



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

BUSINESS ORGANISATION AND ENVIRONMENT

5169/01

Core Module

May 2011

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 of the tasks that follow.

(This case study is fictitious.)

Top Class Furniture (TCF)

Top Class Furniture (TCF) was established as one shop in Kuala Lumpur in 1972. It was set up as a partnership by two Malaysian businessmen. It is still a partnership and is now owned by Tunku Razak and Penny Tai.

The firm now owns four shops in Kuala Lumpur, two of which are located in high class shopping districts of Suria KLCC and Bukit Bintang. All four shops stock high quality furniture, which they buy from some Malaysian manufacturers, as well as importing other furniture from many different countries. As the economy of Malaysia has grown in recent years, so the market for the high quality furniture sold by TCF has grown. This has led to the growth of TCF, and has allowed them to meet most of their objectives, which in turn has led to their strong financial position with a sufficient amount of working capital. This has been aided by a close control on indirect costs that has helped to maximise the profits of the firm. 5 10

Each branch shop has a manager in overall charge, with the sales people reporting to two or three supervisors who in turn report to the manager. The sales people on the shop floor are all paid a basic salary, with additional bonuses based on their sales. One of the stores, in a larger building, has the Head Office situated behind the shop. The two partners have their offices there, as well as the marketing, human resources, finance and purchasing departments. The head of each of these departments report to Tunku, with the four branch managers reporting to Penny. This results in a tall hierarchical structure with a narrow span of control, particularly in the branch shops. Both partners spend a lot of time away from the office visiting the branches, and Tunku also spends time with the furniture manufacturers in their factories. 15 20

The four stores are all open from 10 am to 10 pm seven days a week. This requires the staff to work a lot of different shifts, and many part time sales people are employed on the shop floor. These part time staff are paid a lower hourly rate than the permanent full time staff and also receive less regular training. The higher rate of labour turnover amongst part time staff worries the partners. They have discussed this problem with the Staff Association, which all members of staff are encouraged to join. The partners like to promote their existing employees rather than recruiting their senior staff from outside the firm, and this has proven to be a successful and popular policy. 25

TCF have come under pressure from the government to sell a higher proportion of Malaysian manufactured goods. Tunku spends a lot of time discussing products and product design with local manufacturers. He also values the feedback he gets from customers. He has recently introduced a formal customer complaints procedure to deal with problems arising from either the products or the service received from TCF. 30

The marketing department are responsible for promoting the firm's shops and products and use a variety of advertising media. They are aware that they are trying to attract the upper end of the market to buy their expensive, high quality furniture and accessories. 35

You must attempt ALL of the following tasks.

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

- 1 (a) State which business sector (Primary, Secondary or Tertiary) the following businesses will operate in:
- (i) A furniture manufacturer who supplies Top Class Furniture (TCF). [1]
- (ii) TCF itself. [1]
- (b) Explain **two** advantages of a partnership compared with a sole trader. [2 x 2 = 4]
- (c) Describe the following **two** financial terms:
- (i) Working capital [2]
- (ii) Indirect Costs [2]
- (d) State **two** medium term (12 – 36 months) objectives that TCF might now set. [2 x 2 = 4]
- (e) Explain why the growth in the Malaysian economy results in the growth in demand for TCF's products. [6]
- [Total: 20]
- 2 (a) Explain what is meant by 'a narrow span of control'. [2]
- (b) Explain why marketing and purchasing departments must work closely together. [6]
- (c) Describe **two** reasons why it is better to have a centralised purchasing department rather than each branch shop having its own purchasing function. [2 x 3 = 6]
- (d) Explain why the community of Kuala Lumpur is a stakeholder in TCF. [6]
- [Total: 20]
- 3 (a) Give **two** reasons why the turnover of part time staff may be higher than for the full time staff. [2 x 2 = 4]
- (b) Describe **two** advantages to the **employees** of having a staff association. [2 x 2 = 4]
- (c) Explain the benefit to both TCF and the staff, of giving regular training to the staff on product knowledge and sales techniques. [6]
- (d) Explain **one** advantage to the employees and **one** to TCF of promoting existing employees to senior posts. [2 x 3 = 6]
- [Total: 20]

- 4 (a) Describe **two** advantages for TCF of being located in high class shopping districts. [2 x 2 = 4]
- (b) Describe **two** reasons why the government might want TCF to make reasonable profits. [2 x 2 = 4]
- (c) Explain why the government might want TCF to sell more locally made products, rather than products imported from other countries. [6]
- (d) Describe **two** advantages for TCF in having a formal customer complaints procedure. [2 x 3 = 6]
[Total: 20]
- 5 (a) Explain why quality is particularly important in the market to which TCF are selling their product. [4]
- (b) When segmenting their customers, describe **two** characteristics of these customers that are important. [2 x 2 = 4]
- (c) Explain why it is important for the marketing department of TCF to maintain close links with the furniture manufacturers. [6]
- (d) Promotion is part of the marketing mix. Describe with reasons **two** promotional media TCF should use. [2 x 3 = 6]
[Total: 20]

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