

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

**BUSINESS ORGANISATION AND ENVIRONMENT**

**5171/01**

Core Module

October 2004

**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 on both sides of the paper.  
You may use a soft pencil for any diagrams, graphs, music 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]

### **PERSONAL PUBLISHING Ltd [PPL]**

Personal Publishing Ltd is what is known as a 'vanity publisher'. The company offers a full publishing service for amateur writers who cannot get their work into print and are prepared to pay for publication. The publishing industry says that if a book is worth publication, then an author has no need to pay for its production. However, the bulk of the manuscripts sent to PPL are autobiographies or novels which are, in the main, badly written and uninteresting. 5

The business was originally created as a part-time interest by five people, all experienced and employed in publishing. Aware that so many manuscripts were being rejected, they saw an opportunity to help people realise their ambitions, and to make extra money for themselves.

PPL advertises its services in popular magazines circulating in Malaysia, Indonesia, the Philippines, and Australia. The company offers a full editorial service which includes design and illustration, copyright fees for extracts and photographs from other sources, and the production service. If required, they can also offer marketing and distribution. Hopeful authors send in their manuscripts knowing that publication is virtually assured. There is no risk to PPL because work isn't published until the authors pay the production fees. Authors sign a contract with PPL and accept that there can be no guarantees about the success of their published work. 10 15

An author pays PPL a minimum fee of \$5000<sup>1</sup> which covers the full editorial and production service with the exception of marketing and distribution for which an additional fee is payable. The author will receive 500 copies of the book. Having paid the appropriate costs, the author is then entitled to all the revenue from any sales which should produce a better reward than royalties.

The company is located in Cape Town (South Africa) but all its printing is done in Kuala Lumpur (Malaysia) where it has a 20% stake in Ng Fine Printing Ltd. PPL began as a partnership but within just 12 months the partners realised there was considerable potential in vanity publishing, especially if they could operate in the international market. 20

The potential threat of business failure had raised the issue of unlimited liability, so they sought registration as a private company and now have 40 shareholders. The authorised capital is 250,000 \$1 shares with an issued capital of 120,000 shares. Turnover in the last financial year was \$1.3 million which returned a profit of \$95,000. The business occupies a healthy position in a niche market, and the directors think the business could expand significantly. 25

Three of the five original partners are with the company as full-time executive directors, [one being both Chairman and Chief Executive Officer], and the other two are non-executive directors [along with three others]. Although the company deals with more than 200 projects a year, they have a very fast turn-around time. Publication may take up to 18 months with a publishing house, but PPL can usually do it in less than a month. 30

The company's office is open-plan but has the provision of meeting rooms for clients, business and staff matters. Staff work in teams, accountable to the executive directors, and will handle several projects at once. The business relies heavily upon the latest computer technology; staff have to be computer literate and able to cope with a range of software. 35

Employees receive a basic salary plus a commission on each project – the quicker a team can complete a project the more the members can earn. Other than the pay, there are no extra incentives. Despite the potential earnings, one of the directors thought most staff seemed demotivated and should be given appraisals to find out why. 40

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<sup>1</sup> Expressed in US dollars

All businesses are subject to the influences of the business environment in one way or another. PPL seems to think that, being a small business, it is largely exempt from the PEST [political, economic, social and technological] factors but recognises that it is particularly vulnerable to the problems posed by disposable income and competition. 45

Marketing is not quite the same as for the rest of the publishing industry where the product is the book. With PPL the product is the publication service it offers. Some authors will pay PPL to market their work, but that function is very limited as the prospect of promoting a book which will capture a wide and successful market is unlikely.

PPL has a code of ethics that protects itself rather than the authors eg material must not be pornographic, defamatory or discriminatory [eg gender, age, race]. PPL feels it gives a good level of service, but some authors have complained that, whilst the presentation and print quality are excellent, there are often printing errors that cannot be put right. There is also a feeling that, once the contract has been signed, the treatment of authors is casual, even rude. Authors think that because they are likely to write only one book, with little chance of repeat business, PPL has no reason to care about having a customer relations policy. 50 55

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

- 1 (a) PPL has authorised capital of \$250,000 and issued capital of \$120,000.  
Explain the difference between authorised and issued capital. [5]
- (b) Define unlimited liability and suggest why the partners were concerned about it. [5]
- (c) The original objective was to provide additional part-time income for five people. Now that PPL has developed into a private company, select and discuss **three** likely business objectives of the company. [10]  
[Total: 20]
- 2 (a) PPL has three executive directors and five non-executive directors. Explain the difference between executive and non-executive directors of a company. [5]
- (b) The staff only receive one incentive ie pay plus commission. List **three** suitable incentives you would give the staff of PPL. [5]
- (c) PPL staff work in teams. Explain what team-working means and describe **two** benefits it offers to **both** employees and employers. [10]  
[Total: 20]
- 3 (a) The staff have to be computer-literate. Identify and explain **two** likely problems posed by the increasing use of computer technology. [5]
- (b) A director of PPL thought the staff seemed demotivated and needed appraisals.  
Explain **two** purposes of a staff appraisal. [5]
- (c) Select and explain **three** expectations the staff might reasonably have of their employer. [10]  
[Total: 20]
- 4 (a) Select and explain **three** likely reasons why PPL, located in South Africa, benefits from using a printing works located in Malaysia. [10]
- (b) In assessing the influences of the business environment, PPL feels particularly affected by disposable income and competition. Discuss the likely impact of these two factors on PPL. [10]  
[Total: 20]
- 5 (a) PPL has a code of ethics. Explain the purpose of a code of ethics. [5]
- (b) PPL enjoys a healthy position in a niche market. Define the meaning of a niche market. [5]
- (c) Authors pay PPL to publish their work regardless of their books' merit and quality. In view of the criticisms made by some authors, suggest what PPL should do to ensure a high level of customer service. [10]  
[Total: 20]

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