



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

**BUSINESS ORGANISATION AND ENVIRONMENT**

**5161/01, 5169/01**

Core Module

**October 2008**

**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 which follow.**

(The case study is fictitious.)

### **LUCKY CHARM GIFTS LTD**

Ayesha set up her business 20 years ago when she sold souvenirs from a small rented kiosk in a local market. Since then she has built up a flourishing private company owning twenty kiosks, ten large shops, a warehouse, and a workshop where many of the souvenirs sold in her outlets are made. Her outlets are located in tourist areas.

Ayesha started as a sole trader but as the business grew she decided to set up a private limited company. She said it gave her some advantages over being a sole trader. Ayesha says that profit is the prime objective in running a business but there are other objectives like providing employment (she operates in areas of high unemployment), helping to raise the local standard of living, and enlarging her market share. She has recently given employment to a nephew who is currently learning about the company's financial records. He doesn't understand the meaning of double-entry bookkeeping or bank reconciliation. 5 10

The Lucky Charm Gifts company is not very complex but Ayesha feels that an organisational chart is very helpful to staff. She says it is necessary to show them who has authority, the span of control, and the formal channel of communication. However, it is obvious that despite other shareholders Ayesha regards Lucky Charm Gifts as her company. She is very much in control and feels it necessary to run a centralised business. There are two other directors of the company. Both are executive directors but she has been persuaded to appoint a non-executive director to strengthen the Board. 15

The employees say that Lucky Charm Gifts is a good company to work for but they also have certain expectations of their employer. They are particularly interested in their training, incentives and receiving fair treatment. Ayesha employs a lot of women and was asked recently to introduce flexitime so that they could manage their domestic responsibilities better. Ayesha said that flexitime was not suitable for retailing but agreed to job-sharing. The company makes good use of computers and certainly each manager is expected to be computer literate. 20

Although the company is successful, Ayesha still worries about the external influences (or PEST factors) on business. She knows that every business organisation is affected in some way by external factors and is concerned, in particular, by business taxation, competition, and the law regarding the employment of staff. 25

The warehouse and workshop are sited next to the registered office in a business and industrial district. The choice of location for the shops and kiosks is determined by access to the market and the supply of labour. 30

Ayesha has explained that the business is successful for three specific reasons. Firstly, the company is trading in a chosen market; secondly, Ayesha says that she has got the right balance in the marketing mix; and thirdly, there is a good customer relations policy. Lucky Charm Gifts knows its customers' needs i.e. it sells products which appeal to people who like to buy local art or collect souvenirs. 35

Ayesha operates a dual pricing system. Local inhabitants can buy her products at prices lower than that which she charges the tourists. She doesn't over-charge but she prices her products at a level she thinks the market will accept. She advertises her business in tourist brochures and in hotels.

**You must attempt ALL of the following tasks.**

- 1 (a) Ayesha said that turning Lucky Charm Gifts into a private company gave her some advantages over being a sole trader. Suggest **two** features of a private company which give her those advantages. [2 x 2 = 4]
- (b) Explain Ayesha's business objectives to:
- (i) provide employment [4]
  - (ii) raise the local standard of living [4]
  - (iii) enlarge her share of the market [4]
- (c) Explain the following financial terms:
- (i) double-entry bookkeeping [2]
  - (ii) bank reconciliation [2]
- [Total: 20]**
- 2 (a) Explain the following purposes of an organisation chart:
- (i) identifies channel of communication [4]
  - (ii) indicates the span of control [4]
  - (iii) shows the levels of authority [4]
- (b) The business is centralised. Identify **one** advantage and **one** disadvantage of the centralisation of Lucky Charm Gifts Ltd. [2 x 2 =4]
- (c) Ayesha has agreed to appoint a non-executive director.
- (i) Explain what a non-executive director is. [2]
  - (ii) Suggest **one** benefit to Lucky Charm Gifts of appointing a non-executive director to the Board. [2]
- [Total: 20]**
- 3 (a) Describe the following expectations that the employees might reasonably have of their employer:
- (i) training [4]
  - (ii) financial and non-financial incentives [4]
  - (iii) fair treatment [4]

(b) The company now supports job-sharing. Explain what job-sharing means and identify **one** benefit it gives the employees. [2 x 2 = 4]

(c) Lucky Charm Gifts Ltd makes use of computer technology. Suggest **two** ways in which Ayesha is likely to use computers in the business. [2 x 2 = 4]  
[Total: 20]

4 (a) Every business is affected in some way by PEST or external factors. Explain how the Lucky Charm Gifts company might be influenced by:

(i) taxation [4]

(ii) competition [4]

(iii) laws regarding the employment of staff [4]

(b) Explain the following factors which decided the location of Lucky Charm Gifts shops:

(i) access to the market [4]

(ii) supply of labour [4]

[Total: 20]

5 (a) Explain what Ayesha meant when she said her company was trading in a 'chosen market'. [4]

(b) The company has got the right balance in its marketing mix. Explain the following **three** elements of the marketing mix:

(i) price [4]

(ii) product [4]

(iii) promotion [4]

(c) Explain what Ayesha means when she talks of a good customer relations policy. [4]

[Total: 20]

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