



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

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**BUSINESS ORGANISATION AND ENVIRONMENT**

**5179/01**

Core Module

**October 2013**

**2 hours plus 15 minutes' reading time**

Additional Materials: Answer Booklet/Paper

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**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.

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This document consists of **4** printed pages.



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

(This case study is fictitious.)

### **Sharif Books Ltd (SBL)**

Sharif Books Ltd is a book publisher based in Cairo. The business was established by Fadil Sharif in 1977 and he remains the majority shareholder with 60% of the shares. Four other shareholders together own 40% of the issued shares.

The business publishes books in Arabic that are distributed throughout the Middle East. The company has its own printing workshop in a Cairo suburb, and its main office is in the commercial area of Cairo. Fadil is in overall charge of operations, and much of the head office is organised in a matrix structure. Each new book has a team of employees with various skills assigned to prepare the book for publication. 5

Original books are published in Arabic, and there is also a significant part of the business that translates other books into Arabic that were originally published in other languages. 10

The business has been very successful until recently, but it is now facing a number of challenges. The growth of the e-book in its various forms has reduced the sale of hardback and paperback books, especially novels. E-books are published as a software file that can be read on dedicated electronic readers such as a Kindle. SBL has been slow to publish its books in e-book format and is now trying to catch up with its competitors, which has now become one of its short-term targets. Significant resources are committed to the e-book section. The slowdown in the world economy has also affected sales, especially in those countries that do not have significant oil reserves. Even the oil producing countries are showing little growth in book sales. 15

A summary of the most recent balance sheet (statement of financial position) is as follows:

#### Assets (Amount in US\$) 20

Current Assets	\$1 200 000 <sup>1</sup>
Long Term Assets (non-current assets)	<u>\$3 500 000</u>
Total Assets	<u>\$4 700 000</u>

#### Liabilities, Capital & Reserves

Current Liabilities	\$800 000	25
Long Term Liabilities (non-current liabilities)	\$2 200 000	
Capital & Reserves	<u>\$1 700 000</u>	
Total Liabilities Capital etc	<u>\$4 700 000</u>	

The printing workshop employs 25 staff working on a two shift system. The Head Office staff work on flexitime. Pay levels throughout the business are above the average locally. Head Office employees are paid bonuses based on the annual profits of SBL. Employees at the printing workshop are paid bonuses based on team productivity. 30

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

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

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

- 1 (a) Apart from profit, describe **two** medium term objectives that may be set by the Board of Directors of SBL for the next 12 – 24 months. [5]
- (b) From the summary balance sheet, calculate the following:
- (i) Total Working Capital [2]
- (ii) Current Ratio (Working Capital Ratio) [3]
- (c) SBL wishes to buy new printing machinery costing \$100 000. Describe suitable sources of finance for this purchase. [5]
- (d) A short term target is to publish the first e-book versions of their previously published novels. Discuss how this target may be achieved and the resources required. [5]

**[Total: 20]**

- 2 (a) Explain why a matrix organisational structure might be effective for SBL in the Head Office. [5]
- (b) Explain the advantages and disadvantages to SBL of employees working on flexitime in the Head Office. [5]
- (c) Describe the reactions of **three** of the stakeholders to a successful launch of the e-books. Ensure you look at stakeholders who have negative reactions as well as those who have positive reactions. [3 x 2 = 6]
- (d) Explain the difference between formal and informal communication. Give **one** example of when it would be appropriate in SBL to use formal communication and **one** example in SBL of the use of informal communication. [2 x 2 = 4]

**[Total: 20]**

- 3 (a) Explain why SBL has introduced a team based bonus scheme in the printing workshop. [5]
- (b) The latest printing machines that SBL is thinking of buying are computer controlled. Discuss the advantages and disadvantages to a skilled machine operator of working with these machines, if he has had little previous experience of working with computers. [5]
- (c) Fadil Sharif has a laissez-faire leadership style. Explain the effects of this leadership style particularly on those senior managers who directly report to Fadil. [5]
- (d) New Head Office employees are usually trained on-the-job. Explain the advantages and disadvantages of this type of training. [5]

**[Total: 20]**

- 4 (a) Explain why SBL may belong to the Publishers' Trade Association of Egypt. [5]
- (b) If the trade cycle is in the boom stage at present, interest rates may increase. Explain the possible effect of this on SBL. [5]
- (c) SBL has recently been accused of polluting the environment with harmful chemicals used in its printing process. Describe the overall effect on the company if these accusations are proved to be true. [5]
- (d) Describe the advantages and disadvantages of having Head Office on one site and the printing workshop several miles away. [5]

[Total: 20]

- 5 (a) Discuss **two** practical pricing methods SBL could use for its e-books. [2 x 2 = 4]
- (b) Describe promotional methods that SBL could use for a series of four printed books, already published in English, and that the company has acquired the right to publish in Arabic. [5]
- (c) Explain why it might be easier to market and distribute the e-books, rather than the traditional printed books, in other Arab countries. [6]
- (d) SBL faces considerable competition from other publishers both in Egypt and in other Arab countries. Explain some market research that the company could carry out to help them decide how to increase their market share. [5]

[Total: 20]