



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

AA1 EXAMINATION - JANUARY 2017

(AA15) BUSINESS OPERATIONS AND MANAGEMENT

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

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

29-01-2017
Afternoon
[1.45 – 5.00]

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

No. of Pages : 06

No. of Questions : 06

- (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.

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 is correct regarding the management process?

- (1) Planning, Production, Leading and Communication.
(2) Planning, Objectives, Unity of Command and Organizational Structure.
(3) Planning, Organizing, Leading and Controlling.
(4) Planning, Unity of Command, Leading and Organizational Structure.

1.2 The special advantage of a partnership business when compared to a sole proprietorship business is:

- (1) Distribution of risk. (2) Quick decision making.
(3) Unlimited liability. (4) Compulsory accounting.

1.3 Which one of the following is a licensed specialized bank in Sri Lanka?

- (1) Hatton National Bank.
- (2) Bank of Ceylon.
- (3) National Savings Bank.
- (4) Peoples' Bank.

1.4 Which one of the following is **not** correct with respect to public limited companies?

- (1) Minimum number of shareholders is 01.
- (2) Maximum number of shareholders is 50.
- (3) Minimum number of Directors is 02.
- (4) It is compulsory to publish the annual report.

1.5 Which one of the following is **not** a component of Porter's Five Forces Model?

- (1) Threat of new entrants.
- (2) Bargaining power of suppliers.
- (3) Bargaining power of employees.
- (4) Bargaining power of buyers.

1.6 Which one of the following statements is correct regarding Inventory Management?

- (1) It is required to meet customer demand.
- (2) It helps to determine the amount of stock to be maintained and ordered.
- (3) It helps for the cost effectiveness of the inventory.
- (4) All of the above.

1.7 Which one of the following is **not** a quality dimension for a manufactured product?

- (1) Feature.
- (2) Accuracy.
- (3) Reliability.
- (4) Durability.

1.8 Designing a job with increased number of duties and scope is identified as:

- (1) Job enlargement.
- (2) Job rotation.
- (3) Job enrichment.
- (4) Job specification.

1.9 Which one of the following is a technique used for forecasting demand for Human Resources?

- (1) Replacement charts.
- (2) Staffing tables.
- (3) Trend analysis.
- (4) Skills inventories.

1.10 Which one of the following aspects is **not** covered in the scope of the Human Resource Management?

- (1) Personnel aspect.
- (2) Welfare aspect.
- (3) Production aspect.
- (4) Industrial relations aspect.

1.11 Which one of the following tactics relates to the “Marketing philosophy”?

- (1) Integrated marketing programs.
- (2) Aggressive selling and promotional campaigns.
- (3) Higher profit through higher production.
- (4) Increase in production efficiency.

1.12 Dividing a market into distinct segments based on the homogeneous nature or respond to similar marketing action is known as:

- (1) Market segmentation.
- (2) Target marketing.
- (3) Market positioning.
- (4) Niche marketing.

1.13 Of the following, select the product marketing mix:

- (1) Product, Price, Promotion, People.
- (2) Product, Price, Promotion, Place.
- (3) Product, Price, Process, Place.
- (4) Product, People, Process, Physical evidences.

1.14 Which one of the following is a positioning approach / strategy?

- (1) Value positioning.
- (2) Product class positioning.
- (3) User positioning.
- (4) All of the above.

1.15 Which one of the following is **not** a reason for outsourcing the activities of a company?

- (1) To reduce the operating cost.
- (2) Non-availability of resources in the company.
- (3) To focus on the core business.
- (4) Increase the time to enter into the market.

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 (*Organising / Planning*) is a function of management that involves setting objectives and determining set of actions for achieving those objectives.

1.17 (*Economic order quantity / Just in time inventory*) is the optimal order size that minimizes the total inventory cost.

1.18 (*Human Resources Management / Marketing and Sales*) is a support activity identified by the Porter’s Value Chain.

1.19 Raw facts and figures about the environment or organization are called (*information / data*).

1.20 (*Differentiated Marketing / Undifferentiated Marketing*) does not target a particular segment of the market. (02 marks each, Total 40 marks)

End of Section A

SECTION B

Four (04) compulsory questions

(Total 40 marks)

Question 02

Business organizations could be classified according to various criteria such as ownership, objectives, size, etc. However, regardless of the nature of the business organization, support services are vital for any business organization to conduct its operational activities. Financial services, transportation, communication, insurance and warehousing are the main supportive services which facilitate operational activities of a business organization.

- (a) **State** four(04) differences between a partnership and a private limited liability company. (04 marks)
- (b) **Explain** the importance of a good transport system for a business organization. (06 marks)
- (Total 10 marks)

Question 03

A business organization has converted an information system which was operated under a manual system to a technological system. This conversion has brought many advantages to the organization. Globalization has also affected to improve the information system.

- (a) **List** five(05) advantages of using a technological system for information management. (05 marks)
- (b) **Explain** how E-commerce helps a business organization. (05 marks)
- (Total 10 marks)

Question 04

The process of seeking and attracting a pool of people from qualified candidates for job vacancies of the organization is known as recruitment. Once the potential candidates are recruited and selected; they become employees of the company. It is the duty of the employer to train and develop those employees to enable them to perform their duties effectively.

- (a) **Identify** the steps involved in a systematic recruitment process. (05 marks)
- (b) **Discuss** the benefits available to an organization from effective training of the employees. (05 marks)
- (Total 10 marks)

Question 05

Marketing is the process which satisfy customers' needs and wants by offering products and services. Branding plays a major role in marketing.

- (a) **State** four(04) advantages of branding. (04 marks)
- (b) **Explain** the following terms in Marketing:
- (i) Market offering / product.
- (ii) Target Marketing. (06 marks)
- (Total 10 marks)

End of Section B

SECTION C

A compulsory question.

(Total 20 marks)

Question 06

Mario Biscuit Ltd. which is a leading biscuit manufacturer in Sri Lanka established its operations in 1970 and was operating for more than three decades successfully. The company was among the top five biscuit manufacturers during the last five years. Three months ago, **Thomas** was appointed as the new Chief Executive Officer (CEO) of the company.

Mario Biscuit Ltd. is a well-known company for different flavours of biscuits specially among kids. The factory of the company was being operated by a well experienced Operations Manager who retired from the company six months ago attaining the age of 60 years. Currently around 3,000 workers are working in the factory on shift basis.

Thomas has observed that some of the production machineries were idle for considerable number of hours a day during the past six months period and production and sales have also dropped during the past six months. Due to the bad signals from most of the areas, the new CEO decided to conduct a market survey and the market survey revealed the following:

- A new competitor has entered into the market who is producing similar flavours of biscuits for kids.
- Over the last 5 years, the sales have gradually decreased.
- The company's market share was reduced to 18% from 22% over the last 5 years.
- Prices of the products have been increased drastically due to taxes.
- Profit margin of the company has also dropped drastically during the period due to the above matters.

Last Friday, Employees' Union discussed with the new CEO and made a number of grievances. Employees' union has also highlighted that most of the employees are resigning from the company due to job dissatisfaction caused from lesser salaries and other benefits, non-availability of promotions, performance appraisals and rewards etc.

In order to address these issues, the CEO has immediately recruited an Operations Manager for the company. Also he has instructed him to immediately design and implement an Effective Performance Appraisal System.

You are required to:

- (a) **Assess** the impact to the operations of **Mario Biscuit Ltd.** from the environment using SWOT analysis. (08 marks)
- (b) **Identify** the role of the Operations Manager in this particular company. (08 marks)
- (c) **State** four(04) features of an Effective Performance Appraisal System. (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.