

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
GCE Advanced Level

MARK SCHEME for the June 2005 question paper

9707 BUSINESS STUDIES

9707/03

Paper 3 (Case Study), maximum raw 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.

CIE is publishing the mark schemes for the June 2005 question papers for most IGCSE and GCE Advanced Level and Advanced Subsidiary Level syllabuses and some Ordinary Level syllabuses.

Grade thresholds for Syllabus 9707 (Business Studies) in the June 2005 examination.

	maximum mark available	minimum mark required for grade:		
		A	B	E
Component 3	100	62	57	38

The thresholds (minimum marks) for Grades C and D are normally set by dividing the mark range between the B and the E thresholds into three. For example, if the difference between the B and the E threshold is 24 marks, the C threshold is set 8 marks below the B threshold and the D threshold is set another 8 marks down. If dividing the interval by three results in a fraction of a mark, then the threshold is normally rounded down.

June 2005



GCE A LEVEL

MARK SCHEME

MAXIMUM MARK: 100

SYLLABUS/COMPONENT: 9707/03

BUSINESS STUDIES
Paper 3 (Case Study)

- 1 Evaluate how communications between management and staff might be made more effective within Wotton College.

	Knowledge	Application	Analysis	Evaluation
Level 2	2 marks Two or more points made showing good understanding	2 marks Points made are well applied to case	4-3 marks Good use of theory to answer question	6-4 marks Good judgement shown
Level 1	1 mark One or two points made showing some understanding	1 mark Some attempt to apply points made to case	2-1 marks Some use of theory to answer question	3-2 marks Some judgement shown

Answers could include:

- Definition of effective communication
- Methods to improve communication with – meetings, groups, newsletter, IT etc.
- Analysis of how these could improve *effective* communication

BUT:

May be time consuming; cost of IT access for all staff; communication overload if IT widely used; staff not used to 2-way communication

Evaluation could include:

Paula may not want to make *any* method work particularly effectively if she wants to retain information/power. Better communication may need a change of culture/leadership style

- 2 (a) Assuming Paula makes the changes outlined in Option 1 calculate for 2006:

- (i) The revenue from student fees assuming the PED estimate is accurate. [4]

Need to use PED data of -1.2 : Price to rise by 10% therefore student numbers down by 12% (1)

\$2200 (1) X 264 (1) STUDENTS = \$580 800 (1) Total 4 (If just \$580 800 award 4)

(Award no marks if just a simple 10% adjustment to student numbers or revenue)

- (ii) Teachers salary costs. [1]

\$400 000 less 5% = \$380 000

- (iii) Material costs. [1]

\$120 000 less 10% = \$108 000

- (iv) Net profit. [2]

\$580 800 less \$578 000 (1) = \$2800 (1) (allow OFR)

(b) Analyse the benefits to Wotton college of introducing budgets managed by the Head of Department.

	Knowledge	Application	Analysis
Level 2	2 marks Good understanding shown	3-2 marks Good application to case	5-3 marks Good use of theory to answer question
Level 1	1 mark Some understanding shown	1 mark Some application to case	2-1 marks Some use of theory to answer question

Answers could include:

- Definition of budgets
- Motivate staff and HoDs – there seem to be problems for this business in this area
- Allow better cost control – problem for this business at present
- Give targets – could improve examination results if budgets are tied in with performance

3 Discuss the possible advantages and disadvantages to Wotton College of taking over Midvale school. [16]

	Knowledge	Application	Analysis	Evaluation
Level 2	3 marks Good understanding of issues shown	3 marks Good application to case	4-3 marks Good use of theory to analyse both sides	6-4 marks Judgement shown in considering both advantages and disadvantages
Level 1	2-1 marks Some understanding shown	2-1 marks Some application to case	2-1 marks Some attempt to use theory to answer question	3-1 marks Good judgement of one side and weak evaluation of other or some evaluation of both sides

Answers could include:

Definition: Horizontal integration.

Advantages:

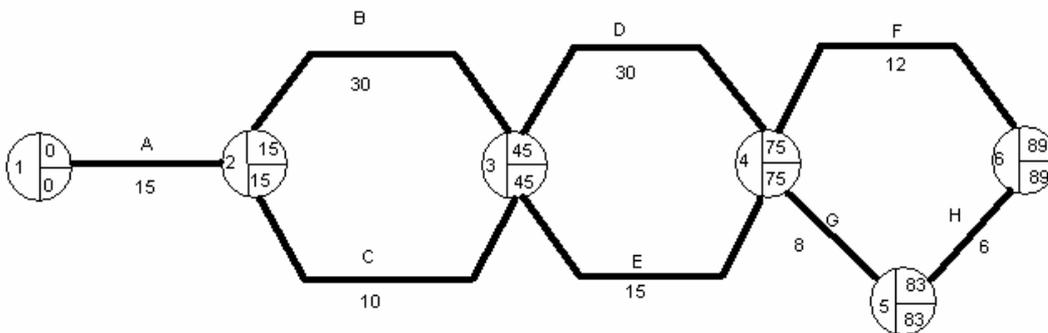
- Scope for economies of scale – give examples
- Could close one site and raise capital – new site has better buildings
- Reduces competition – scope to raise prices
- Synergy – two organisations coming together may generate more ideas and mutual benefits

Disadvantages:

- Diseconomies of scale - communication already poor
- Problems if operating on both sites
- Human problems e.g. which staff to make redundant. Will Wotton staff have authority over others?
- Cost of purchase and cost of rationalisation/reorganisation. Will this be greater than economies?
- Loss of control with new partner?

Possible discussion/evaluation: Could depend on how the merger is handled and whether staff are involved/consulted or not. Balance of arguments of advantages compared to disadvantages. Short term/long term effects.

4 (a) Refer to Appendix B. Draw a network diagram of this project showing all earliest start times and latest finish times. [8]



- 8 Marks – no errors and full notation
- 7-6 Marks – good attempt to draw with up to 2 errors in drawing or notation (OFR)
- 5-3 Marks – sound attempt with several errors
- 2-1 Marks – some attempt made

(b) Identify the critical path and state the minimum project duration. [2]

ABDGH (1) = 89 days (1) Allow OFR based on own network diagram

(c) Analyse the usefulness of this technique for managing the building project.

	Knowledge	Application	Analysis
Level 2	2 marks Good understanding shown	2 marks Good application to case	2 marks Good use of theory to explain answer
Level 1	1 mark Some understanding shown	1 mark Some application to case	1 mark Some use of theory to explain answer

Answers could include:

- Allows allocation of resources between activities
- Identifies critical path and activities – need to keep *this* project to schedule to meet start of new term
- Puts activities in order
- Allows corrective action to be taken if hold up in an activity e.g. bricklayers strike
- Indicates simultaneous activities – reduces total time
- Limitations of usefulness also accepted

5 Assume that the new building is constructed. Evaluate a marketing plan that Paula could introduce to attract new students to Wotton College. [16]

	Knowledge	Application	Analysis	Evaluation
Level 2	3 marks Good understanding of marketing plan shown	3 marks Good application of points to case	4-3 marks Good use of theory to analyse points made	6-4 marks Good judgement shown in text and conclusions
Level 1	2-1 marks Some understanding shown	2-1 marks Some application to case	2-1 marks Some use of theory to analyse points made	3-1 marks Some judgement shown

Limit of Level 1 Knowledge and Evaluation if no clear understanding of marketing plan (as opposed to a simple 'mix' answer).

Answers could include:

- Explanation of marketing plan – detailed report containing marketing objectives, budget, strategy
- 'Product' seems to be essential (i.e. the buildings, facilities, results etc.)
- Price – conflicting pressures here. Removing competitor might give scope for increases but more overseas schools setting up
- Promotion – seems to be inadequate give the high AED
- Place – is it well located to deal with expansion of this market sector?
- Plan needs to be **evaluated** i.e. likely chances of success or factors that might limit its success. Are the school's marketing objectives clear and is budget sufficient?

6 Assume Paula decides to buy Midvale school. Evaluate how Paula might deal with Human Resource Management problems that are likely to occur.

	Knowledge	Application	Analysis	Evaluation
Level 3				10-7 marks Good judgement shown in text and conclusions
Level 2	3 marks Good understanding shown	3 marks Good application of points to case	4-3 marks Good use of theory to explain points made	6-3 marks Some judgement shown in text and/or conclusions
Level 1	2-1 marks Some understanding shown	2-1 marks Some application to case	2-1 marks Some use of theory made	2-1 marks Limited judgement shown

Answers could include:

- Problems of labour turnover, staff redundancies, motivation, workforce planning, recruitment, appraisal etc. Not all of these have to be identified
- Why these are problems to this business and need to be addressed
- Possible suggestions: Workforce plan essential. New approaches to motivation seem essential e.g. job enrichment
- Communication improvements
- Effective recruitment of new deputy and new staff essential
- Bonus payments based on results/appraisal?

Evaluation might include: Need to balance costs of HR proposals against the benefits of 'solving' the problems; HRM unlikely to be really successful unless Paula adopts a more Theory Y attitude to these problems. Justification of most important points.

7 To what extent should a business such as Wotton College take the interests of stakeholders into account when making decisions?

Use grid as above.

Answers could include:

- Explain what stakeholders are and who they are for this business: Staff, students, parents, community, suppliers, competitors etc.
- Evidence that Paula is not considering stakeholder interests: Increase in fees, merging with Midvale and reducing competition, squeeze on suppliers, staff dissatisfaction, community's fear over factory building
- Impact on public image and reputation – and eventually on long term profits?
- On the other hand, the business is in the private sector and aiming to make (short term?) profits so should it be concerned with stakeholders interests?

Evaluation might include: Short term profits might be increased by focusing just on the interests of shareholders BUT these decisions could damage image/reputation of business and lead to stakeholder opposition and this might reduce profits in the LONG TERM. Assesses conflicts between objectives of stakeholders.