

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

BUSINESS ORGANISATION AND ENVIRONMENT

5161/01

Core Module

October 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 **4** printed pages.

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

[The following case study is fictitious]

Complete Business Support Ltd

Jaspal is an accountant specialising in the small business market. An inheritance plus personal savings enabled Jaspal to set up her own business, but she needed someone to work with. Her cousin, Ranjit, who was also an accountant, offered to be her business partner.

The four people who contributed the capital to set up Complete Business Support are company directors Jaspal and Ranjit and Jaspal's father and aunt. Jaspal and Ranjit are executive directors whilst the other two are non-executive directors. They rejected the idea of a partnership in favour of a private limited company because according to Jaspal, it had 'a distinct' advantage'. 5

Jaspal and Ranjit acquired suitable premises in one of the city's busy suburbs. They took on two general assistants to begin with and, as the business grew quickly, they were soon employing more staff. Within two years, they had negotiated for additional office space in the building. 10

To cope with the growing amount of business, the Company took two important decisions. Firstly, they opened another office 60 kilometres away where the prospects were positive, and, secondly, they decided to encourage accountants to telework. As the Company's business was more widespread, it seemed sensible to appoint people who could work in their local districts rather than spending time each day commuting into Head Office. 15

Soon other offices were opened. The company was growing faster than its ability to self-finance and so had to raise the additional finance from external sources. Jaspal had operated with a decentralised structure but increasing problems in local offices were being reported to Head Office. Jaspal and Ranjit realised that the company's reputation was at stake and decided to centralise their business. Some local managers complained that the policy would limit their freedom to act. 20

Staff are given annual targets to achieve and those who do not meet them are sacked. Technicians and administrative staff are generally appointed on permanent contracts, but accountants are generally offered fixed term contracts. Growth and restructuring has meant a revision of the organisational chart.

Complete Business Support is now an important business in the tertiary sector with a turnover of more than \$3million¹ per annum. The Directors decided against becoming a public limited company because of the risk of being taken over and the possibility of loss of control. The Company is also aware that it is subject to the various external influences that affect businesses. In particular, the Directors are concerned about likely government policy on taxation of small companies, and legislation affecting the running of businesses. 25 30

The company has well equipped offices located in prime positions. Jaspal thinks that location is not very important because they offer an excellent service, but Ranjit disagrees saying that business is generated because they operate in good areas. Although the company is successful, Jaspal and Ranjit feel that they must continue vigorous marketing of their company's services.

Complete Business Support offer an efficient and professional service to small businesses based on fair trading. It is also aware how important its clients are to its success and believe in maintaining an excellent customer relations policy. 35

¹ Expressed in US dollars [US\$]

You must attempt ALL of the following tasks.

- 1 (a) The company needed additional capital from external sources. Suggest and explain **three** methods that the company could employ to raise the additional capital. [12]
- (b) Jaspal said that a private limited company has a 'distinct advantage' over a partnership. Explain what Jaspal means by the 'distinct advantage'. [4]
- (c) Jaspal and Ranjit are worried they might lose control if they became a public limited company (plc). Explain what they mean. [4]
[Total: 20]
- 2 (a) Owing to various problems, Jaspal and Ranjit have decided to centralise their business but some managers feel their freedom to act will be limited. Explain **two** advantages of centralisation to Jaspal and Ranjit. [4]
- (b) Ranjit and Jaspal are executive directors, while Jaspal's father and aunt are non-executive directors of the company. Describe the **difference** between executive and non-executive directors. [4]
- (c) The organisational chart is being revised. Identify and describe **three** purposes of an organisational chart. [12]
[Total: 20]
- 3 (a) The company has appointed some of its accountants as teleworkers. Give a definition of teleworking and describe **one** benefit it might give to **either** an employee **or** the company. [4]
- (b) Newly appointed accountants are given fixed term contracts. Describe what a fixed term contract is and explain **one** advantage of it to the **employer**. [4]
- (c) Identify and discuss **three** expectations that Jaspal and Ranjit might reasonably have of their **employees**. [12]
[Total: 20]
- 4 (a) Jaspal and Ranjit are aware that any business is likely to be affected by those external factors that influence the business environment. Describe how the Complete Business Support company might be affected by:
- (i) government policy on taxation of small companies [5]
- (ii) legislation affecting the running of businesses. [5]
- (b) Discuss the importance of location to Complete Business Support. [10]
[Total: 20]

- 5 (a) Explain **two** factors which affect or influence the nature of Complete Business Support's market. [4]
- (b) The Company continues to market its services. Suggest **two** purposes or reasons for the Company's marketing campaign. [4]
- (c) The Company's clients are small businesses. Identify and describe **three** ways for Complete Business Support to ensure its clients' satisfaction. [12]
- [Total: 20]

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