



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

AA2 EXAMINATION - JULY 2016

(AA26) BUSINESS MANAGEMENT AND STRATEGY

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

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

17-07-2016
Afternoon
[1.45 – 5.00]

No. of Pages : 06
No. of Questions : 10

- (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 will begin 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.**

SECTION A

Objective Test Questions (OTQs)

Ten (10) compulsory questions

(Total 20 marks)

Question 01

Select the most correct answer for question No. 1.1 to 1.5. Write the number of the selected answer in your answer booklet with the number assigned to the question.

1.1 According to the “Level of Authority”, Managers could be categorized as:

- (1) Marketing Managers, Finance Managers and Operations Managers.
- (2) Line Managers and Staff Managers.
- (3) Lower Level Managers, Middle Level Managers and Top Level Managers.
- (4) Divisional Managers and Top Level Managers.

1.2 Which one of the following is **not** involved in the process of organizing?

- (1) Designing the remuneration package that is attractive to employees.
- (2) Departmentalization.
- (3) Assigning of duties.
- (4) Establishing reporting relationships.

1.3 Which one of the following is a common principle of management introduced by Henri Fayol?

- (1) Division of work.
- (2) Centralization.
- (3) Unity of command.
- (4) All of the above.

1.4 Which one of the following is a consequence of an effectively designed organizational structure?

- (1) Low morale of employees.
- (2) Adaptation to change.
- (3) Lack of coordination among activities.
- (4) Uncertainty about reporting lines.

1.5 Which one of the following is a source of resistance to change?

- (1) Lack of understanding of the nature of the change.
- (2) Individuals believing that the results of the change threaten their own personal interests.
- (3) Lack of trust in those initiating the change and their motives.
- (4) All of the above.

Select the most suitable word from those given within brackets to fill in the blanks of question No.1.6 to 1.10. Write the selected word in your answer booklet with the number assigned to the question.

1.6 The management approach which incorporates various mathematical, statistical and analytical techniques and models together with computer simulations into management is known as (*Quantitative approach / Behavioural approach*).

1.7 (*Strategy / Goal*) is the direction and the scope of an organization over the long term.

1.8 (*Legitimate power / Expert power*) is based on the position which an individual holds in the company's hierarchy.

1.9 (*Authority / Accountability*) is the obligation of an individual to carry out his duties as per the standard of performance.

1.10 (*Diversification Strategy / Concentration Strategy*) is a strategy in which firms attempt to achieve growth by expanding business into related or unrelated new businesses.

(02 marks each, Total 20 marks)

End of Section A

SECTION B

Five (05) compulsory questions

(Total 25 marks)

Question 02

“Once the organization ensures that its employees are efficient and effective, it will be able to see a rise in productivity”.

Explain how efficiency and effectiveness help to improve the productivity of an organization. (05 marks)

Question 03

“A manager alone cannot perform all the tasks assigned to him and as such he delegates authority to meet targets. However, there are barriers for delegation of authority from the side of a Manager, as well as of an employee.”

State five(05) barriers to delegation of authority from the side of a Manager. (05 marks)

Question 04

“Communication is the process by which information is exchanged and understood by two or more people”.

Explain the importance of communication in an organization. (05 marks)

Question 05

“Social responsibility suggests that an organization should also fulfill its social responsibilities and it should not be solely focused on maximizing profits”.

State five(05) advantages that an organization can obtain by being socially responsible. (05 marks)

Question 06

“The value chain of an organization identifies the primary activities that create value for customers and the related support activities”.

Explain the primary activities of Value Chain Model introduced by Michael Porter. (05 marks)

End of Section B

SECTION C

Three (03) compulsory questions

(Total 30 marks)

Question 07

ABC Foods is a sole proprietorship business engaged in the manufacturing of confectionaries for local market. Owner of the business believes that all business operations should be carried out based on written rules and regulations. He also believes that clear assignment of duties and responsibilities for each job should be given by maintaining clear organizational hierarchy. However, most of the employees are unhappy with the present management practices due to rigid procedures to carryout the tasks and delayed decision-making due to excessive regulations.

You are required to:

- (a) **Identify** the type of management approach adopted by the owner of **ABC Foods** in managing his business operations. *(State reasonable justifications for your answer)* (04 marks)
 - (b) **Explain** the advantages and disadvantages of the present management approach adopted at **ABC Foods**. (06 marks)
- (Total 10 marks)

Question 08

“Planning and controlling are two separate functions of management process and they are closely interrelated. Without the planning, controlling activities become baseless and without controlling, planning becomes a meaningless exercise”.

You are required to:

- (a) **State** the sequential steps involved in the Planning Process. (04 marks)
 - (b) **Explain** the relationship between Planning and Controlling in an organization. (06 marks)
- (Total 10 marks)

Question 09

“Organizational culture is influenced by the organization’s history, product, market, technology, type of employees, management style and national culture. The Cultural Web is an approach for looking at and changing the organization's culture. It helps to expose cultural assumptions and practices, and set to work aligning organizational elements with one another, and with the strategy.”

You are required to:

- (a) **State** four(04) elements of the Cultural Web. (04 marks)
 - (b) **Explain** the relationship between strategy and culture. (06 marks)
- (Total 10 marks)

End of Section C

SECTION D

A compulsory question

(25 marks)

Question 10

Swisstech Holdings Company Ltd. has been operating in Sri Lanka since 1980 and holds a substantial market share in office furniture market by offering variety of products to all the segments. The company achieved a remarkable growth within few years as a result of the endurance and perseverance of **Mr. Dissanayake** who is the main shareholder and the Chief Executive Officer (CEO) of the company. Currently, 480 employees are working at both plants and showroom premises. At present, **Swisstech** has become a leading office furniture manufacturing company having a good reputation as a quality product supplier.

Even though the company has achieved a reasonable growth, some newly established companies of the industry have achieved higher growth rates than **Swisstech**. Further, it is noted that there are several issues to be addressed by management to overcome future barriers to the growth of the company. Specially, turnover rate of the factory workers is very high and it is very difficult to find experienced factory workers who have been working for more than three (3) years with the company. Further, most of them are working on contract basis. Therefore, commitment of the employees' is relatively low. As a result of this situation, the company cannot deliver orders on time and some orders have been returned due to mismatch with the specifications or defects in the products.

This situation is directly connected with the leadership style of CEO. He started the business at a small scale and until recent years he personally handled all the business operations. Even though there are some competent managers to handle different business functions, he is directly involving himself with each operational function. Further, he thinks only about the production targets and he does not allow employees to get leave as they required. All the salaries and allowances are decided by the CEO based on the performance of employees. He always believes the fact that the employees need to work hard to develop the organization and any personal problems of the employees are considered as not important to the business.

Mr. Dissanayake has recognized that **Swisstech** cannot face the present competition with the prevailing situation and immediate actions need to be initiated to identify the problems and to motivate existing employees to increase their commitment and retention. For this purpose, he invited a Management Consultancy Firm to do a comprehensive analysis about the present situation of the company and to come up with viable solutions.

You are required to,

- (a) **State** the possible steps involved in a Rational Problem Solving Process to solve prevailing problems of **Swisstech Holdings Company Ltd.** (06 marks)
- (b)
 - (i) **Discuss** the leadership style of **Mr. Dissanayake** based on an appropriate leadership model. (04 marks)
 - (ii) **Recognize** an appropriate leadership style for **Mr. Dissanayake** to solve the prevailing problems and to face the present situation. (04 marks)
 - (iii) **Explain** two(02) reasons why a good leadership is important for an organization. (04 marks)
- (c) **Discuss** how Maslow's Hierarchy of Needs Theory could be used to motivate the employees of **Swisstech Holdings Company Ltd.** (07 marks)

(Total 25 marks)

End of Section D

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.