

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

**BUSINESS ORGANISATION AND ENVIRONMENT**

**5161/01**

**5169/01**

Core Module

May 2006

**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.]

**‘NEW ART’**

Abdul Kadir Latif is an art dealer specializing in what he calls ‘the new art’, that is to say, good paintings and sculptures by artists who are still unknown. A team of art buyers travels the world selecting artwork to sell in Abdul’s galleries in London and New York, and at the annual exhibitions in Dubai, Cape Town and Delhi.

‘New Art’ is a partnership between Abdul and a sleeping partner. The turnover of the business is in excess of \$10 million<sup>1</sup> per annum. Abdul says that whilst he is interested in helping new artists, he is in business to make a profit and cannot do that without satisfying his clients. The business is profitable, but it is expensive to run and always needs finance. Abdul relies on retained profits and an overdraft. 5

Recently, Abdul was asked to describe the structure of his business. He said there was no need for a formal organizational structure as he alone took all the major decisions. It was important, for example, that he was responsible for target setting. In reply to another question, Abdul stated that all the stakeholders were equally important to the business. 10

The business employs permanent staff in the galleries and casual staff for the annual art exhibitions. The art buyers are on one-year fixed-term contracts which may be renewable. 15

The art world is very complex and all the employees are expected to have a working knowledge of art and artists. The art buyers must not only be aware of what is good art but also what will sell. Abdul expects his staff to keep up to date with trends in the art market. He believes that the people who buy art expect to be treated well and is, therefore, very concerned to maintain a good image of the business. He insists that staff operate within the company’s code of conduct at all times. 20

Every company is affected in some way by the factors that influence its business operation. For some it might be pollution or technology but, according to Abdul, the significant factors for ‘New Art’ are the trade cycle and changes in the distribution of income.

Location of a business can be very important. In Abdul’s case, he could have opened his business almost anywhere but he deliberately chose the locations for both the galleries and exhibitions. 25

Apart from the galleries and exhibitions, ‘New Art’ sells the artwork via its website. The main selling point is that while the artists are currently unknown, their work will increase in value in the future and clients can expect to make a profit on their investments. The retail prices set by Abdul reflect the business costs, required level of profit, and the nature of the product.

Abdul says the market is dictated by product, price and quality and that the business must focus on client satisfaction. In order to encourage client loyalty and sales, it is necessary that the staff understand the customer profiles. 30

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<sup>1</sup> Expressed in US dollars

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

- 1 (a) 'New Art' is a partnership between Abdul and a sleeping partner. Explain what a 'sleeping partner' is. [4]
- (b) Abdul's business always needs funding and relies on retained profits and an overdraft. Describe **both** retained profits **and** an overdraft. [2x2=4]
- (c) Identify and explain **three** business objectives that Abdul might have. [3x4=12]  
[Total: 20]
- 2 (a) Abdul says all the stakeholders are equally important to the business. Define the term 'stakeholder' and give **two** examples of stakeholders of 'New Art'. [4]
- (b) Explain what Abdul means when he says he is responsible for target setting. [4]
- (c) It is evident that 'New Art' is centralized. Suggest **one** advantage and **one** disadvantage to Abdul of a centralized business structure. [2x6=12]  
[Total: 20]
- 3 (a) Abdul occasionally employs casual staff. Define the term 'casual staff' and suggest **one** benefit to Abdul's business of employing casual staff. [2x2=4]
- (b) Explain what a one-year fixed-term renewable contract is and suggest **one** benefit to Abdul's business of employing art buyers on fixed-term renewable contracts. [2x2=4]
- (c) Identify and explain **three** expectations that Abdul might reasonably have of his employees. [3x4=12]  
[Total: 20]
- 4 (a) Every business is influenced in some way by external factors. Explain how 'New Art' might be affected by:
- (i) the trade cycle; [5]
- (ii) the distribution of income. [5]
- (b) The location of a business can be very important. Explain why Abdul has located his galleries in New York and London, and the exhibitions in major international cities such as Dubai, Delhi and Cape Town. [10]  
[Total: 20]
- 5 (a) Define the term 'customer profile' and suggest **one** reason why it is important to Abdul. [2x2=4]
- (b) Explain, in relation to 'New Art', what determines the retail price of a piece of artwork. [4]
- (c) In relation to marketing, explain what Abdul means when he says the art market is dictated by product, price and quality. [3x4=12]  
[Total: 20]

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