



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

BUSINESS ORGANISATION AND ENVIRONMENT

5169/01

Core Module

October 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.)

Everything Plastic Ltd. (EPL)

Everything Plastic Ltd is a private limited company set up in Mumbai by Ranjit Singh and Jaswan Kulkarni about 20 years ago. They each own 50% of the issued shares, and are the firm's only two Directors. EPL originally made plastic components for many local industries, but in recent years their sales have mainly been to car manufacturers. This market has grown rapidly in India and also in other Asian countries such as Malaysia and South Korea. Some 25% of their production is now sold in those two countries, with the remainder still sold in India and 85% of their Indian sales are to car manufacturers. 5

They employ approximately 180 workers who at present are all full time. About 25% of the employees are fully skilled with the rest being semi-skilled or unskilled. They are very pleased with the quality of their skilled workers due in part to the long history of engineering in Mumbai. However, due to the rapid changes in demand, caused by economic factors in the car industry, Ranjit and Jaswan are looking to employ more casual labour for the unskilled jobs. There is a good supply of unskilled labour in their area. They are concerned however, that these casual employees will not have the same loyalty to the business as the permanent employees. Ranjit and Jaswan are very pleased by the loyalty to the firm shown by the skilled workers. 10 15

The internal organisation of EPL is flat with generally wide spans of control particularly in the production areas. The sales and finance areas are much more hierarchical, although this is not the way that Ranjit and Jaswan like to work. Ranjit takes overall responsibility for the Production function, while Jaswan is responsible for Marketing, Sales and Finance. The Human Resource Manager reports jointly to both Directors. 20

Transport links from Mumbai are good with the Indian Railways providing transport to other parts of India. The Port of Mumbai enables easy shipping of the goods to other countries, and for customers who suddenly need emergency deliveries, they can use the nearby Mumbai International Airport.

The raw material for EPL is plastic, which in turn is derived from oil. The rapid changes in the price of oil have meant ever changing costs of their raw material. This has led to difficulties in setting long-term prices on contracts with the car manufacturers. In addition there has recently been a worldwide recession and this has caused the car manufacturers to closely examine their costs. 25

The growth of car manufacturing in India and other parts of Asia has meant many new opportunities for EPL. This growth has, however, led to increased competition in this sector of business. Chinese plastic companies are very competitive and they bid very low prices for every major contract that the car manufacturers offer to their approved list of suppliers. However Ranjit and Jaswan know that price is not the only factor considered when the manufacturer decides on who will be awarded the contract. 30

You must attempt ALL of the following tasks.

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

- 1 (a) State **two** objectives that Ranjit and Jaswan might have set when they **first** started EPL. [2 x 2 = 4]
- (b) State the **four** 'Factors of Production' [4 x 1 = 4]
- (c) EPL is a private limited company owned by two people. Describe **two** advantages to Ranjit and Jaswan of being a private limited company rather than a partnership. [2 x 3 = 6]
- (d) After 20 years of operation EPL has a considerable amount of ploughed-back profits left in the business. Give **two** reasons why this might help if EPL tries to expand further. [2 x 3 = 6]
[Total: 20]
- 2 (a) Give **one** advantage and **one** disadvantage for having wide spans of control in the Production department [2 x 2 = 4]
- (b) Outline **two** problems the Human Resources Manager might have because he reports to both directors jointly. [2 x 2 = 4]
- (c) Explain the effect a narrow span of control might have on workers in the Finance Department and explain why this might be an advantage. [6]
- (d) Explain why it is necessary for Marketing, Finance, Sales and Production Departments to communicate with each other often and openly, when planning a new sales campaign. [6]
[Total: 20]
- 3 (a) Define the term 'casual worker'. [2]
- (b) Explain **three** advantages to EPL in employing more casual workers for the unskilled positions rather than permanent full-time workers. [3 x 2 = 6]
- (c) Explain **two** advantages to EPL of having loyal, permanent, skilled employees. [2 x 3 = 6]
- (d) Briefly describe **two** types of incentives, **apart from pay**, that the skilled employees might expect from EPL. [2 x 3 = 6]
[Total: 20]
- 4 (a) Define the term 'worldwide recession'. [4]
- (b) Explain why the closeness of Mumbai port is important to EPL. [4]
- (c) Explain why the Indian Government might provide financial aid to EPL during a recession. [6]
- (d) Describe why it is difficult to set long-term contract prices when oil prices are changing rapidly. [6]
[Total: 20]

- 5 (a) EPL has to provide competitive credit facilities to its customers. Explain the term competitive credit facilities. [4]
- (b) Specify **two** ways that EPL could try to keep customers loyal. [2 x 2 = 4]
- (c) Explain **two** factors that make it important for EPL to operate in international markets. [2 x 3 = 6]
- (d) Describe **two** factors, **other than price**, that a customer of EPL might consider when awarding a contract. [2 x 3 = 6]
[Total: 20]

Permission to reproduce items where third-party owned material protected by copyright is included has been sought and cleared where possible. Every reasonable effort has been made by the publisher (UCLES) to trace copyright holders, but if any items requiring clearance have unwittingly been included, the publisher will be pleased to make amends at the earliest possible opportunity.

University of Cambridge International Examinations is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of University of Cambridge Local Examinations Syndicate (UCLES), which is itself a department of the University of Cambridge.