastic response there might be benefits with this measure.

(iii) If the fees are left unchanged they might be able to capitalise on what the school has.

Plan: communicate problem to teachers. Try and find out what is the school's strongest point or, asset (*i.e.* the reasons why children and parents like the school) and market this idea again. The drawback of this is that it might increase costs and the school might not be able to afford it.

Level 1 [5 - 6 marks] Candidate provides a suitable and relevant analysis of each of the alternatives. They choose the best option and justify their answer.

Level 2 [3 - 4 marks] Candidate analyses two or three alternatives, though the analysis may not be effective. They may choose an option but it may not be appropriate.

Level 3 [1 - 2 marks] Candidate makes a limited response.

4. (a) **Explain *two* reasons why you think the Latin American country decided to privatise Latinabell.** [4 marks]

The telephone company had to be privatised because:

- past trend: demand side economic policies showed inefficiency (government spending had negative (inflationary) side effects.
- new trend: a lean and efficient government that allows the private sector to do what it knows how to do well.
- inefficient firm since it was not profit seeking: concealed unemployment, over employment (too many people per telephone lines)
- government had too much on its shoulders: need to reduce government expenditure and therefore deficit.

Level 1 [4 marks]: candidate explains, in detail, two reasons why the Latin American country had to privatise Latinabell. Their reasons are entirely suitable.

Level 2 [2 - 3 marks]: candidate explains at least one suitable reason why the country had to privatise Latinabell. At the lower end their answer is brief.

Level 3 [1 mark]: candidate makes a limited response.

- (b) **Outline why governments might choose to sell property owned by the state by public tender.** [2 marks]

Governments might choose to sell by public tender because they are not the owners of the property they sell. So they must make sure that the best bidders are the ones who get the property. They are caretakers of state property. They must assure transparency for public property dealings

Award [2 marks] if knowledge of caretaker of public property is there (if government is seen as giving a service to a wider society that is the owner of the productive assets. If only idea of getting the most for firm is there award [1 mark].

- (c) **Explain how profit margins are measured and why they might be larger if there is no competition.** [4 marks]

Profit margins are measured by calculating the proportionate difference between sales revenue and total cost. The higher the degree of monopoly power, the greater the chance of making a higher profit margin, given the fact that the product sold is a necessity that cannot be easily substituted. Having a captive audience allows a higher price to be charged.

Award [2 marks] for concept of profit margin and [2 marks] for relating it properly to monopoly power.

Level 1 [4 marks]: candidate explains how profit margins are measured and explains why they might be larger if there is no competition.

Level 2 [2 - 3 marks]: candidate attempts to explain how profit margins are measured and/or attempts to explain why they might be larger if there is no competition.

Level 3 [1 mark]: candidate makes a limited response.

- (d) **Give two reasons to explain why the government is selling the firm with a ten year contract guaranteeing no competition.** [5 marks]

The government sells with monopoly power to try and interest large multinationals with the capacity to face the large liabilities that the firm must have. It will probably take a few years to make the firm profitable. Disadvantage of monopoly power and high prices is outweighed by the fact that telephones are a necessity. Government needs revenue and if the proposal is tempting firms will pay more. The candidate can concentrate on the government's intention of bringing/ attracting multinationals to the country.

Level 1 [4 - 5 marks]: candidate explains, in detail, two reasons why the government is selling the firm. They show knowledge of interaction between government and the private sector. Their answer is related to lack of competition.

Level 2 [2 - 3 marks]: candidate explains at least one reason, though their answer may lack detail. They may not show knowledge of interaction between government and the private sector. They may not relate their answer to lack of competition.

Level 3 [1 mark]: candidate makes a limited response.

- (e) **Advise Eurobell on the plans that they need to make as they near the end of their ten year contract.** [5 marks]

In order to compete it must invest steadily for the next ten years. It must use its huge profits to plough back into the firm; spoil the customers in order to increase their loyalty so that they won't ever think of changing.

Ways of increasing their loyalty could include:

- diversifying in products that will tie customers more to the firm
- institutional advertising to increase the firm's prestige
- reduce prices

When the competition starts the firm should be positioned so strongly in the market that no customer should want to change to the new firms.

Level 1 [4 - 5 marks]: candidate advises Eurobell on the plans that they need to make in a detailed and balanced manner. They relate their answer to the strategies Eurobell needs to deal with competition.

Level 2 [2 - 3 marks]: candidate advises Eurobell on the plans needed but their answer may not be detailed. They may not relate their answer to addressing competition.

Level 3 [1 mark]: candidate makes a limited response.

5. (a) **The exporting firms have written to the government. Evaluate *three* arguments that the firms would have included in part I and *three* arguments included in part II.** [6 marks]

I Exporting firms are important for the country because they:

- (1) supply the country with the foreign currency necessary to buy the imports that the country needs
- (2) supply the country with the foreign currency necessary to service the debt that the country has
- (3) make imports possible (other reasons could be more labour, more political impact on the rest of the world, *etc.*)

II Measures could be:

- (1) taxing them less
- (2) customs drawback: returning domestic taxes to them quickly and efficiently
- (3) making finance available for these firms
- (4) changing the exchange rate, making their own currency weaker (devalue) therefore making their exports cheaper.

Level 1 [6 marks]: candidate evaluates three arguments for part (i) and three arguments for part (ii). Their evaluation is detailed and relevant.

Level 2 [4 - 5 marks]: candidate attempts to evaluate at least two arguments for part (i) and part (ii). Their answer may lack detail at the lower end.

Level 3 [2 - 3 marks]: candidate attempts to evaluate at least one argument for part (i) and part (ii). Their answer may be brief and not entirely relevant.

Level 4 [1 mark]: candidate makes a limited response.

- (b) **Describe *three* benefits that firms seek when trying to sell internationally.** [3 marks]

Firms sell internationally to broaden markets, to increase their sales and therefore their size and develop economies of scale. With large economies unit costs go down and the firms become more competitive. Larger revenue and higher profits are the incentive.

Level 1 [2 - 3 marks]: candidate describes at least two benefits that firms seek when trying to sell internationally. Their answer is relevant. At the lower end they may describe one benefit in detail.

Level 2 [1 mark]: candidate makes a limited response.

- (c) **Explain why you think that financial credit is necessary for this type of firm.** [3 marks]

They need finance because of the time gap between production and payment time. Since the buyer will not be willing to pay until he gets the product, and the seller needs to collect after the product is made to pay for his costs, the time gap is usually financed by banks which specialise in international trade.

Level 1 [2 - 3 marks] Candidate explains why financial credit is needed, their answer is relevant and at the upper end detailed.

Level 2 [1 mark] Candidate makes a limited response.

- (d) **A government can impose direct and indirect taxes on firms. Explain with an example what is meant by *direct* and *indirect* tax.** [4 marks]

Governments impose different types of taxes: direct and indirect. The names given to these taxes will vary from country to country. Direct taxes can be asset taxes, profit taxes, *etc.* Indirect taxes can be value added taxes, sales taxes, tariffs on imports, *etc.* In general direct taxes have the effect of being disincentives to effort and indirect taxes have more of an impact on consumer demand.

Level 1 [4 marks]: candidate explains what is meant by direct and indirect tax. They provide an example of each, their examples are relevant.

Level 2 [2 - 3 marks]: candidate attempts to explain what is meant by direct and indirect tax, though their answer may not be entirely relevant. At the lower end they may not provide examples.

Level 3 [1 mark]: candidate makes a limited response.

- (e) **Explain the meaning of the phrase ‘labour laws are very strict’ and show how more flexible labour laws could be beneficial for the firm.** [6 marks]

Labour laws are very strict: workers cannot be asked to leave. Redundancy payments are high. No temporary contracts.

More flexible labour laws would be beneficial for the firm to be able to compete with other countries. People could be hired when the demand is up and dismissed when demand is low.

Level 1 [6 marks]: candidate explains in detail what is meant by strict labour laws and shows, in detail, the benefits of more flexible labour laws.

Level 2 [4 - 5 marks]: candidate explains what is meant by strict labour laws but their answer may lack detail. They show the benefits of more flexible labour laws.

Level 3 [2 - 3 marks]: candidate attempts to explain what is meant by strict labour laws but parts of the answer may not be relevant. They attempt to show the benefits of more flexible labour laws.

Level 4 [1 mark]: candidate makes a limited response.

6. (a) **Why might the large firm be seeking to buy the smaller firm in South Asia?** [3 marks]

In a globalised world firms seek to divide the production process in such a way that pieces and parts are made wherever it is cheaper. The Asian firm must have some comparative advantage, such as cheap labour, or good precision making machines, or anything that is more expensive in other countries.

Level 1 [2 - 3 marks]: candidate explains why the large firm would be seeking to buy the smaller firm. Their answer is relevant to the car manufacturing business.

Level 2 [1 mark]: candidate makes a limited response.

- (b) **Why might existing shareholders be willing to buy shares?** [2 marks]

If a shareholder is happy with the dividend he is getting from the firm and from its growth rhythm, he will be pleased to have the opportunity to buy shares without incurring the cost of contracting a broker to do so. Shares in the new issues market usually cost less than later in the market, so rights issues are welcome.

Award up to [2 marks] for a suitable explanation, related to existing shareholders.

- (c) **Give two reasons to explain why the takeover rumour pushed up the price of the shares.** [4 marks]

The shares of a firm that will be taken over tend to go up because there is a higher demand from the takeover bidder. People who suspect this will happen will try and get in before the actual purchase takes place to speculate with the price increase. It is a simple supply and demand analysis, with supply being limited to the amount of shares available.

Level 1 [4 marks] candidate explains why the takeover rumour pushed up the price of the shares. Their answer is related to speculation, limited supply and large demand.

Level 2 [2 - 3 marks] Candidate attempts to explain why the takeover rumour pushed up the price of the shares.

Level 3 [1 mark] Candidate makes a limited response.

- (d) **Explain what is meant by economies of scale and why this may be a factor for the large car manufacturer.** [3 marks]

Economies of scale: reductions in costs caused by increasing the scale of production.

Award up to [2 marks] for an explanation of economies of scale and an extra mark for relating it to the car manufacturer.

- (e) **Assess two advantages and two disadvantages of financing the purchase by:**

(i) **selling shares** [4 marks]

(ii) **obtaining a long term loan** [4 marks]

Shares are titles of ownership of a company. Holders are also owners and have voting rights. They receive a dividend if profits were to be distributed. Long term loans are usually issued against property of the firm.

Shares

Advantages:

- less risk
- lower issuing price since a rights issue can be used
- no need to pay dividends
- no additional costs to the firm

Disadvantages:

- more rights to vote are made available
- control is diluted

Debentures

Advantages:

- lender does not have a voting right, hence control is not diluted
- if the interest rate is competitive then the loan will be redeemed and the shareholder's long term loss will be minimised.

Disadvantages:

- they are creditors to the firm and can therefore exercise their right to be paid.

(i) Selling shares

Award up to [2 marks] for each advantage and disadvantage assessed up to a maximum of [4 marks].

(ii) Long term loan

Award up to [2 marks] for each advantage and disadvantage assessed up to a maximum of [4 marks].

7. (a) **Explain what is meant by “just-in-time”.** [2 marks]

Just-in-time: is a system that brings in pieces and parts as they are needed or demanded in the process.

Award up to [2 marks] for a suitable explanation.

- (b) **Define productivity and show why improving productivity will help the firm become more profitable.** [4 marks]

Productivity: it is the production or output per person (or other unit of factor of production such as capital) per unit of time.

Assuming constant costs of workers, then a greater output will reduce the cost per unit. Lower unit costs will allow the firm to sell at a lower price making the same profit margin. Therefore it will be more profitable.

Award up to [2 marks] for an accurate definition of productivity and up to [2 marks] for establishing a link between productivity profit margin and higher sales.

- (c) **Assess two advantages and two disadvantages of ordering wood “just-in-time” and stockpiling wood.** [4 marks]

JIT releases working capital. It is more flexible and cost efficient, yet it requires efficient organisation since pieces and parts have to be bought and had at the correct time for the production process never to be interrupted.

Stockpiling wood ties up working capital but allows for better forward planning.

Level 1 [4 marks]: candidate assesses two advantages and two disadvantages of both just-in-time and stockpiling wood. Their answer is relevant and detailed.

Level 2 [2 - 3 marks]: candidate attempts to assess the advantages and disadvantages of just-in-time and stockpiling wood, though their answer may be brief and not entirely relevant.

Level 3 [1 mark]: candidate makes a limited response.

- (d) **Suggest and explain *two* alternative plans that could be adopted to increase the productivity of the firm.** [4 marks]

Productivity increases with better technology. Investing in more sophisticated machinery might result in a greater output per unit of human resources.

Investing in the human resources and increasing their skills and capacity might also result in higher productivity.

Level 1 [4 marks]: candidate suggests and explains two alternative plans to increase the productivity of the firm. Their answer is detailed and entirely relevant.

Level 2 [2 - 3 marks]: candidate suggests and attempts to explain at least one alternative plan to increase productivity. Their answer may be brief.

Level 3 [1 mark]: candidate makes a limited response.

- (e) **Assuming productivity does not change, explain *three* different ways in which the sale of furniture could be increased.** [6 marks]

Possible way of increasing sales could be (any of the elements of the marketing mix):

- trade exhibitions
- increasing the promotion on the furniture, or changing it
- running a sale on certain pieces
- finding new ways of placing the product
- designing new furniture
- internet or mail order

Level 1 [6 marks]: candidate explains in detail three suitable ways for increasing the sale of furniture. Their suggestions are entirely relevant to furniture manufacturing.

Level 2 [4 - 5 marks]: candidate explains at least two suitable ways for increasing the sale of furniture. Their answers are relevant to furniture manufacturing.

Level 3 [2 - 3 marks]: candidate attempts to explain at least one suitable way for increasing the sale of furniture. Their answer may not be relevant to furniture making at the lower end.

Level 4 [1 mark]: candidate makes a limited response.

8. (a) **Give reasons to explain why the multinational is choosing to dump its waste products into the river.** [4 marks]

The possible reasons for the multinational to be dumping waste products:

- to lower costs in order to compete on better terms
- there may be no government constraints
- it is common practice, in some countries
- business ethics are not important to the firm

Level 1 [4 marks]: candidate explains in detail at least two reasons why the multinational is choosing to dump its waste products into the river. Their answers are suitable to a paint manufacturer.

Level 2 [2 - 3 marks]: candidate attempts to explain why the multinational is choosing to dump waste products into the river.

Level 3 [1 mark]: candidate makes a limited response.

- (b) **What is a non-governmental organisation (NGO) and why is this type of organisation growing in number and importance?** [4 marks]

A type of organisation in the private sector that does not seek profit. This type of firm has other objectives such as the benefit and well being of society. They are growing in number because both the private sector, profit seeking firms and the government have left a big gap. The private sector not providing certain services because of insufficient profits; the public sector not providing certain services because of lack of revenue. There is an evident need to improve public benefits in society, to increase the total benefit to people.

Level 1 [4 marks]: candidate fully explains what is meant by a NGO and relates their answer to their benefit to society. They explain why they are growing in number and importance.

Level 2 [2 - 3 marks]: candidate attempts to explain what is meant by an NGO but may not fully relate their answer to the benefit to society. They may not explain why they are growing in number and importance.

Level 3 [1 mark]: candidate makes a limited response.

- (c) **What are the possible measures a government could take in order to stop the firm polluting the river? Explain the effect that each one would have on society.**

[7 marks]

Measures	Effects
Tax the firm more heavily.	Price of paint will increase. Firm will be less competitive, sell less and finally employ less people.
Fine the firm for dumping waste.	Same as above. Plus the government must invest in manpower to have the firm officially controlled periodically.
If there are no laws about pollution the government must start by passing sensible laws.	Increase costs for many firms, with the effects mentioned above.
Some candidates might make reference to tradeable permits (USA) or other more sophisticated measures.	Increase costs and similar consequences as others, but tradeable permits can be questioned from an ethical point of view since they are, after all permission to pollute.
Less sophisticated measures such as closing down the plant.	Less sophisticated measures such as closing down the firm have all the negative consequences mentioned above plus the bad reputation created in the world, which would deter any other country from wanting to come to this South American country to invest.

Level 1 [5 - 7 marks]: candidate explains at least two measures the government could take in detail. The effects of each measure are explained with reference to effects on society.

Level 2 [3 - 4 marks]: candidate attempts to explain at least one measure the government could take. They attempt to explain effect on society.

Level 3 [1 - 2 marks]: candidate makes a limited response.

- (d) **Assess, from a strategic point of view, the decision made by the government to force the multinational to install the waste processing plant or leave the country.**

[5 marks]

- it may win over public opinion
- publicity (positive press) may counter-balance the negative press about the waste
- the processing plant will create more employment and income, hence different sectors of society will want the firm to stay
- it may be cheaper to install the waste processing plant, rather than leave the country
- there will still be criticism from society of the waste they are producing
- if they want to be an ethical firm, then they should be one in all aspects

Level 1 [4 - 5 marks]: candidate assesses the decision whether to leave the country or install the processing plant from a strategic point of view. Their answer is detailed and accurate.

Level 2 [2 - 3 marks]: candidate attempts to assess the decision made by the government. Their answer may be brief and lack detail.

Level 3 [1 mark]: candidate makes a limited response.
