



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

BUSINESS ORGANISATION AND ENVIRONMENT

5169/01

Core Module

May 2010

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 below and attempt ALL the tasks which follow.

(This case study is fictitious.)

LEISURE UNLIMITED Plc

Dr Ahmad Rahman is the Chairman of Leisure Unlimited Plc which has developed a large water sports holiday complex in Malaysia called Water-Splash. The complex cost \$120 million¹ to build and is able to provide a variety of water sports. It is built around the shores of a large lake and has a number of swimming pools, hotels, restaurants and shopping facilities. The Water-Splash complex was opened in 2007 and its rapid growth and popularity have been greater than expected. 5

At a recent press conference, Dr Rahman identified two business functions of Leisure Unlimited: one is to contribute to the development of the Malaysian economy and the other to raise the standard of living of the employees. These functions are complemented by the main business objectives of making a profit and remaining competitive. In order to finance the construction of Water-Splash, the company had released unissued shares and sold off all its other holiday assets. At the moment, Leisure Unlimited only runs Water-Splash. However, Dr Rahman said that any future development of the company would be mainly financed by ploughed-back profits. 10

The structure of the company is hierarchical which, according to Dr Rahman, clearly indicates the levels of authority and the channels of communication. Dr Rahman also says that while the shareholders are very important, other stakeholders are equally valuable to the business. To ensure the success of the Water-Splash complex, only the most able staff are employed. The Human Resources department therefore plays a leading role in the operation of the company. 15

The majority of the employees are full-time and permanent although there are some part-timers and casual staff. Many of the instructors are recruited from the international sporting world and most are self-employed. Leisure Unlimited pays well and offers good working conditions but it has certain expectations of its employees e.g. appropriate skills, commitment to the business, and the ability to work with others. 20

Dr Rahman says the company is environmentally aware because it makes good business sense to be so. Dr Rahman believes that the Water-Splash complex is the first holiday and sports complex to be totally self-sufficient in power. Water-Splash not only uses wind and solar energy but also geothermal energy i.e. the heat that is within the earth. Apparently, it saves 27 tonnes of carbon emissions each day. 25

When the complex was under construction, a pressure group argued that it would spoil the natural beauty of the area, the local way of life would be changed, and essential resources would be used up. The company knows that every business is influenced in some way by external or PEST factors. Dr Rahman identifies three particular factors: environmental pressure groups, government policies on tourism, and the distribution of income. 30

The location of the Water-Splash complex has been entirely influenced by the availability of natural resources, land and facilities, and, being in an area of high unemployment, the supply of labour.

Dr Rahman's view is that the market for the Water-Splash complex is specifically dictated by competition and the business or trade cycle. The marketing policy is designed to meet current market demand, and to develop new markets. A customer relations policy is an important element in the marketing strategy. Dr Rahman is always looking for ways to improve customer satisfaction and loyalty. 35

¹ Figures quoted in \$US

You must attempt ALL of the following tasks.

Where appropriate use information from the case study to support your answer.

- 1 (a) Dr Rahman has identified two functions of Leisure Unlimited. Explain each of the following functions:
- (i) contribute to the development of the Malaysian economy; [4]
 - (ii) raise the standard of living of the employees. [4]
- (b) Explain the main objectives of the company to:
- (i) make a profit; [4]
 - (ii) remain competitive. [4]
- (c) Dr Rahman said that any future development of the company would be financed by ploughed-back profits or retained profits. Explain what is meant by ploughed-back or retained profits. [4]
[Total: 20]
- 2 (a) Explain how, according to Dr Rahman, the hierarchical structure clearly indicates the:
- (i) levels of authority; [4]
 - (ii) channels of communication. [4]
- (b) Describe the function of the Human Resources department of Leisure Unlimited. [4]
- (c) Dr Rahman said that stakeholders other than shareholders were equally valuable to the business. Explain why the following should be considered as stakeholders:
- (i) employees; [4]
 - (ii) the bank. [4]
- [Total: 20]
- 3 (a) Most employees are full-time and permanent but some are casual staff or self-employed.
- (i) Explain how Water-Splash benefits from recruiting international instructors who are self-employed. [4]
 - (ii) Explain what is meant by a casual employee. [4]

(b) Describe the following expectations that Leisure Unlimited might reasonably have of its Water-Splash **employees**:

(i) appropriate skills; [4]

(ii) commitment to the business; [4]

(iii) the ability to work with others. [4]

[Total: 20]

4 (a) Every business is in some way affected by PEST or external factors. Explain how the future of the Water-Splash Complex might be influenced by:

(i) environmental pressure groups; [4]

(ii) government policies on tourism; [4]

(iii) distribution of income. [4]

(b) Explain why the location of the Water-Splash complex was dictated by the following:

(i) natural resources; [4]

(ii) the supply of labour. [4]

[Total: 20]

5 (a) Explain why the market for the Water-Splash complex is dictated by:

(i) competition; [4]

(ii) the business or trade cycle. [4]

(b) Explain the following elements of Leisure Unlimited's marketing policy:

(i) meeting current market demand; [4]

(ii) developing new products. [4]

(c) Dr Rahman knows that customer relations are important. List **four** ways the company could ensure customer satisfaction. [4]

[Total: 20]