

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

BUSINESS ORGANISATION AND ENVIRONMENT

5161/01

5169/01

Core Module

October 2006

2 hours
plus 15 minutes reading time

Additional Materials: Answer Booklet/Paper
Graph 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 **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.]

UNIVERSAL MERCHANDISING plc

Universal Merchandising is a textile company located in the Philippines. It designs and manufactures a range of personalised merchandise mostly for the sports and corporate markets. The company's main products are T-shirts, sweatshirts, tracksuits, sports bags, caps and towels. They are produced in team colours with the appropriate logos.

The company's turnover, at \$40 million¹, is comfortably beyond the firm's break-even point. Until five years ago, the firm was a private limited company located in Western Europe. Market growth together with rising business costs encouraged Universal Merchandising to become a public limited company and to relocate to the Philippines. 5

Commenting on this decision, the Chairman said that of the four factors of production, land and labour are readily available and that the company must make sure that the other two are adequate. 10

The company's internal structure is bureaucratic (or tall) although some of the younger managers would prefer a flatter structure. The Chairman says that their views are too modern and that most employees feel more secure in the more traditional type of structure. The Board comprises six executive directors and four non-executive directors.

The company pays salaries and wages above the average for the region but employees also receive an annual loyalty and efficiency bonus and a range of non-financial incentives. The company is trying to introduce positive employment policies and is now offering flexitime for those employees who have to care for young children and/or aged parents. The company is increasing its use of computer technology. It employs skilled workers but the varied nature of the work means there is also a demand for semi-skilled and unskilled employees. 15
20

Every company is affected in some way by those factors that influence its business operation. For some it might be taxation policy or employment law but for Universal Merchandise, according to the Chairman, it is changing technology and competition.

The company was quite successful when it was located in Europe but has become much more profitable now it is in the Philippines. One reason is that the Government offers incentives to foreign firms to relocate to the Philippines. Also, orders can be sent across the world within hours. 25

The prices charged by the company reflect the size of an order and the status of the client. A national sports team, for example, is likely to pay more than an amateur association. Sales and promotion are made via a website, a catalogue, and direct approaches to potential clients.

The company has a customer service policy and offers guarantees on delivery, quality and specification. The company will compensate clients in cases of faulty goods or poor service. The Chairman says that the company understands the purpose and activities of marketing and, furthermore, it has the right marketing mix. 30

¹ Expressed in US dollars

You must attempt ALL of the following tasks.

- 1 (a) The Chairman referred to the four factors of production and mentioned land and labour. Identify and describe the other **two** factors. [4]
- (b) Universal Merchandising is a plc. Identify and describe **three** features of a public limited company. [6]
- (c) Using the following information, draw up a break-even chart to calculate the break-even point of Universal Merchandising plc:
 sales: \$40 million
 fixed costs: \$10 million
 variable costs: 50% of sales revenue [10]
[Total: 20]
- 2 (a) Briefly outline **two** powers or duties of a company director. [4]
- (b) Explain the difference between executive and non-executive directors. [4]
- (c) The company has a bureaucratic (or tall) structure but some managers would prefer a flatter structure. Describe
 (i) a bureaucratic structure; [6]
 (ii) a flat structure. [6]
[Total: 20]
- 3 (a) Explain what flexitime is and suggest **one** benefit to Universal Merchandising plc of flexitime. [4]
- (b) Explain the difference between skilled and unskilled employees in Universal Merchandising plc. [4]
- (c) Identify and explain **three** expectations that the **employees** of Universal Merchandising plc might reasonably have of their employers. [3x4=12]
[Total: 20]
- 4 (a) Every business is influenced in some way by external factors. Explain how Universal Merchandising plc might be influenced by
 (i) changing technology; [5]
 (ii) competition. [5]
- (b) Explain why the company chose to relocate its business to the Philippines. [10]
[Total: 20]
- 5 (a) Identify the features of Universal Merchandising plc's customer services policy. [4]
- (b) Explain what is meant by the purpose and activities of marketing. [4]
- (c) With reference to the 4Ps, explain what the Chairman means by the statement that the company has the right marketing mix. [4x3=12]
[Total: 20]

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