

CAMBRIDGE INTERNATIONAL EXAMINATIONS

Cambridge Pre-U Certificate

MARK SCHEME for the May/June 2015 series

9771 BUSINESS AND MANAGEMENT

9771/01

Paper 1 (Business Concepts), maximum raw mark 100

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Section 1

<i>Question Number</i>	<i>Key</i>	<i>Question Number</i>	<i>Key</i>
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2	C	12	B
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6	A	16	C
7	D	17	A
8	B	18	A
9	B	19	A
10	C	20	C

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Section 2: Case Study

21 (a) Using data in Table B, calculate for 2014:

(i) labour turnover [1]

$9/35 \times 100 = 25.7\%$ 1 mark

(ii) absenteeism rate [3]

Total days worked = 7875 1 mark
Absenteeism = $220/7875 \times 100$ 2 marks
 $220/7875 = 2.8\%$ 3 marks

(b) Discuss one way in which ADS could manage human resources more effectively to reduce labour turnover and absenteeism in R and D section. [6]

	Application 1 mark	Analysis 2 marks	Evaluation 3 marks
Level 1	1 mark Some application to case	2 marks Some reasoning or use of theory to explain answer	3 marks Some judgement shown

Answers could include:

Options include:

- Profit sharing – but will this reduce the finance available to ADS? Will it be generous enough to make a difference to turnover? Will it reduce absenteeism at all? Are the R and D workers who are leaving dissatisfied with remuneration?
- Better workforce planning – able to predict more accurately how many employees are needed in this section to avoid over-working other employees. But higher cost of recruiting more employees – how do these costs compare to the costs of high labour turnover?
- Different management style – should perhaps use laissez-faire with highly qualified employees? Are ADS managers prepared to “let go”? Is this just an excuse used by R and D employees when leaving and other factors are actually more important?

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22 Using the data in Table C, evaluate the factors the Finance Director should consider before making his recommendation to the Board on suitable sources of finance for the expansion of ADS. [10]

	Knowledge 1 mark	Application 3 marks	Analysis 3 marks	Evaluation 3 marks
Level 2		3 marks Sources of finance well applied to case	3 marks Relevant reasoning or use of theory to explain answer	3 marks Good judgement shown regarding suitable sources of finance(s) and supported recommendation
Level 1	1 mark Some understanding of financial sources	2–1 marks Some application to the case e.g. reference to gearing or ownership issues if converted to plc.	2–1 marks Some use of relevant reasoning or use of theory to explain answer	2–1 marks Some evaluation shown regarding suitable sources of finance

Answers could include:

- Increase loans – Borrowing all £25m would raise gearing which has already increased over last year. Interest rates on the increase – how likely are they to fall? Effective growth of ADS may reduce gearing in the longer term. No loss of control. No reduction in dividends. Directors happiest with this – but would banks lend? Overtrading might scare some lenders off.
- PLC – could raise capital from new issue of shares – potentially some loss of control but no finance costs (apart from issuing costs). Will have to pay out more in dividends in future to additional shareholders – so profitability of expansion will be important. Rising share price – this could be a good time for an issue of new shares. Rights issue – existing shareholders might be keen to buy more shares as the price has risen.
- Reduce dividends – short term solution – may lead to increased profits in future – but will not be enough. Will probably have to increase borrowing too. Reaction of shareholders important – will reduce dividend yield at a time of rising interest rates making ADS a less attractive investment
- Overall recommendation needed based on the relative importance of these factors

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23 Evaluate the extent to which increased R and D spending is likely to maintain ABC's competitive advantage in future. [10]

	Knowledge 1 mark	Application 3 marks	Analysis 3 marks	Evaluation 3 marks
Level 2		3 marks Well applied to case	3 marks Relevant reasoning or use of theory to explain answer	3 marks Good judgement shown regarding the importance of R and D and other factors in determining competitive advantage
Level 1	1 mark Some understanding of R and D shown	2–1 marks Some application to the case e.g. use of Fig 1 or importance of patents for driverless technology	2–1 marks Some use of relevant reasoning or use of theory to explain answer	2–1 marks Some evaluation shown regarding the importance of R and D OR other factors in determining competitive advantage

Answers could include:

- Definition of R and D
- Explanation of how R and D and successful inventions can lead to innovative products and USPs – e.g. of driverless technology
- Analysis of the benefits of USP/patents
- Competitive advantage is important in this industry and for these types of products
- R and D not always successful e.g. Table A. But how useful is this data? Patented designs/products do not have equal value
- Analysis of why R and D spending might not lead to successful innovative products
- Costs/productivity/exchange rates are other factors that can lead to competitive advantage
- Increasing competition likely from Asian component manufacturers.

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24 Recommend to ABC's marketing director how the company should enter the Asian market successfully.

[10]

	Knowledge 1 mark	Application 3 marks	Analysis 3 marks	Evaluation 3 marks
Level 2		3 marks Well applied to case	3 marks Relevant reasoning or use of theory to explain answer	3 marks Good judgement shown on the recommended method of entering Asian market
Level 1	1 mark Some understanding of market development issues	2–1 marks Some application to the case e.g. lack of size compared to DCC or problems of distance between UK and Asia	2–1 marks Some use of relevant reasoning or use of theory to explain answer	2–1 marks Some evaluation shown on market development methods

Answers could include:

- Market development is potentially risky – ADS selling to Asian car makers may be more challenging than to Western car makers
- May benefit from link up with existing Asian business – providing market and cultural knowledge as well as contacts with Asian car manufacturers
- Selling to distributors – loses control over marketing for ADS. Will the distributor be that keen on selling ADS products?
- Joint venture – but will the size of the partner dwarf ADS and will being a minor partner be a problem? Could it lead to a take over? ADS will have no overall control.
- Own marketing division in Asia would keep control over marketing – but costly and no partner with local Asian market knowledge.
- Establish manufacturing base in Asia to avoid problems of import controls – but also gain a cost advantage which could allow lower prices to be charged
- Overall recommendation needed.

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Section 3

Questions 25–28 use this mark grid

	K 6 marks AO1	App 10 marks AO2	An 12 marks AO3	E 12 marks AO4
Level 3		10–7 marks Excellent application of most points to selected businesses	12–8 marks Extensive reasoning and use of theory to explain arguments	12–8 marks Wide ranging judgement in answer and conclusion
Level 2	6–4 marks Good knowledge shown	6–4 marks Points well applied to selected businesses	7–4 marks Good reasoning/use of theory to explain answer	7–4 marks Good judgement shown in answer and/or conclusion
Level 1	3–1 marks Some knowledge shown	3–1 marks Some application of points	3–1 marks Some reasoning /use of theory to explain answer.	3–1 marks Some judgement shown in answer or conclusion

25 ‘Quality is doing the right thing when no one is looking’ (Henry Ford)

Discuss the importance of product quality to business success.

Answers could include:

- Definition of “quality” – relative to price and focused on meeting customer expectations
- Quality control – checking and inspecting. Traditional method has limitations
- Quality assurance – pre-set standards monitored at all production stages – requires employee training and support from employees to be effective
- Who determines what is an appropriate level of quality?
- Are low priced products/services necessarily of “low quality”?
- Goods AND services – some recognition of how quality service levels might be achieved.
- Cost of achieving “quality” and the potential financial gains from meeting customer expectations
- Costs of improving quality – are they always justified?
- Evaluation might include: Is product quality the most important element of the marketing mix? When might a focus on other elements of the mix or business activities be more important than seeking “quality”? Quality is relative – is there a point in achieving aviation engine levels of product reliability in a washing machine?

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26 Assess the likely impact on British businesses of a decision by the UK to leave the European Union.

Answers might include:

- Reference to EU – size and membership
- Background to UK's membership – reasons for and reasons for opposition towards it
- Features of EU that would be lost to UK:
- Single market; free movement of goods, workers, capital
- Impact on exports/imports – importance of EU to UK trade; impact will depend on whether free trade agreement still exists after UK has left
- Impact on FDI – UK has been successful for many years in attracting this. Will EU exit mean less overseas investment in UK businesses?
- Reduction in net inward migration – likely impact on British businesses e.g. wages could rise with reduced supply of labour
- Evaluation:
- Depends greatly on how exit is managed
- Some businesses might not be much affected e.g. those not involved in foreign trade
- Will free trade between UK and EU still exist and can trade with the rest of the world help to replace EU trade?

27 'Company cultures are like country cultures. Never try to change one. Try instead to work with what you've got'. Peter Drucker

To what extent do you agree with Drucker that management should never try to change company culture?

Answers could include:

- Definition of corporate culture and types
- Why/how company culture exists/is created
- Why company/business culture might need to be changed – according to some observers – e.g. takeover/merger; change from public sector ownership to private sector ownership; poor publicity over current business practices and values e.g. banks/oil companies
- Problems of changing culture – mission statement, training, ethical code, change of senior staff
- Consequences of not changing culture – business may not adapt to changing external environment
- Consequences of managing culture change badly – employee resistance, for example
- Evaluation likely to be based on a range of examples and issues – e.g. balancing the risks and costs of attempting to change culture against the potential benefits of attempting to do so.

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28 Evaluate the extent to which it is desirable for management to attempt to satisfy the objectives of all stakeholder groups.

Answers could include:

- Stakeholder groups and their differing/conflicting objectives
- Stakeholder or shareholder focused?
- Analysis of the benefits of meeting stakeholder objectives – illustrated with particular examples
- Problems of conflicting objectives – can these be reconciled? Does it matter if they are not? Will it therefore be necessary to focus on particular stakeholder groups?
- Can **all** objectives be met anyway (simultaneously)? Can satisfying one or more groups also lead to the satisfaction of other groups e.g. improving customer service might lead to higher profits and increased job security
- Is it desirable to try to satisfy all groups? Might end up not satisfying any group?
- Could it be more important to aim for profit and “use” profit to meet some of the objectives of external stakeholder groups?

Evaluation likely to include an assessment of conflict, potential conflation and assessment of whether some groups are more important than others.