

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

BUSINESS ORGANISATION AND ENVIRONMENT

5161/01

Core Module

May 2005

2 hours 15 minutes

Additional Materials: Answer Booklet/Paper

READ THESE INSTRUCTIONS FIRST

The time allocated for this examination includes 15 minutes reading time.
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 **3** printed pages and **1** blank page.



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

[The following case study is fictitious]

The Dhaka Stationery and Calendar Cooperative Society

Whilst working for a software company, Khalid had a spare time business producing CVs and other documents for private clients. He became aware of other young people who were doing something similar in their free time. For example, one was producing business cards, another personalised greetings cards, and another headed notepaper.

A group of ten of them decided to form a business which they could run together on a part-time basis. They began their business using their home computers and sharing the profits equally. Trade was so good that the group decided to give up their jobs and run the business full-time. They decided to organise themselves formally and set up as a Cooperative Society. 5

The Society needed start-up capital. Each of the 10 founder members bought between 3,000 and 5,000 \$1-shares. They found suitable premises that included a shop and a spacious workshop. Computers and other necessary electronic equipment were acquired on lease. 10

There were two reasons why the friends wanted a cooperative society: firstly, control or ownership is democratic and, secondly, the shares are not transferable. The Cooperative elects its Directors from the members i.e. the shareholders.

The Society produces business stationery but it has a large international demand for its personalised calendars which are marketed by mail order. Advertisements are placed in national daily newspapers in the English-speaking world. Customers are invited to send in 13 of their favourite photographs [e.g. pets, children, holidays, weddings] i.e. one for each month and one for the cover. Photographs may be of any size and will be adjusted to fit the A4 pages of the calendar. 15

While most illustrated calendars can be bought for a few dollars¹, the Cooperative's calendars are quite expensive by comparison. Part of the marketing is to suggest that each calendar will become a 'treasured souvenir'. Each calendar is sold for \$35 including postage and packaging, and the large demand for this product indicates that the price is right. The society is anxious to maintain a good reputation not only for excellent workmanship but also for its customer relations policy. 20

The Cooperative Society started trading five years ago and now, in addition to the ten members, there are 30 employees. The annual turnover is \$3million of which \$2.1million comes from the calendar market. The society is profitable because it has the right marketing mix. The Society operates a shift system with a working day of 16 hours and a 6-day working week. 25

There are, however, staff problems. There is criticism that the Society expects employees to work hard but it does not seem to take note of the reasonable expectations the employees have of their employers. The employees see themselves as important stakeholders. The Society introduced job-sharing but has yet to agree to the request for flexitime. 30

The Society is located in a busy part of Dhaka. The premises easily serve local trade but since 70% of the business is now mail order it could be argued that the location is not important. The main issue with location is the supply and skills of labour. Despite its success, the Society is keenly aware that external pressures such as changing technology and the trade cycle in its overseas markets can influence business. 35

¹ The dollar referred to in this text is the US Dollar [US\$]

You must attempt ALL of the following tasks.

- 1 (a) Explain the following **two** features of a Cooperative Society:
- (i) the control or ownership is democratic [4]
- (ii) the shares are not transferable [4]
- (b) Identify and explain **three** business objectives that the Dhaka Cooperative Society might have **other than profit**. [12]
[Total: 20]
- 2 (a) The Society has a flat structure.
Explain what is meant by a flat structure and give **one** advantage of it. [4]
- (b) The Society elects its directors from the members i.e. shareholders.
Identify and explain **three** powers or duties of a company director. [12]
- (c) The employees see themselves as stakeholders.
Explain the meaning of the term 'stakeholder' and give **two** examples of stakeholders in the Cooperative Society. [4]
[Total: 20]
- 3 (a) The Cooperative Society introduced job-sharing.
Explain what job-sharing means and describe **one** benefit it might give to the **employers**. [4]
- (b) The employees have requested flexitime.
Explain what flexitime means and describe **one** benefit it might give to the **employees**. [4]
- (c) Identify and explain **three** expectations that the **employees** might reasonably have of their employers. [12]
[Total: 20]
- 4 (a) All business organisations are affected by external factors which influence the business environment. Describe how the Dhaka Cooperative Society might be affected by:
- (i) changing technology [5]
- (ii) the trade cycle [5]
- (b) 70% of the business is now mail order. Describe the importance of location to the Dhaka Cooperative Society. [10]
[Total: 20]
- 5 (a) The Cooperative Society has 'the right marketing mix'.
Explain, by reference to **four** aspects of the marketing mix, what this means. [12]
- (b) The Cooperative Society wants to maintain its good reputation for its customer relations policy.
- (i) Explain what a customer relations policy is. [4]
- (ii) List **four** ways of maintaining customer loyalty and satisfaction. [4]
[Total: 20]

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