



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

AA1 EXAMINATION - JULY 2016

(AA15) BUSINESS OPERATIONS AND MANAGEMENT

• **Instructions to candidates** (Please Read Carefully):

- (1) **Time allowed:** Reading - 15 minutes
Writing - 03 hours.

- (2) **All questions should be answered.**

- (3) **Answers should be in one language, in the medium applied for, in the booklets provided.**

- (4) **State clearly assumptions made by you, if any.**

- (5) **Action Verb Check List** with definitions is attached. Each question begins with an **action verb** excluding OTQ's. Candidates should answer the questions based on the **definition** of the verb given in the Action Verb Check List.

- (6) 100 Marks.

24-07-2016
Afternoon
[1.45 – 5.00]

No. of Pages : 07

No. of Questions : 06

SECTION A

Objective Test Questions (OTQs)

Twenty (20) compulsory questions

(Total 40 marks)

Question 01

Select the most correct answer for question No. 1.1 to 1.15. Write the number of the selected answer in your answer booklet with the number assigned to the question.

1.1 Which one of the following group consists only of human needs?

- (1) Electricity, Food and Safety. (2) Shelter, Food and Clothes.
(3) Bread, Houses and Clothes. (4) Shelter, Clothes and Electricity.

1.2 Which one of the following is **not** an auxiliary service?

- (1) Insurance. (2) Retail trade.
(3) Communication. (4) Banking.

1.3 Which one of the following is **incorrect** with respect to a partnership agreement?

- (1) It can be an oral, a written or an implied agreement.
- (2) Partnership business cannot be continued without an agreement.
- (3) It includes rights and duties of partners.
- (4) It describes the nature of the partnership.

1.4

- (a)** Bank money is more liquid than near money.
- (b)** Bank money is balances of current accounts.

Out of the above, the correct statement/s with respect to Bank Money is/are:

- (1) **(a)** only.
- (2) **(b)** only.
- (3) Both **(a)** and **(b)**.
- (4) None of the above.

1.5 Which one of the following is **not** a characteristic of good information?

- (1) Relevance.
- (2) Accuracy.
- (3) Understandability.
- (4) Complexity.

1.6 Consider the following statements relating to an effective product design:

- (a)** It matches the characteristics of the product with the customers' requirements.
- (b)** It reduces the time required to design a new product.

Out of the above, the correct statement/s relating to an effective product design is/are:

- (1) Both **(a)** and **(b)**.
- (2) **(a)** only.
- (3) **(b)** only.
- (4) None of the above.

1.7 Which one of the following is included in the "Costs of Inventory"?

- (1) Holding cost.
- (2) Ordering cost.
- (3) Shortage cost.
- (4) All of the above.

1.8 Which one of the following statements is **incorrect** with regard to "Economic Order Quantity (EOQ)"?

- (1) It is calculated based on the known demand.
- (2) It is used as an inventory control method.
- (3) When deriving the EOQ, lead time is to be assumed as constant.
- (4) EOQ is the order size that maximizes the total inventory cost.

1.9 Which one of the following functions is **not** being performed by a registered finance company?

- (1) Accepting term deposits.
- (2) Granting loans.
- (3) Providing lease facilities.
- (4) Creation of money.

1.10 Which one of the following can be considered as an opportunity of globalization?

- (1) Create cultural differences.
- (2) High labour cost.
- (3) Increase in new markets.
- (4) Increase in regulatory obstacles.

1.11 An advantage of Business Process Outsourcing (BPOs) is:

- (1) Data privacy breaches.
- (2) Overdependence on service providers.
- (3) Increase in organizational growth.
- (4) None of the above.

1.12 Which one of the following is **not** a variable of the Product Marketing Mix?

- (1) Price.
- (2) Product.
- (3) Process.
- (4) Place.

1.13 Which one of the following statements is **incorrect** with regard to “E-commerce”?

- (1) It only facilitates business-to-business (B2B) transactions.
- (2) It eliminates geographical barriers.
- (3) It creates virtual consumers who buy products online.
- (4) It enables technology mediated exchanges between parties.

1.14 PS Academy provides distant learning on Accounting and Finance courses. **PS** conducts its' courses from UK. The management of **PS** plans to outsource some of its non-primary activities to an Indian Business Process Outsourcing (BPO) company.

Which one of the following activities **PS** should **not** outsource to Indian BPO if it outsources only the non-primary activities?

- (1) Payroll management.
- (2) Lecturing and conducting tutorials.
- (3) Call center.
- (4) Accounting and book-keeping.

1.15 Which one of the following group of tools relates to “promotion element” of the Marketing Mix?

- (1) Channels, inventory and coverage.
- (2) Variety, public relations and transport.
- (3) Advertising, personal selling and direct marketing.
- (4) Channels, transport and features.

Select the correct word/words from those given within brackets to fill in the blanks of question No. 1.16 to 1.20. Write the selected word/words in your answer booklet with the number assigned to the question.

- 1.16 (*Efficiency / Effectiveness*) means doing the right thing.
- 1.17 Attract and retain the number of people required with the appropriate skills, expertise and competencies is one of the objectives of (*man power planning / job designing*).
- 1.18 (*Market orientation / Market segmentation*) is dividing a market into distinct groups of customers who have distinct needs, characteristics or behaviour.
- 1.19 The practice of adding a constant percentage to the cost of a product to arrive at the selling price is known as (*markup pricing / target return pricing*).
- 1.20 An organizational network which is based on the internet technology to provide access to data across the organization is known as (*intranet / extranet*).

(02 marks each, Total 40 marks)

End of Section A

SECTION B

Four (04) compulsory questions

(Total 40 marks)

Question 02

Jane operates a small scale plant nursery as a sole proprietorship business which delivers plants and flowers for individual customers and for some hotels in the city. She has an intention of expanding her business activities into other cities of the province. Now she is planning to form a partnership after joining with her brother as a partner.

(a) **State** four(04) rights of a partner. (04 marks)

(b) **Explain** three(03) advantages of a partnership when compared to a sole proprietorship.

(06 marks)

(Total 10 marks)

Question 03

The business environment can be divided into two types as internal and external. The external environment which has an indirect influence on businesses, consists of uncontrollable factors. **ABC Ltd.** is a company based in Sri Lanka and is operating in the industry of tea. Its main activities are planting, manufacturing and exporting of black and green tea.

- (a) (i) **State** the two(02) components of the external environment. (02 marks)
- (ii) **State** a characteristic of each of the above components stated in (i) above. (02 marks)
- (b) **Explain** how the PEST analysis can be applied to **ABC Ltd.** in the current Sri Lankan context. (06 marks)
- (Total 10 marks)

Question 04

“Operational activities refer to day-to-day activities, where a manufacturing organization uses to transform inputs into output. In contrast, a service organization uses to provide legally accepted intangible goods that are required by their customers.”

- (a) **State** four(04) characteristics that can be used to distinguish a manufacturing organization from a services providing organization. (04 marks)
- (b) **Explain** the steps involved in a service design process. (06 marks)
- (Total 10 marks)

Question 05

“Human Resource Management (HRM) provides effective utilization of human resources to achieve the objectives of an organization and satisfaction and development of employees.”

- (a) **State** four(04) objectives of Human Resource Management. (04 marks)
- (b) **Explain** why induction is important for an organization. (06 marks)
- (Total 10 marks)

End of Section B

SECTION C

A compulsory question.

(Total 20 marks)

Question 06

LILLY PLC (LILLY) is a leading stationery manufacturer and a retailer with over 5,000 stores worldwide. It continues to expand in Europe, India and Australia. **LILLY** provides value for money by satisfying all the stationery needs of customers. **LILLY** emphasizes on keeping both internal and external customers happy through quality, price and operational efficiency.

LILLY has identified that training and development is a key to be effective and efficient in operations. **LILLY** identifies training needs through an ongoing analysis of employee performance at all levels due to the importance in manpower planning. Right set of skilled people is recruited to face the rapid expansion of the business and clear and detailed job descriptions for each post is developed by the organization. All new recruitments go through a comprehensive structured training plan. New employees get to learn about the philosophy of the organization and its expectations from the training programs. **LILLY** believes that training of employees should be continued from the point of recruitment to the stage of leaving of an employee from the organization.

According to the discussions had regarding expansion strategy to be implemented in India, **LILLY** prefers to use marketing intermediaries to sell their stationery products. This provides **LILLY** with a competitive advantage mainly in the area of cost. Maintaining a better relationship with marketing intermediaries and minimizing the costs relating to South Asian operations are key factors to the expansion strategy of **LILLY**. While considering the above, **LILLY** also wants their products to be available in India. In addition to using of marketing intermediaries, **LILLY** uses a massive advertising campaign also to promote their products.

You are required to:

- (a) **Explain** five(05) training methods available for **LILLY** in training their new employees as well as existing employees. (10 marks)
 - (b) **Explain** three(03) key decisions involved in managing the distribution function of **LILLY** in India. (06 marks)
 - (c) **State** four(04) ways of advertising that **LILLY** can use to promote their products. (04 marks)
- (Total 20 marks)

End of Section C

ACTION VERB CHECK LIST

Knowledge Process	Verb List	Verb Definitions
Level 01 Comprehension Recall & explain important information	Define	Describe exactly the nature, scope, or meaning.
	Draw	Produce (a picture or diagram).
	Identify	Recognize, establish or select after consideration.
	List	Write the connected items one below the other.
	Relate	To establish logical or causal connections.
	State	Express something definitely or clearly.
	Calculate/Compute	Make a mathematical computation
	Discuss	Examine in detail by argument showing different aspects, for the purpose of arriving at a conclusion.
	Explain	Make a clear description in detail revealing relevant facts.
	Interpret	Present in an understandable terms.
	Recognize	To show validity or otherwise, using knowledge or contextual experience.
	Record	Enter relevant entries in detail.
Summarize	Give a brief statement of the main points (in facts or figures).	

Knowledge Process	Verb List	Verb Definitions
Level 02 Application Use knowledge in a setting other than the one in which it was learned / Solve closed-ended problems	Apply	Put to practical use.
	Assess	Determine the value, nature, ability, or quality.
	Demonstrate	Prove, especially with examples.
	Graph	Represent by means of a graph.
	Prepare	Make ready for a particular purpose.
	Prioritize	Arrange or do in order of importance.
	Reconcile	Make consistent with another.
	Solve	To find a solution through calculations and/or explanation.

Knowledge Process	Verb List	Verb Definitions
Level 03 Analysis Draw relations among ideas and compare and contrast / Solve open-ended problems.	Analyze	Examine in detail in order to determine the solution or outcome.
	Compare	Examine for the purpose of discovering similarities.
	Contrast	Examine in order to show unlikeness or differences.
	Differentiate	Constitute a difference that distinguishes something.
	Outline	Make a summary of significant features.