



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

**BUSINESS ORGANISATION AND ENVIRONMENT**

**5179/01**

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 **5** printed pages and **3** blank pages.



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

(This case study is fictitious.)

## **NEW HORIZONS**

New Horizons is a religious charity with its headquarters in California. It is registered as a charity in all the countries where it operates so that it complies with national laws and also benefits from tax concessions. Although it is a non-profit-making organisation, it is run like a major corporation. Two of the charity's specialist divisions are devoted to finance and marketing. The charity needs to pursue its religious or faith objectives but to do so it needs considerable funding. 5

The objectives of New Horizons are no different to any business, namely satisfying customer demand, improving sales revenue, and growth. New Horizons also wants profit although with a charity it is called surplus but as Father Mahesh, the Chairman of the charity, said it amounts to the same thing. Without a surplus the charity would not be able to grow.

New Horizons calls itself a multi-faith organisation. In other words it does not follow any one religious path but rather encourages people to seek their own faith answers. The charity operates a number of holiday villages which it acquired from a holiday company that failed. The villages are located in remote areas of the world and are of outstanding natural beauty. The charity attracts thousands of people who combine an outdoor activity with meditation and study. 10

Environmental pressure groups have complained that the visitors to the holiday villages are ruining the local habitats and causing negative externalities. In addition to the villages, the charity runs projects all over the developing world – building schools, medical centres, funding emergency medical aid, irrigation and clean water programmes, agricultural projects. A large and active funding stream is essential. 15

Most of the funding for New Horizons comes from business activity. Good News Bookshops (GNB) 20 is jointly owned by New Horizons and International Faith Publishing (IFP) in the ratio of 30% and 70% respectively. 50% of the profits from the bookshop business go directly to the charity. IFP publishes a wide range of religious literature, which it sells through GNB, and donates 20% of its profits to New Horizons. Both IFP and New Horizons also have large shareholdings in South Pacific Airways (SPA) – 25% and 20% respectively. SPA is the preferred airline for New Horizons 25 and carries its passengers to the various resorts. The dividends on the airline's shares, owned by IFP and New Horizons, help the charity. Other funding comes from wills, donations and profits from the holiday villages.

The structure is rather complex. New Horizons needs to coordinate the work of its worldwide operations and the structure is necessarily hierarchical. However, the structure of the holiday village division is flat. The staff and volunteers in this division work in project teams. Each team has a specific role and target. It is held responsible for the success of the experience of the visitors they look after. New Horizons is also keen on quality circles. 30

The expectations of the employees and volunteers include training and appropriate incentives. Most employees have been selected for their enthusiasm but feel they do not get sufficient and appropriate training to do their jobs. The volunteers do not receive any wage or salary for their efforts but they think they should get some incentives. A representative of New Horizons' Human Resource division said that the volunteers get free air fares, accommodation, work clothing, and medical treatment. They need no other incentives. The charity expects all personnel whether they are full-time or part-time, casual or temporary, or self-employed to be fully committed to New Horizons and its objectives. 35 40

New Horizons' holiday villages provide much needed employment for a lot of local people in several countries. Father Mahesh believes that the charity should receive appropriate Government incentives in recognition both of its charitable status and the contribution it makes to local economies. It is acknowledged that every business and charitable organisation is affected in some way by external or PEST factors that influence its activities. New Horizons may be influenced by exchange rates and social, ethical and environmental considerations. 45

The marketing division is very active and its director recently identified two of its primary aims as establishing and promoting the charity's image, and ensuring a successful marketing mix. The 4Ps are just as important to a charity as to any other business. Obviously the visitors to the holiday villages have to pay for their accommodation, food and activities. New Horizons operates a dual policy on pricing. It prices its activities for clients in developed countries on a cost-plus basis whereas clients in the developing world are charged discriminatory prices. The charity feels this is only right and fair. 50

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

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

- 1 (a) Charities are non-profit-making organisations. Explain what a non-profit-making organisation is and give **one** benefit of it to New Horizons. [5]
- (b) Father Mahesh said that without a surplus the charity would not be able to grow. Explain what he meant. [5]
- (c) Draw a simple chart to show how New Horizons obtains its funding. [5]
- (d) Explain the charity's objective of satisfying customer demand. [5]
- [Total: 20]**
- 2 (a) Staff in New Horizons' holiday village division are organised into teams and quality circles.
- (i) Explain what team-working is and identify **one** benefit of it to New Horizons. [5]
- (ii) Explain what is meant by a quality circle and give **one** benefit of it to the employees and volunteers. [5]
- (b) The structure of New Horizons is hierarchical but there is a flat structure in the holiday village division. Describe what a flat structure is and say why it is **not** appropriate for the entire organisation of New Horizons. [5]
- (c) One function of an organisation's structure is to set and achieve targets. Explain how the flat structure of the holiday village division achieves this. [5]
- [Total: 20]**
- 3 (a) Both employer and employees have expectations of each other.
- (i) Describe New Horizons' expectation that employees and volunteers should be committed to the charity and its objectives. [5]
- (ii) Describe the employees' expectations that they will be given training. [5]
- (iii) As the volunteers do not receive any wage or salary, describe their expectation for appropriate incentives. [5]
- (b) The staff of New Horizons are employed on a range of different employment contracts. Explain the difference between casual and temporary employees. [5]
- [Total: 20]**

- 4 (a) Environmental groups have complained to the charity that the visitors to the holiday villages are causing negative externalities.

Explain what is meant by a negative externality and give **one** example that would concern an environmental group. [5]

- (b) New Horizons' holiday villages provide much needed employment for a lot of local people.

Explain why the charity thinks it should receive Government incentives and give **one** example of a suitable incentive. [5]

- (c) Every business and charitable organisation is affected in some way by external or PEST factors that influence its activities. Explain how New Horizons might be influenced by:

(i) exchange rates; [5]

(ii) social, ethical and environmental considerations. [5]

[Total: 20]

- 5 (a) New Horizons operates using cost-plus pricing for clients in the developed world but discriminatory pricing in the developing world.

(i) Explain what is meant by cost-plus pricing and say why the charity uses it in the developed world. [5]

(ii) Explain what is meant by discriminatory pricing and why New Horizons uses it in the developing world. [5]

- (b) The marketing division has two main aims: establishing the image of the charity and getting the marketing mix right.

(i) Describe how New Horizons should establish and promote its image. [5]

(ii) Explain what is meant by the marketing mix. [5]

[Total: 20]





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