



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

BUSINESS ORGANISATION AND ENVIRONMENT

5171/01

5179/01

Core Module

October 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.)

‘COLLECTIONS’

‘Collections’ is the trading name of Superior Storage Systems Ltd which was founded 20 years ago when it began selling albums for stamps, postcards, coins and photographs. The business began with a market stall and later owned a chain of shops. Nowadays, it is entirely a mail order operation. The catalogue is available either as paper copy or online.

‘Collections’ offers an impressive range of products including projectors, digital photography and software but its key product is the storage and display system it has developed. Concerned that many products were harmful, the company developed an acid-free album and modular storage system. Their products are safe for documents, photographs, coins and CDs and safeguard collections from discoloration, tarnishing, and what is called CD-rot. 5

The business has boomed and the company is always developing new ideas and adding to its catalogue. The company’s objectives are primarily to make a profit but the supplementary objectives are continuing product development and remaining competitive. The Finance Director considers controlling the direct costs and overheads to be the most important financial task she has to deal with. The company updates its business plan every year and maintains a five-year forecast. 10 15

‘Collections’ is still a private limited company and the Board comprises executive directors, although there is a proposal to appoint two non-executive directors. Some members of the company have questioned the value of non-executive directors. The company structure used to be complicated and hierarchical but due to a recent reorganisation the structure has become flat. The Managing Director says that the company is now much more efficient – there is better coordination of resources, and both the span of control and chain of command are more effective. The company has also introduced quality circles. 20

The main category of employment is the sales staff in the call centre. Most staff are permanent and work either full or part-time. There are peak periods of demand when the permanent staff are supplemented by casual staff. The company operates 7 days a week for 12 hours per day and so a shift system operates. The company is aware that the staff need to be motivated and offers them incentives. Clearly, as the company relies almost exclusively on computer technology, all employees must be computer literate. 25

Every business organisation is affected in some way by PEST or external factors. Although the company offers luxury products at reasonable prices, it is aware that business is subject to changes in both consumer preference and disposable income. 30

Location is becoming a matter for discussion. The company has its head office in the UK and the call centre in Sweden. The running costs are worrying the Finance Director. There is a proposal to move the call centre to India. A distribution centre is located in each of the countries where the company has its markets. 35

‘Collections’ advertises its product range in magazines, on its website and in its catalogue. Being a mail order business, customers buy products using fax, post, telephone or the Internet. The company has two particular marketing objectives – achieving market share and establishing the image of the products. The Finance Director says that pricing policy largely dictates the level of demand and constantly monitors the break-even point and the margin of safety. 40

A customer service policy is very important to ‘Collections’. Customers are offered a package of benefits including a 100% guarantee of satisfaction; replacement of faulty or damaged goods; and a secure payment system. The company regards its sales policy as ‘customer friendly’.

You must attempt ALL of the following tasks.

- 1 (a)** The company updates its business plan every year.
- (i) Explain what is meant by a 'business plan'. [2]
- (ii) Suggest **one** benefit to 'Collections' of revising their plan each year. [2]
- (b)** The Finance Director is worried about cost-control. Explain what is meant by:
- (i) direct costs; [2]
- (ii) overheads. [2]
- (c)** Explain the following business objectives of 'Collections':
- (i) continuing product development; [4]
- (ii) remaining competitive; [4]
- (iii) **one other** relevant objective (other than profit). [4]
- [Total 20]**
- 2 (a)** The company has introduced quality circles.
- (i) Explain what a quality circle is. [2]
- (ii) Suggest **one** benefit of it to the employees. [2]
- (b)** The Board is thinking of inviting two non-executive directors to join them.
- (i) Explain what is meant by a non-executive director. [2]
- (ii) Suggest **one** benefit to 'Collections' of appointing non-executive directors. [2]
- (c)** The company structure is now flat and considered more efficient. Describe how the following features or factors improve the efficiency of 'Collections':
- (i) coordination of resources; [4]
- (ii) span of control; [4]
- (iii) chain of command. [4]
- [Total 20]**

- 3 (a) The company relies extensively on computer technology. Suggest **two** ways, apart from online sales, in which computers are likely to be used in 'Collections'. [4]
- (b) People are employed by the company under different contracts. Describe what is meant by:
- (i) permanent part-time staff; [2]
- (ii) casual staff. [2]
- (c) Discuss the following expectations that the employees might reasonably have of 'Collections':
- (i) financial and non-financial incentives; [4]
- (ii) suitable training and retraining opportunities; [4]
- (iii) channels of communication and negotiation. [4]
- [Total 20]
- 4 (a) Every company is affected by external factors that influence its business activity. Explain how 'Collections' might be influenced by changes in:
- (i) consumer preferences; [4]
- (ii) disposable income; [4]
- (iii) **one other** relevant factor. [4]
- (b) The company is considering relocating its Swedish call centre. Suggest and describe **two** benefits to 'Collections' of a move to India. [8]
- [Total 20]
- 5 (a) Explain the following marketing objectives of 'Collections':
- (i) achieve and maintain a targeted market share; [4]
- (ii) establish the image of the products and the company. [4]
- (b) Pricing concerns the Finance Director and determines the level of demand. Explain the meaning of:
- (i) break-even point; [2]
- (ii) margin of safety. [2]
- (c) (i) Explain the importance to 'Collections' of a customer service policy. [4]
- (ii) List **four** likely features of the company's customer service policy. [4]
- [Total 20]

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