



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

**BUSINESS ORGANISATION AND ENVIRONMENT**

**5179/01**

Core Module

**May 2013**

**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.



\* 7 2 4 6 5 0 4 8 4 3 \*

**You must read the case study below and attempt ALL of the tasks which follow.**

(This case study is fictitious.)

### **Sarpal Shoes Ltd (SSL)**

Sarpal Shoes Ltd was established in Delhi in 1984 as manufacturers of ladies' shoes. The founder was Rajesh Sarpal and he is still Chairman. His son, Palash Sarpal is Managing Director and his daughter, Anjali Sarpal is chief designer and also a director.

SSL manufacture fashionable ladies shoes. 75% of its sales are to Europe and North America and the remainder are sold in Asia. The Asian market is growing rapidly with particular growth coming from the home market of India. The general growth in the Indian economy is helping this increase in sales. Rajesh has set challenging objectives for sales growth in the Indian market, although his son considers that it will be very difficult to meet them. The necessary finance and working capital needed to achieve these sales is in place, as the firm has had several successful years of trading. Palash has produced forecasts of sales and costs based on these challenging objectives, and these show a positive cash flow throughout the year, with only minimal use of their pre-arranged bank overdraft facility.

The internal organisation of SSL is hierarchical. There are five departments, the largest being production with over three hundred employees. The production manager is Darshan Gupta who has worked for SSL in various production areas since 1986. Three deputy managers report to Darshan and each of them in turn has six supervisors reporting to them. On the production floor there are approximately 18 workers reporting to each supervisor. Palash believes strongly that a democratic style of leadership is the most effective, although this view is not shared by his father who is still an authoritarian leader. This has caused conflict on occasion but Palash has held to his view, and supports it by being a strong believer in McGregor's Theory Y.

Motivation of the staff has generally improved since Palash became Managing Director and this has led to increased productivity. Many of the workers are permanent full-time and are paid weekly, calculated on the number of hours that they have worked.

Palash has also been interested in investing in modern technology, and computer controlled machines are now used extensively throughout the production area. This has resulted in a need for less labour and some compulsory redundancies, which has not pleased the workforce. Wherever possible, SSL has minimised these by introducing part-time and flexitime working, which can reduce worker's income, but still provides them with a job.

SSL has many competitors both within India as well as internationally. Its export markets are affected by both the economy of the country which is importing the shoes, as well as the strength of the Indian currency and its exchange rate. Anjali believes that good design is more important than price in the home market. She often travels to the European fashion shows to ensure her designs keep up with the latest styles. She believes that this gives SSL an edge over its Indian competitors.

The marketing department is headed by Kali Choudhary and he has four people working for him. In Europe and North America, sales are made by agents resident in the importing country. In India, sales are made to a small number of wholesalers who then sell to retailers throughout the country.

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

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

- 1 (a) Explain why SSL may set the objectives of helping to provide employment and raising living standards in the community. [5]
- (b) If sales growth exceeds expectations, SSL may need further finance. Describe **two** suitable sources of medium to long term finance available to the business. [2 x 2 = 4]
- (c) Explain the advantages of positive cash flow which has been forecast throughout the next year for SSL. [5]
- (d) Explain why general growth in the Indian economy should help increase sales for SSL. [6]
- [Total: 20]**
- 2 (a) Explain why the span of control might be narrow at the senior levels of SSL and wide on the shop floor. [5]
- (b) Palash is a strong believer in McGregor's Theory Y. Explain how he might, in practice, apply this in SSL. [5]
- (c) Describe the advantages **and** disadvantages of **two** methods of communication that SSL might use to inform the shop floor workers of a change in shift patterns. [2 x 2 = 4]
- (d) Explain why team-working may be important to SSL. [6]
- [Total: 20]**
- 3 (a) Rajesh believes in offering fair wages but no other incentives to his employees. Describe **one** other practical incentive that Palash might want to offer and give the reasons why it might be effective. [4]
- (b) SSL has employees with various types of employment arrangements working for them. Describe the advantages **and** disadvantages **to SSL** of the following arrangements:
- (i) fixed term contracts [5]
- (ii) casual workers [5]
- (c) A trade union has started to recruit members from among the employees of SSL. Describe the advantages **and** disadvantages **to SSL** of recognising the trade union. [6]
- [Total: 20]**

- 4 (a) Describe how Indian Government taxation policies could affect the expansion plans of SSL. [5]
- (b) Describe how a general increase in interest rates in India might affect the sales of SSL. [5]
- (c) India operates in a mixed economy. Explain how a change in government, resulting in a move towards a planned economy, could affect SSL. [6]
- (d) If SSL were to expand and build a second factory in India, describe **two** types of government incentives it would find useful. [2 x 2 = 4]

[Total: 20]

- 5 (a) Explain why SSL uses agents resident in the importing country to obtain their export sales. [5]
- (b) Palash has calculated that the break-even point for a new line of shoes is 10 000 pairs. Explain what this means to SSL, and how this figure can be used when setting the selling price of the shoes. [5]
- (c) Describe how a customer complaints department might help SSL to increase sales. [5]
- (d) Recommend a method of determining the likely sales of a new line of ladies' shoes before its introduction to a new export market. [5]

[Total: 20]

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