

# **MARKSCHEME**

**May 2004**

**BUSINESS AND MANAGEMENT**

**Standard Level**

**Paper 2**

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1. (a) **What are the benefits to the customers of keeping the number of staff employed to a minimum?** [4 marks]

*Bowlarama* will save money on staffing and therefore has cut costs. They will also save money and do not have to train or manage staff. These cost savings are passed onto the customer in terms of cheaper bowling. As most of the customers use machines there will probably not be any deterioration in customer service. Problems such as staff absence, personnel issues, recruitment are kept to a minimum.

**[3 to 4 marks]**

Many of the benefits to the customers of keeping staff numbers to a minimum are stated and there is evidence of some discussion that is relevant and related to the case study.

**[1 to 2 marks]**

At least one benefit to the customers is stated. The response is relevant to the customers but may not be linked to the case study.

- (b) **Explain *three* advantages and disadvantages for Pablo Santiago of operating a franchise.** [6 marks]

*Advantages*

- use of established brand name
- support of parent company
- independence, but able to carry out or improve others ideas
- may be able to benefit from national advertising and promotion by the franchisor
- chance of failure reduced
- services such as training and administration may be carried out by franchisor
- maintenance of machines may be provided by franchisor.

*Disadvantages*

- having to pay to use the name of the franchisor
- less profit, though turnover may be higher
- monitoring of standards to franchisors systems
- payment of royalty or franchise fee
- franchisor can withdraw the agreement under clauses in the contract.

**[5 to 6 marks]**

A detailed and balanced explanation of three advantages and disadvantages of operating the franchise with relevance and reference to Pablo Santiago/*Bowlarama*.

**[3 to 4 marks]**

An explanation of the main advantages and disadvantages of the franchise to Pablo Santiago/*Bowlarama* with some relevance and reference.

**[1 to 2 marks]**

An explanation that is limited in terms of the advantages and disadvantages of the franchise to the franchisee with limited relevance and/or reference to Pablo Santiago/*Bowlarama*.

- (c) Prepare a SWOT analysis of the *Bowlarama* franchise opportunity and make a recommendation to Pablo Santiago about whether to buy the *Bowlarama* franchise.

[10 marks]

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• personality and management style of Pablo Santiago</li> <li>• lots of potential customers</li> <li>• management experience of leisure industry</li> <li>• location of bowling alley</li> <li>• low labour costs</li> <li>• Internet booking.</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Palo's lack of knowledge of finances</li> <li>• lack of awareness of brand name in Mexico City</li> <li>• staff are kept to a minimum</li> <li>• Internet booking not available to those without Internet access</li> <li>• machines may break down</li> <li>• high maintenance costs.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• wealthy suburb</li> <li>• franchise expansion if successful</li> <li>• large number of young people in Mexico City</li> <li>• lack of competition from other bowling alleys</li> <li>• low unemployment.</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• rising prices</li> <li>• other leisure facilities.</li> <li>• lack of job-seekers as unemployment low</li> </ul>

[7 to 10 marks]

The SWOT analysis is detailed and includes appropriate entries in all four areas of strengths, weaknesses, opportunities and threats. The recommendation made is relevant and justified.

[3 to 6 marks]

The SWOT analysis may lack detail but covers at least three areas of strengths, weaknesses, opportunities and threats. For [6 marks] there should be a recommendation which is relevant, though may be limited in terms of justification and *Bowlarama*.

[1 to 2 marks]

The SWOT analysis lacks detail. A recommendation may not be made.

2. (a) To the nearest month, calculate the payback period for the van and the computer. [4 marks]

Cost of van is \$5 350  
 Set up cost of Internet services is \$2 200

Year	1	2	3	4	5	6	7	8	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Van	1 000	1 200	1 200	1 200	1 400	1 700	1 800	2 300	11 800
Computer	600	900	1 100	1 100	1 200	1 300	1 800	2 300	10 300

**Payback period**

Van = 4 years and 7 months  
*N.B Payback is not achieved until after the end of the 6th month*  
 Computer = 2 years and 8 months

Award [2 marks] for each correct payback calculated, indicating the method of calculation. If there is no indication of method, award a maximum of [1 mark] for each answer.

- (b) Discuss two advantages and two disadvantages to the customer of a delivery service compared to collection from the farm after ordering online. [8 marks]

**Delivery**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• less effort</li> <li>• less cost</li> <li>• no need to carry bulky items</li> <li>• produce is fresh, seasonal and delivered regularly to the home</li> <li>• supporting a local community business</li> <li>• useful if unable to leave the house e.g. have young children.</li> </ul>	<ul style="list-style-type: none"> <li>• possible inconvenient times of delivery</li> <li>• may not be able to guarantee quality, freshness</li> <li>• may not be able to choose produce delivered</li> <li>• may not turn up</li> <li>• may not have money available, or if customers are out may build up a large bill</li> <li>• storage of product.</li> </ul>

**Collection**

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"><li>• able to choose own produce and feel it/see it</li><li>• pay as you go</li><li>• meet the staff responsible for providing the produce</li><li>• social aspects of meeting people.</li></ul>	<ul style="list-style-type: none"><li>• having to leave house</li><li>• goods may be sold out if not ordered</li><li>• may waste time talking to staff and other customers</li><li>• may be pushed into buying produce they do not need or making impulse buys.</li></ul>

***[7 to 8 marks]***

A discussion of two advantages and two disadvantages to the customer of a delivery service compared to collection from the farm after ordering online. The discussion is detailed, justified and relevant to the case study.

***[5 to 6 marks]***

An attempt at discussion of the main advantages and disadvantages to the customer of a delivery service and collection from the farm after ordering online. The discussion is relevant to the case study and sufficient. At the upper end there is evidence of a comparison.

***[3 to 4 marks]***

An attempt at discussion of some relevant advantages and/or disadvantages to the customer. There is some relevance but the answer may lack detail.

***[1 to 2 marks]***

A limited and general response in terms of discussion/disadvantages/advantages/relevance/case study.

- (c) **Evaluate whether *Geofarms* should buy a van or provide an Internet service for their customers.** **[8 marks]**

**Buying a van**

- Provides an asset to the company, though there will be running costs and depreciation. It can only service certain areas at any one time and is restricted to local customers. The payback period is longer which reduces cashflows.

**Providing an Internet service**

- Computer will depreciate rapidly. Expertise may be needed to update and operate the website and Internet service. The Internet site will have to be updated. It is a more impersonal service. However, a wider audience can be reached. Payback period is shorter.

**[7 to 8 marks]**

A detailed evaluation of the advantages and disadvantages of each alternative with a recommendation as to the appropriate option that is justified in terms of the case study.

**[4 to 6 marks]**

An evaluation of the advantages and disadvantages of each alternative, though they may not all be appropriate and may lack detail at times. A recommendation is made as to the appropriate option but may not be fully justified in terms of the case study. At the lower end there may not be a recommendation.

**[1 to 3 marks]**

Some advantages and disadvantages of each alternative, though they may not all be appropriate and may lack detail.

3. (a) Evaluate *three* ways in which Amir Sahid can improve the effectiveness of communication in *Synergy Oil*. **[6 marks]**

- create a communications policy adopted by all offices
- improved communication systems between offices e.g. e-mail, website, videoconferencing
- introduce system at head office that covers times of other offices so that someone is available to answer and deal with issues
- produce different ways of providing information to all employees, e.g. bulletin boards on Internet and in offices, newsletters etc.
- reorganize and restructure to promote better communication, e.g. flatter structures, fewer offices if productivity suggests it
- involve employees in decision making and setting agendas for meetings
- provide training to managers to promote better communication.

**[5 to 6 marks]**

An evaluation of three ways to improve communication that is detailed and relevant to *Synergy Oil*.

**[3 to 4 marks]**

An attempt to evaluate three ways of improving communication that may lack detail but is relevant to *Synergy Oil*.

**[1 to 2 marks]**

A limited and general response.

(b) Use motivation theory to explain how poor communication might reduce motivation. **[6 marks]**

Employees will not feel valued and will not feel that they are in control of what is happening in the company. They may feel that they are unable to carry out their job effectively if they do not have the relevant information. Lack of information about policies and practice may lead to inconsistency and even mistakes in procedures. Employees may feel that they are not trusted in terms of being given information. This may lead to low motivation. Appropriate theorists would include Maslow, Mayo, Herzberg *ect*.

**[5 to 6 marks]**

Appropriate motivation theory is used to produce a relevant explanation of the issues of poor communication and their effect on motivation, applied to the case study.

**[3 to 4 marks]**

An attempt to produce an explanation of the issues of poor communication and their effect on motivation using motivation theory. The theory may not all be relevant and links to the case study may be lacking. At the lower end there may be application to the case study but no theory.

**[1 to 2 marks]**

A limited and general response in terms of theory, relevance and application to the case study.



- (c) **Analyse the leadership and management style of Amir Sahid and the implications of this style for *Synergy Oil*.** **[8 marks]**

Amir does not like to make decisions and waits for staff to make them for him. His leadership style is laissez faire. His management style is that of McGregors theory X as he believes staff are lazy, cannot be trusted and do not want to work.

The complications of this for *Synergy Oil* are that the staff will not feel motivated and decrease productivity. Illness may increase and staff want to leave. Eventually this will effect the financial health of *Synergy Oil*.

**[6 to 8 marks]**

The leadership and management style is analysed in detail and the implications for *Synergy Oil* are stated.

**[3 to 5 marks]**

The leadership and management style is described and there is some evidence of analysis. The implications are generally correct or at the lower end may not be stated. At the lower end leadership or management style may not be identified as laissez faire or theory X. If leadership style is incorrect but management style (or vice versa) and implications are sufficient, award a maximum of **[4 marks]**.

**[1 to 2 marks]**

A limited and general response in terms of leadership and management style and implications for *Synergy Oil*.

4. (a) (i) Produce a cashflow forecast for *Gateway Tours* for May to October 2004. *[8 marks]*

	May	June	July	Aug	Sept	Oct	Total
<b>Inflow</b>							
Loan	40 000						40 000
Sales revenue	42 050	48 300	49 750	51 040	39 750	24 300	255 190
Total	82 050	48 300	49 750	51 040	39 750	24 300	295 190
<b>Outgoing</b>							
Hotels and meals	25 250	28 300	28 300	30 270	22 050	19 800	153 970
Rentals of premises	1 000	1 000	1 000	1 000	1 000	1 000	6 000
Advertising	2 000	2 000	2 000	2 000	2 000	2 000	12 000
Wages	4 000	4 000	4 000	4 000	4 000	4 000	24 000
Telephone	300	300	300	300	300	300	1 800
Electricity		400			400		800
Insurance	750	750	750	750	750	750	4 500
Rental of coaches	2 000	2 000	2 000	2 000	2 000	2 000	12 000
Coach running costs	1 400	1 400	1 400	1 400	1 400	1 400	8 400
Loan repayments	1 500	1 500	1 500	1 500	1 500	1 500	9 000
Total outgoings	38 200	41 650	41 250	43 220	35 400	32 750	232 470
Net cashflow	43 850	6 650	8 500	7 820	4 350	(8 450)	62 720
Opening balance	–	43 850	50 500	59 000	66 820	71 170	–
Closing balance	43 850	50 500	59 000	66 820	71 170	62 720	–

*[8 marks]*

Produces a correct cashflow forecast that contains no errors. It is laid out in a suitable format and includes all information.

*[6 to 7 marks]*

Produces a cashflow forecast that contains one or two errors. It is laid out in a suitable format and includes most information.

*[3 to 5 marks]*

Produces a cashflow forecast that contains several errors. It is generally laid out in a suitable format but may not include all information required.

*[1 to 2 marks]*

Attempts to produce a layout but it may be unsuitable and/or contains many omissions.

(ii) Suggest *two* ways in which *Gateway Tours* could improve cashflow. **[2 marks]**

- obtain credit from hotels
- obtain large deposits up front
- negotiating longer payment periods with their creditors
- spreading payments for electricity monthly
- increasing sales revenue particularly in October
- reducing costs.

Award **[1 mark]** for each suitable suggestion up to a maximum of **[2 marks]**.

(b) Explain what key information Joel Adeoye would have to include in a business plan when applying for a loan. **[4 marks]**

Information includes

- product/service – in this case service
- market
- personnel
- assets
- financial information – cashflow, profit, loans, capital
- SWOT analysis
- marketing.

**[3 to 4 marks]**

Key information that should be included is explained. It is relevant to *Gateway Tours* and appropriate to a business plan.

**[1 to 2 marks]**

Some information is included but it may not be entirely appropriate, detailed or relevant to *Gateway Tours*.

(c) How could *Gateway Tours* ensure that their customers receive a positive experience at their hotels? **[6 marks]**

*Gateway* need to ensure that staff training is put in place to overcome difficulties in the hotels, such as customer care, Japanese language classes. Menus need to be designed for the American and Japanese clients, taking into account their needs and tastes and if required provide training for waiters and kitchen staff. Tour guides who are appointed should be fluent speakers if languages are required or interpreters should be employed to accompany tours. Training could be given to staff so that they understand cultural and etiquette issues.

**[5 to 6 marks]**

A detailed discussion of the elements needed to ensure a positive experience for customers. Discussion is valid and includes several relevant aspects of customer care. Ideas are relevant and applicable to *Gateway Tours*.

**[3 to 4 marks]**

Discussion is given but it may lack detail in parts. Discussion may be limited regarding customer care. Discussion is however relevant to *Gateway Tours*.

**[1 to 2 marks]**

A limited and general response.

5. (a) **Identify *three* stakeholders for *DD Lobsters* and explain how they might be concerned about the decrease in quality.** [6 marks]

Suppliers – orders from hotels and restaurants might decrease and suppliers might be concerned that *DD Lobsters* no longer order from them.

Fishermen – might be concerned that their livelihoods might suffer if orders for lobsters decrease and they are not required to catch lobsters.

Hotels and restaurants – quality is critical in terms of gaining customer satisfaction and they will be concerned that customers would stop coming to their restaurants.

Casual workers – might be concerned that they will receive no income if orders are lost and lobster no longer need packing.

Governments – might be concerned in terms of income received from import (China and Japan) and taxes (Australia).

**[5 to 6 marks]**

Three stakeholders are identified and the explanation about their concerns is sufficient and appropriate. The stakeholders are relevant to *DD Lobsters* and the answer is related to the case study.

**[3 to 4 marks]**

At least two relevant stakeholders are identified, the explanation about their concerns may lack some detail but it is generally appropriate and relevant.

**[1 to 2 marks]**

A limited and general response in terms of relevant stakeholders and some explanation about concerns.

- (b) **Explain the concerns of the pressure group about the preparation and transportation of the lobsters and state an improvement Darelyn Dawson could make to improve the image of the company.** [6 marks]

The pressure group is concerned that the preparation and transportation of the lobsters are cruel and inhumane. The animals are held in cold water for many hours and have to undergo long flights.

The improvements that Darelyn could make is to market the company more proactively and to state, if correct, that the methods are not cruel and inhumane.

**[5 to 6 marks]**

Relevant concerns are explained in detail and an improvement is stated. The concerns are, and the improvement is relevant to *DD Lobsters*.

**[3 to 4 marks]**

Concerns are explained though they may lack relevance in parts. An improvement is stated but it may not be appropriate.

**[1 to 2 marks]**

A limited and general response in terms of concerns and improvement.

- (c) **Analyse the reasons why Darelyn Dawson is considering buying Exotic Soups Limited and no longer supplying restaurants.** **[8 marks]**

Darelyn has concerns about the quality of work undertaken by the casual workers when she is away traveling to South Australia, Tokyo and Shanghai. She has also had enough of traveling and making contacts with hotels and restaurants. Buying Exotic Soups Limited will enable her to transport the lobsters straight to the factory, cutting the need for casual workers and ensuring that lobster are fresh, thereby getting rid of the need for storage.

**[7 to 8 marks]**

Sufficient relevant reasons for buying Exotic Soups Ltd are analysed in detail and applied to the case study.

**[5 to 6 marks]**

Relevant reasons for buying Exotic Soups Ltd are analysed, though detail may be limited. Application to the case study is made, but it may not always be appropriate.

**[3 to 4 marks]**

Reasons for buying Exotic Soups Ltd are analysed, though detail and relevance may be limited. Application to the case study is made, but it may not be appropriate.

**[1 to 2 marks]**

A limited and general response in terms of analysis and application to the case study.

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