
Answers

1 (a) (i) Stakeholders

A stakeholder can be defined as any person or group that can affect or be affected by an entity. In this case, stakeholders are those that can affect or be affected by the building of the Giant Dam Project. Stakeholding is thus bi-directional. Stakeholders can be those (voluntarily or involuntarily) affected by the activities of an organisation or the stakeholder may be seeking to influence the organisation in some way.

All stakeholding is characterised by the making of 'claims' upon an organisation. Put simply, stakeholders 'want something' although in some cases, the 'want' may not be known by the stakeholder (such as future generations). It is the task of management to decide on the strengths of each stakeholder's claim in formulating strategy and in making decisions. In most situations it is likely that some stakeholder claims will be privileged over others.

R&M's external stakeholders include:

- The client (the government of the East Asian country)
- Stop-the-dam pressure group
- First Nation (the indigenous people group)
- The banks that will be financing R&M's initial working capital
- Shareholders

(ii) Stakeholder claims

Four external stakeholders in the case and their claims are as follows.

The client, i.e. the government of the East Asian country. This stakeholder wants the project completed to budget and on time. It may also be concerned to minimise negative publicity in respect of the construction of the dam and the possible negative environmental consequences.

Stop-the-dam, the vocal and well organised pressure group. This stakeholder wants the project stopped completely, seemingly and slightly paradoxically, for environmental and social footprint reasons.

First Nation, the indigenous people group currently resident on the land behind the dam that would be flooded after its construction. This stakeholder also wants the project stopped so they can continue to live on and farm the land.

The banks (identified as a single group). These seem happy to lend to the project and will want it to proceed so they make a return on their loans commensurate with the risk of the loan. They do not want to be publicly identified as being associated with the Giant Dam Project.

Shareholders. The shareholders have the right to have their investment in the company managed in such a way as to maximise the value of their shareholding. The shareholders seek projects providing positive NPVs within the normal constraints of sound risk management.

Tutorial note: only four stakeholders need to be identified. Marks will be given for up to four relevant stakeholders only.

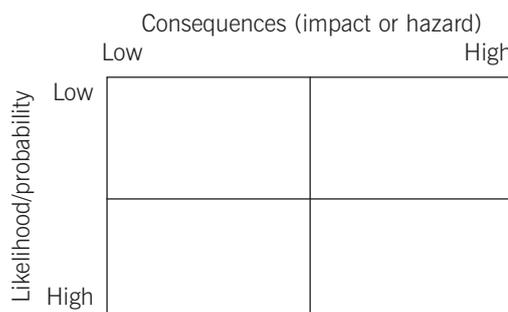
(b) Framework for assessing risk

Risk is assessed by considering each identified risk in terms of two variables:

- its hazard (or consequences or impact) and,
- its probability of happening (or being realised or 'crystallising').

The most material risks are those identified as having high impact/hazard and the highest probability of happening. Risks with low hazard and low probability will have low priority whilst between these two extremes are situations where judgement is required on how to manage the risk.

In practice, it is difficult to measure both variables with any degree of certainty and so it is often sufficient to consider each in terms of relative crude metrics such as 'high/medium/low' or even 'high/low'. The framework can be represented as a 'map' of two intersecting continuums with each variable being plotted along a continuum.



Tutorial note: other relevant risk assessment frameworks are valid.

(c) Assessment of three risks

Disruption and resistance by Stop-the-dam. Stop-the-dam seems very determined to delay and disrupt progress as much as possible. The impact of its activity can be seen on two levels. It is likely that the tunnelling and other 'human' disruption will cause a short-term delay but the more significant impact is that of exposing the lenders. In terms of probability, the case says that it 'would definitely be attempting to resist the Giant Dam Project when it started' but the probability of exposing the lenders is a much lower probability event if the syndicate membership is not disclosed.

Impact/hazard: low

Probability/likelihood: high

The risk to progress offered by First Nation can probably be considered to be low impact/hazard but high probability. The case says that it 'would be unlikely to disrupt the building of the dam', meaning low impact/hazard, but that 'it was highly likely that they would protest', meaning a high level of probability that the risk event would occur.

Impact: low

Probability: high

There are financing risks as banks seem to be hesitant when it comes to lending to R&M for the project. Such a risk event, if realised, would have a high potential for disruption to progress as it may leave R&M with working capital financing difficulties. The impact would be high because the bank may refuse to grant or extend loans if exposed (subject to existing contractual terms). It is difficult to estimate the probability. Perhaps there will be a range of attitudes by the lending banks with some more reticent than others (perhaps making it a 'medium' probability event).

Impact: medium to high (depending on the reaction of the bank)

Probability: low to medium (depending on how easy it would be to discover the lender)

(d) Chairman's statement at AGM

Thank you for coming to the annual general meeting of Rowlands & Mendeleev. I would like to make a statement in response to the concerns that a number of our investors have made in respect to our appointment as the principal contractor for the prestigious and internationally important Giant Dam Project. We are very pleased and honoured to have won the contract but as several have observed, this does leave us in a position of having a number of issues and risks to manage.

As a project with obvious environmental implications, the board and I wish to reassure investors that we are aware of these implications and have taken them into account in our overall assessment of risks associated with the project.

(i) A definition of 'sustainable development'

One investor asked if we could explain the sustainability issues and I begin with addressing that issue. According to the well-established Brundtland definition, sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

This definition has implications for energy, land use, natural resources and waste emissions. In a sustainable development, all of these should be consumed or produced at the same rate they can be renewed or absorbed so as to prevent leaving future generations with an unwanted legacy of today's economic activity. We believe that our involvement in the Giant Dam Project has implications for environmental sustainability and it is to these matters that I now turn.

Tutorial note: other relevant definitions of sustainability will be equally acceptable.

(ii) Environmental and sustainability implications of the Giant Dam Project

In our preparation for the bid to act as principal contractor for the Giant Dam Project, we established that there were two prominent negative implications of the project but these are, in our view, more than offset by two major environmental positives.

The environmental arguments against the Giant Dam Project both concern the flooding of the valley behind the dam. Regrettably, it seems that there will be some loss of important habitats. This, in turn, may mean the removal of balanced environmental conditions for certain animal and plant species. In addition, the flooding of the valley will result in the loss of productive farmland. This will mean reduced capacity for the host country to grow food and thus support citizens such as the members of First Nation. From our point of view, as the board of R&M, however, we would remind shareholders and other observers that the decisions involving the size and positioning of the Giant Dam were taken by the client, the government. It is R&M's job, having won the contract as principal contractor, to now carry out the plans, regardless of our own views.

Happily, however, there are two very powerful environmental arguments in favour of the Giant Dam Project. It will create a large source of clean energy for economic development that will be sustainable, as it will create no carbon emissions nor will it consume any non-renewable resources as it does so (compared to, for example, fossil fuels).

At a time when people are becoming very concerned about greenhouse gases produced from conventional power generation, the Giant Dam Project will contribute to the East Asian country's internationally agreed carbon reduction targets. This, in turn, will contribute to the reduction of greenhouse gases in the environment.

It is clear that the construction of the Giant Dam Project is an environmental conundrum with strong arguments on both sides. The deciding factor may be the opinion that we each have of the desirability of economic growth in the East Asian country (which the energy from the dam is intended to support). It seems that Stop-the-dam values the preservation of the original environment more than the economic growth that the energy from the dam would support. The client does not agree with this assessment and we are happy to be involved with a project that will create such a useful source of renewable and non-polluting energy.

(iii) Importance of confidentiality in the financing of the project and the normal duty of transparency.

I have been asked to include a statement in my remarks on the balance between our duty to be transparent whenever possible and the need for discretion and confidentiality in some situations. In the case of our initial working capital needs for the Giant Dam Project, the importance of confidentiality in financing is due to the potential for adverse publicity that may arise for the lender. It is important that R&M have the project adequately financed, especially in the early stages before the interim payments from the client become fully effective.

In general, of course, we at R&M attempt to observe the highest standards of corporate governance and this involves adopting a default position of transparency rather than concealment wherever possible. We recognise that transparency is important to underpin investor confidence and to provide investors with the information they need to make fund allocation decisions.

Whilst it is normal to disclose the amount of debt we carry at any given point (on the balance sheet), it is rarely normal practice to disclose the exact sources of those loans. In the case of the financing of initial working capital for the Giant Dam Project, I'm sure you will realise that in this unique situation, disclosure of the lender's identity could threaten the progress of the project. For this reason we must resist any attempts to release this into the public domain. We are aware of one pressure group that is actively seeking to discover this information in order to disrupt the project's progress and we shall be taking all internal measures necessary to ensure they do not obtain the information.

Thank you for listening.

(e) Control and sub-contractors

Specifically in regard to the maintenance of internal controls when working with sub-contractors, the prominent difficulties are likely to be in the following areas:

Configuring and co-ordinating the many activities of sub-contractors so as to keep progress on track. This may involve taking the different cultures of sub-contractor organisations into account.

Loss of direct control over activities as tasks are performed by people outside R&M's direct employment and hence its management structure.

Monitoring the quality of work produced by the sub-contractors. Monitoring costs will be incurred and any quality problems will be potentially costly.

Budget 'creep' and cost control. Keeping control of budgets can be a problem in any large civil engineering project (such the construction of the new Wembley Stadium in the UK) and problems are likely to be made worse when the principal contractor does not have direct control over all activities.

Time limit over-runs. Many projects (again, such as the new Wembley Stadium, but others also) over-run significantly on time.

Tutorial note: only four difficulties need to be described.

2 (a) Importance of independence

The auditor must be materially independent of the client for the following reasons:

To increase credibility and to underpin confidence in the process. In an external audit, this will primarily be for the benefit of the shareholders and in an internal audit, it will often be for the audit committee that is, in turn, the recipient of the internal audit report.

To ensure the reliability of the audit report. Any evidence of lack of independence (or 'capture') has the potential to undermine all or part of the audit report thus rendering the exercise flawed.

To ensure the effectiveness of the investigation of the process being audited. An audit, by definition, is only effective as a means of interrogation if the parties are independent of each other.

Three threats to independence

There are three threats to independence described in the case.

The same audit partner (Zachary) was assigned to Van Buren in eight consecutive years. This is an association threat and is a contravention of some corporate governance codes. Both Sarbanes-Oxley and the Smith Guidance (contained in the UK Combined Code), for example, specify auditor rotation to avoid association threat.

Fillmore Pierce provides more than one service to the same client. One of the threats to independence identified between Arthur Andersen and Enron after the Enron collapse was an over-dependence on Enron by Andersen arising from the provision of several services to the same client. Good practice is not to offer additional services to audit clients to avoid the appearance of compromised independence. Some corporate governance codes formally prohibit this.

The audit partner (Zachary) is an old friend of the financial director of Van Buren (Frank). This 'familiarity' threat should be declared to Fillmore Pierce at the outset and it may disqualify Zachary from acting as audit partner on the Van Buren account.

(b) (i) Contrasting roles

Joint professional and organisational roles are common to most professionals (medical professionals, for example). Although the roles are rarely in conflict, in most cases it is assumed that any professional's primary duty is to the public interest rather than the organisation.

Organisational role

As a member of the staff of Fillmore Pierce, Anne is a part of the hierarchy of an organisation and answerable to her seniors. This means that under normal circumstances, she should comply with the requirements of her seniors. As an employee, Anne is ultimately accountable to the principals of the organisation (the partners in an audit firm or the shareholders in a company), and, she is subject to the cultural norms and reasonable expectations of work-group membership. It is expected that her behaviour at work will conform to the social and cultural norms of the organisation and that she will be efficient and hard working in her job.

Professional role

As an accountant, Anne is obliged to maintain the high professional and ethical standards of her profession. If her profession is underpinned by an ethical or professional code, she will need to comply with that in full. She needs to manage herself and co-ordinate her activities so as to meet professional standards. In this, she needs to ensure that she informs herself in current developments in her field and undertakes continuing professional development as required by her professional accounting body. She is and will remain accountable to her professional body in terms of continued registration and professional behaviour. In many cases, this accountability will be more important than an accountability to a given employer as it is the membership of the professional body that validates Anne's professional skills.

(ii) Tensions in roles

On one hand, Anne needs to cultivate and manage her relationship with her manager (Zachary) who seems convinced that Van Buren, and Frank in particular, are incapable of bad practice. He shows evidence of poor judgment and compromised independence. Anne must decide how to deal with Zachary's poor judgment.

On the other hand, Anne has a duty to both the public interest and the shareholders of Van Buren to ensure that the accounts do contain a 'true and fair view'. Under a materiality test, she may ultimately decide that the payment in question need not hold up the audit signoff but the poor client explanation (from Frank) is also a matter of concern to Anne as a professional accountant.

(c) Absolutism and relativism

Absolutism and relativism represent two extreme positions of ethical assumptions.

Definitions

An absolutist assumption is one that believes that there are 'eternal' rules that should guide all ethical and moral decision making in all situations. Accordingly, in any given situation, there is likely to be one right course of action regardless of the outcome. An absolutist believes that this should be chosen regardless of the consequences or the cost. A dogmatic approach to morality is an example of an absolutist approach to ethics. A dogmatic assumption is one that is accepted without discussion or debate.

Relativist assumptions are 'situational' in nature. Rather than arguing that there is a single right choice, a relativist will tend to adopt a pragmatic approach and decide, in the light of the situation being considered, which is the best outcome. This will involve a decision on what outcome is the most favourable and that is a matter of personal judgment.

Outcomes

If Anne were to adopt absolutist/dogmatic assumptions, she would be likely to decide that she would need to pursue what she perceives is the right course of action regardless of cost to herself or the relationship with the client or her manager. Given that she unearthed a suspect and unaccounted-for payment, and that she received an inadequate explanation from the client, she would probably recommend extension to the audit beyond the weekend.

If Ann were to adopt relativist or pragmatic assumptions, she would have a potentially much more complicated decision to make. She would have to decide whether it was more important, ethically, to yield to the pressure from Zachary in the interests of her short-term career interests or 'hold out' to protect the interests of the shareholders. Anne could recommend sign off and trust the FD's explanation but she is more likely to seek further evidence or assurance from the company before she does so.

3 (a) Defining and explaining agency

Agency is defined in relation to a principal. A principal appoints an agent to act on his or her behalf. In the case of corporate governance, the principal is a shareholder in a joint stock company and the agents (that have an agency relationship with principals) are the directors. The directors remain accountable to the principals for the stewardship of their investment in the company. In the case of Rosh, 60% of the shares are owned by shareholders external to the Rosh family and the board has agency responsibility to those shareholders.

Criticisms of Rosh's CG arrangements

The corporate governance arrangements at Rosh and Company are far from ideal. Five points can be made based on the evidence in the case.

There are several issues associated with the non-executive directors (NEDs) at Rosh. It is doubtful whether two NEDs are enough to bring sufficient scrutiny to the executive board. Some corporate governance codes require half of the board of larger companies to be non-executive and Rosh would clearly be in breach of such a requirement. Perhaps of equal concern, there is significant doubt over the independence of the current NEDs as they were recruited from retired executive members of the board and presumably have relationships with existing executives going back many years. Some corporate governance codes (such as the UK Combined Code) specify that NEDs should not have worked for the company within the last five years. Again, Rosh would be in breach of this provision.

Succession planning for senior positions in the company seems to be based on Rosh family membership rather than any meritocratic approach to appointments (there doesn't appear to be a nominations committee). Whilst this may have been acceptable before the flotation when the Rosh family owned all of the shares, the flotation introduced an important need for external scrutiny of this arrangement. The lack of NED independence makes this difficult.

There is a poor (very narrow) diversity of backgrounds among board members. Whilst diversity can bring increased conflict, it is generally assumed that it can also stimulate discussion and debate that is often helpful.

There is a somewhat entrenched executive board and Mary is the first new appointment to the board in many years (and is the first woman). Whilst experience is very important on a board, the appointment of new members, in addition to seeding the board with talent for the future, can also bring fresh ideas and helpful scrutiny of existing policies.

There is no discussion of strategy and there is evidence of a lack of preparation of strategic notes to the board. The assumption seems to be that the 'best' option is obvious and so there is no need for discussion and debate. Procedures for preparing briefing notes on strategy for board meetings appear to be absent. Most corporate governance codes place the discussion and setting of strategy as a high priority for boards and Rosh would be in breach of such a provision.

There is no evidence of training for Mary to facilitate her introduction into the organisation and its systems. Thorough training of new members and ongoing professional development of existing members is an important component of good governance.

(b) Nominations committees

General roles of a nominations committee.

It advises on the balance between executives and independent non-executive directors and establishes the appropriate number and type of NEDs on the board. The nominations committee is usually made up of NEDs.

It establishes the skills, knowledge and experience possessed by current board and notes any gaps that will need to be filled.

It acts to meet the needs for continuity and succession planning, especially among the most senior members of the board.

It establishes the desirable and optimal size of the board, bearing in mind the current size and complexity of existing and planned activities and strategies.

It seeks to ensure that the board is balanced in terms of it having board members from a diversity of backgrounds so as to reflect its main constituencies and ensure a flow of new ideas and the scrutiny of existing strategies.

In the case of Rosh, the needs that a nominations committee could address are:

To recommend how many directors would be needed to run the business and plan for recruitment accordingly. The perceived similarity of skills and interests of existing directors is also likely to be an issue.

To resolve the issues over numbers of NEDs. It seems likely that the current number is inadequate and would put Rosh in a position of non-compliance with many of the corporate governance guidelines pertaining to NEDs.

To resolve the issues over the independence of NEDs. The closeness that the NEDs have to existing executive board members potentially undermines their independence and a nominations committee should be able to identify this as an issue and make recommendations to rectify it.

To make recommendations over the succession of the chairmanship. It may not be in the interests of Rosh for family members to always occupy senior positions in the business.

(c) Retirement by rotation.

Definition

Retirement by rotation is an arrangement in a director's contract that specifies his or her contract to be limited to a specific period (typically three years) after which he or she must retire from the board or offer himself (being eligible) for re-election. The director must be actively re-elected back onto the board to serve another term. The default is that the director retires unless re-elected.

Importance of

Retirement by rotation reduces the cost of contract termination for underperforming directors. They can simply not be re-elected after their term of office expires and they will be required to leave the service of the board as a retiree (depending on contract terms).

It encourages directors' performance (they know they are assessed by shareholders and reconsidered every three years) and focuses their minds upon the importance of meeting objectives in line with shareholders' aims.

It is an opportunity, over time, to replace the board membership whilst maintaining medium term stability of membership (one or two at a time).

Applied to Rosh

Retirement by rotation would enable the board of Rosh to be changed over time. There is evidence that some directors may have stayed longer than is ideal because of links with other board members going back many years.

4 (a) (i) Describe rules-based

In a rules-based jurisdiction, corporate governance provisions are legally binding and enforceable in law. Non-compliance is punishable by fines or ultimately (*in extremis*) by delisting and director prosecutions.

There is limited latitude for interpretation of the provisions to match individual circumstances ('one size fits all'). Some have described this as a 'box ticking' exercise as companies seek to comply despite some provisions applying to their individual circumstances more than others.

Investor confidence is underpinned by the quality of the legislation rather than the degree of compliance (which will be total for the most part).

(ii) Principles-based approach

Advantages of a principles-based approach

The rigour with which governance systems are applied can be varied according to size, situation, stage of development of business, etc. Organisations (in legal terms) have a choice to the extent to which they wish to comply, although they will usually have to 'comply or explain'. Explanations are more accepted by shareholders and stock markets for smaller companies.

Obedying the spirit of the law is better than 'box ticking' ('sort of business you are' rather than 'obeying rules'). Being aware of overall responsibilities is more important than going through a compliance exercise merely to demonstrate conformance.

Avoids the 'regulation overload' of rules based (and associated increased business costs). The costs of compliance have been a cause of considerable concern in the United States.

Self-regulation (e.g. by Financial Services Authority in the UK) rather than legal control has proven itself to underpin investor confidence in several jurisdictions and the mechanisms are self-tightening (quicker and cheaper than legislation) if initial public offering (IPO) volumes fall or capital flows elsewhere.

Context of developing countries

Developing countries' economies tend to be dominated by small and medium sized organisations (SMEs). It would be very costly and probably futile, to attempt to burden small businesses with regulatory requirements comparable to larger concerns.

Having the flexibility to 'comply or explain' allows for those seeking foreign equity to increase compliance whilst those with different priorities can delay full compliance. In low-liquidity stock markets (such as those in some developing countries) where share prices are not seen as strategically important for businesses, adopting a more flexible approach might be a better use of management talent rather than 'jumping through hoops' to comply with legally-binding constraints.

The state needs to have an enforcement mechanism in place to deal with non-compliance and this itself represents a cost to taxpayers and the corporate sector. Developing countries may not have the full infrastructure in place to enable compliance (auditors, pool of NEDs, professional accountants, internal auditors, etc) and a principles-based approach goes some way to recognise this.

(b) Internal control statement

The United States Securities and Exchange Commission (SEC) guidelines are to disclose in the annual report as follows:

A statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for the company. This will always include the nature and extent of involvement by the chairman and chief executive, but may also specify the other members of the board involved in the internal controls over financial reporting. The purpose is for shareholders to be clear about who is accountable for the controls.

A statement identifying the framework used by management to evaluate the effectiveness of this internal control. This will usually involve a description of the key metrics, measurement methods (e.g. rates of compliance, fair value measures, etc) and tolerances allowed within these. Within a rules-based environment, these are likely to be underpinned by law.

Management's assessment of the effectiveness of this internal control as at the end of the company's most recent fiscal year. This may involve reporting on rates of compliance, failures, costs, resources committed and outputs (if measurable) achieved.

A statement that its auditor has issued an attestation report on management's assessment. Any qualification to the attestation should be reported in this statement.

Tutorial note: guidance from other corporate governance codes is also acceptable.

(c) The external reporting requirements (from the Sarbanes-Oxley section 404) being 'too ambitious' for small and medium companies

There are several arguments to support Professor Leroi's remark.

Fewer spare resources to carry out internal control. SMEs tend to operate with lower levels of spare resource than larger businesses and conducting internal reviews would be more of a challenge for them.

The extra attestation fee (over and above normal audit fee) for the attestation of the internal control report could be a constraint for many SMEs.

Lack of expertise from within existing employees (to internally audit/police as well as carry out internal activities) would be a likely constraint.

SMEs will have fewer activities and less complexity, hence less need for shareholders to require the information (less to go wrong).

- 1**
- (a)**
- (i)** 1 mark for each relevant point made on definition of stakeholder up to a maximum of 2
1 mark for each relevant point made on definition of stakeholder claim up to a maximum of 2
0.5 marks for each stakeholder correctly identified up to a maximum of 2 marks
Total 6 marks
- (ii)** 1 mark for a brief description of each claim up to a maximum of 4 marks
Total 4 marks
- (b)** 1 mark each for recognition of impact and probability as the two variables up to a maximum of 2 (alternative terms may be used to mean the same thing)
1 mark each for explanation of each variable in context. Up to a maximum of 2
2 marks for a correct diagram (axis labelling may vary)
Total 6 marks
- (c)** 1 mark for identification of each risk up to a maximum of 3
2 marks for assessment of each risk up to a maximum of 6 (1 for impact, 1 for probability)
Total 9 marks
- (d)**
- (i)** 1 mark for each relevant point made
Total 3 marks
- (ii)** 1 mark for each environmental impact identified up to a maximum of 4 (2 positive, 2 negative factors)
1 mark for description of each up to a maximum of 4
Total 8 marks
- (iii)** 1 mark for each relevant point on the 'normal duty of transparency' up to a maximum of 3
1 mark for each relevant point on the importance of confidentiality in the case up to a maximum of 4
Maximum 6 marks
- Professional marks for layout, logical flow and persuasiveness of the answer (i.e. the professionalism of the statement)
Total 4 marks
- (e)** 1 mark for each difficulty briefly identified and explained (half mark for mention only)
Total 4 marks
- Total 50 marks**
- 2**
- (a)** 1 mark for each relevant point on importance of independence made and briefly described. Half mark for mention only. Up to a maximum of 3
1 mark for each threat to independence identified up to a maximum of 3
1 mark for each threat briefly described up to a maximum of 3
Total 9 marks
- (b)**
- (i)** 1 mark for each organisational duty identified and briefly described up to a maximum of 3
1 mark for each professional duty identified and briefly described up to a maximum of 3
1 mark for each contrast or comparison drawn up to a maximum of 2
Maximum of 6 marks
- (ii)** 1 mark for each point made on inclination towards role as employee up to a maximum of 2
1 mark for each point made on inclination towards professional duty up to a maximum of 2
Total 4 marks
- (c)** 4 marks for evidence of understanding the two positions (whether as a definition or in the other parts of the answer)
2 marks for explanation of how the positions affect outcome.
Cross marks between these two to reflect adequacy of overall answer.
Total 6 marks
- Total 25 marks**

- 3 (a)** 1 mark for each relevant point made up to a maximum of 4 marks
1 mark for identification of each criticism up to a maximum of 5
1 mark for brief discussion of each criticism of each up to a maximum of 5
Maximum 12 marks
- (b)** 1 mark for each relevant role of the nominations committee up to a maximum of 5 marks
1 mark for each relevant point on the usefulness of a nominations committee to Rosh up to a maximum of 4 marks
Maximum 8 marks
- (c)** 1 mark for each relevant point made for definition up to a maximum of 2 marks
1 mark for each relevant point made on importance of up to a maximum of 3 marks
1 mark for each relevant point made on applying to Rosh up to a maximum of 2 marks
Maximum 5 marks
- Total 25 marks**

- 4 (a) (i)** 1 mark for each essential feature briefly described
Total 3 marks
- (ii)** 1 mark for each relevant point made on the advantages of principles-based up to a maximum of 4 marks
2 marks for each relevant point on developing countries up to a maximum of 6 marks
Total 10 marks
- (b)** 2 marks for each relevant area of content identified and briefly described
Total 8 marks
- (c)** 1 mark for each relevant valid argument put forward
Total 4 marks
- Total 25 marks**