



UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS
Cambridge International Diploma in Business
Standard Level

BUSINESS ORGANISATION AND ENVIRONMENT

5161/01, 5169/01

Core Module

May 2007

2 hours plus 15 minutes reading time

Additional Materials: Answer Booklet/Paper

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use a soft pencil for any diagrams, graphs or rough working.

Do not use staples, paper clips, highlighters, glue or correction fluid.

Attempt **all** tasks.

Start each task on a new piece of paper.

Please leave a margin on the right and left hand side of each new page.

At the end of the examination, fasten all your work securely together, in the correct order.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **4** printed pages.



You must read the case study and attempt ALL the tasks that follow.

(The following case study is fictitious.)

THE ETHICAL TRADING ENTERPRISE PLC [TETE]

The Ethical Trading Enterprise was formed only five years ago in response to the growing awareness that producers in the developing countries should get fair prices for their products. The company imports mostly from Africa and the Indian sub-continent. It sells a range of jewellery, soapstone and wooden carvings, textiles, rugs, furniture and beauty products.

TETE is a public limited company. The Managing Director says the company's success is due largely to two business objectives: making a profit, and satisfying the demands of their customers. The company is required to pay a fair price for the goods but it also needs to make an acceptable profit for its shareholders. The finance department constantly analyses costs and its break-even situation. The various documents supporting the financial records are very carefully maintained. 5

The Board of Directors comprises both executive and non-executive directors. Directors have certain legal powers and duties. Recently, some new directors have been appointed and the Company Secretary explained to them their power to declare a dividend and their duty to act as agents of the company. 10

TETE has a hierarchical structure. The Managing Director says that this structure helps with the organising of employees and identifying the chain of command. The directors see themselves as stakeholders of the business but recognise others might also have a claim to be stakeholders. 15

The company sells products worldwide and operates on a 24 hour/7 days a week basis. TETE employs several hundred people in a number of departments including buying, warehouse, administration, management, and a call centre (telephone enquiries). The buyers travel a lot and as they are teleworkers they rarely come into the office. The company does not support flexitime but it does allow job sharing, which is becoming increasingly popular especially among the female employees. The company is regarded as being a good employer although the employees still have certain expectations of the company. 20

Every business organisation is affected or influenced in some way by the PEST or external factors. TETE is totally dependent upon computer technology. In order to maintain a successful business, it is essential that the company invests significantly in computer hardware and software. Equally, the company is aware that its future prospects are largely dictated by the economic conditions in its markets. The trade cycle is therefore a major influence. There are warehouse and distribution centres in Africa and India. Both the call centre and head office are located in Europe but the Directors are thinking of relocating the call centre to Singapore or Delhi. 25 30

TETE advertises in magazines but increasingly relies on its website. The promotion aspect of its marketing mix largely depends on people discovering the company on the Internet. The Managing Director believes that people are now better educated about the need to assist developing communities to become self-sufficient. The market is also dictated by the products and the prices. Products can be bought for as cheaply as \$15¹ and furniture items start at \$300. The company needs to maintain a good reputation for quality and level of service. The Managing Director says that a Customer Relations Policy is even more important when sales are made over the Internet. 35

¹ Amounts quoted in US dollars.

You must attempt ALL of the following tasks.

- 1 (a) The Ethical Trading Enterprise (TETE) is a public limited company. Identify and describe **two** features of a public limited company. [4]
- (b) Explain the company's objectives to:
- (i) satisfy the demands of their customers; [2]
- (ii) make a profit. [2]
- (c) Describe all **three** of the following financial terms:
- (i) fixed and variable costs; [4]
- (ii) invoice; [4]
- (iii) break-even analysis. [4]
- [Total: 20]
- 2 (a) Explain how **each** of the following can be considered stakeholders of TETE plc:
- (i) shareholders; [2]
- (ii) the African and Indian producers. [2]
- (b) Describe the following power and duty of TETE's directors to:
- (i) declare a dividend; [2]
- (ii) act as agents of the company. [2]
- (c) Explain how TETE's hierarchical structure helps the Managing Director to:
- (i) organise employees; [4]
- (ii) identify the chain of command; [4]
- (iii) achieve **one other** relevant factor. [4]
- [Total: 20]

- 3 (a) Describe the **three** following expectations that the employees might reasonably have of their employers:
- (i) appropriate training; [4]
 - (ii) financial and non-financial incentives; [4]
 - (iii) suitable conditions of work and pay. [4]
- (b) (i) The company supports job sharing. Explain what job sharing means and identify **one** benefit it gives the **employees**. [4]
- (ii) Explain what is meant by teleworking and identify **one** benefit it gives the company. [4]
- [Total: 20]**
- 4 (a) Every business is influenced in some way by external factors. Explain how TETE might be influenced by:
- (i) changing technology; [4]
 - (ii) the trade cycle; [4]
 - (iii) **one other** relevant factor. [4]
- (b) Discuss the following **two** factors which might affect the relocation of TETE's call centre:
- (i) availability of labour and skills; [4]
 - (ii) incentives. [4]
- [Total: 20]**
- 5 (a) TETE needs to maintain its good reputation.
- (i) Explain what a customer relations policy is. [4]
 - (ii) List **four** ways in which the company can maintain customer loyalty and satisfaction. [4]
- (b) According to the Managing Director, the market for the company's goods is dictated by three specific factors. Explain **each** of the following factors:
- (i) price; [4]
 - (ii) product; [4]
 - (iii) educated customers. [4]
- [Total: 20]**

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