



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

AA1 EXAMINATION - JANUARY 2019

(AA15) BUSINESS OPERATIONS AND MANAGEMENT

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

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

03-02-2019  
Afternoon  
[1.45 – 5.00]

- (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.

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

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**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** Of the following, select the group which consists of input of a system in a business organization:

- (1) Planning, Organizing and Controlling.      (2) Machinery, Material and Capital.  
(3) Efficiency, Effectiveness and Productivity.      (4) Goods and Services.

**1.2** Which one of the following is the basis for classification of business organizations into private and public organizations?

- (1) Ownership.      (2) Nature of Production.  
(3) Size.      (4) Objective.

**1.3** Which one of the following is an external stakeholder of an organization?

- (1) Employees.      (2) Managers.      (3) Suppliers.      (4) Directors.

**1.4** An insurance policy to which the indemnity principle of insurance will **not** apply is:

- (1) Life insurance.
- (2) Motor insurance.
- (3) Marine insurance.
- (4) Fire insurance.

**1.5** A supply chain begins with:

- (1) the government.
- (2) end-use customers.
- (3) suppliers.
- (4) distributors.

**1.6** Of the following, an element of the communication process is:

- (1) Sender.
- (2) Feedback.
- (3) Message.
- (4) All of the above.

**1.7** Which one of the following is **not** a feature of a business organization?

- (1) It has a formal structure and systems.
- (2) It has a group of people who comes together to achieve a common goal.
- (3) It has a culture followed by organizational values.
- (4) It produces goods only.

**1.8** Which one of the following is **not** correct with regards to the provisions of 1890 partnership ordinance?

- (1) Partners are entitled for an interest on the capital contributed.
- (2) Salaries are not paid for partners.
- (3) All partners have the right to be involved in the business activities.
- (4) Profit and losses are to be shared equally among partners.

**1.9** Which one of the following is **not** a barrier to new entrants to the industry?

- (1) Economies of scale.
- (2) Product differentiation.
- (3) Vision and Mission of the organization.
- (4) Capital requirement.

**1.10** Which one of the following is considered as an Inventory Control System?

- (1) ABC classification system.
- (2) Continuous inventory system.
- (3) Periodic inventory system.
- (4) All of the above.

**1.11** Information systems are based on different levels in an organization. Office Automation System (OAS) is generally used at the:

- (1) Strategic level.
- (2) Management level.
- (3) Knowledge level.
- (4) Operational level.

**1.12** Which one of the following is an advantage of external recruitment?

- (1) It develops internal employees.
- (2) It brings new ideas and knowledge to the organization.
- (3) It reduces the time spent on induction.
- (4) It motivates internal employees.

**1.13** Which one of the following is a threat of globalization?

- (1) Free trade.
- (2) Identification of new markets.
- (3) Cultural differences.
- (4) Expansion of operations.

**1.14** Which one of the following is a disadvantage of branding?

- (1) It reduces the consumer's risk in purchasing.
- (2) It helps consumers to take quick buying decisions.
- (3) It helps consumers to easily identify the products.
- (4) It involves a high cost to build a new brand.

**1.15** The main aspects of talent management are:

- (1) Performance appraisal and training & development.
- (2) Selection and reward management.
- (3) Motivation and leadership.
- (4) Recruitment and induction.

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** ..... (*Globalization / Privatization*) is the process of interaction and integration among people, companies, and governments of different nations, which is driven by international trade and investment and aided by information technology.

**1.17** ..... (*Insurance / Trading*) is an auxiliary service of a business organization.

**1.18** Higher profits from high sales is the final objective of the ..... (*selling concept / customer concept*).

**1.19** ..... (*Marketing and sales / Technology development*) is a primary activity of Porter's Value Chain.

**1.20** ..... (*General acceptance / Ability to duplicate*) is a characteristic of good money.

(02 marks each, Total 40 marks)

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End of Section A

## **SECTION B**

Four (04) compulsory questions

(Total 40 marks)

### **Question 02**

“All the business organizations including sole proprietorships, partnerships, corporate organizations and public sector business organizations operate in the macro environment which can have a great impact on the performance of the organization. In order to identify the impact of the macro environmental variables on the business organization, PEST analysis is used.”

**You are required to:**

- (a) **Explain** the PEST analysis with two(02) examples for each variable. (06 marks)
- (b) **State** two(02) advantages and two(02) disadvantages of a Private Limited Company. (04 marks)
- (Total 10 marks)

### **Question 03**

Manpower (Human Resources) planning determines the human resources required by the organization to achieve its strategic goal. Further, the active participation and cooperation of all the employees is required to achieve and sustain quality management in an organization.

**You are required to:**

- (a) (i) **State** three(03) objectives of manpower planning. (03 marks)
- (ii) **State** two(02) strategies which can be used to overcome human resource surplus in an organization. (02 marks)
- (b) (i) **State** three(03) principles of Total Quality Management (TQM). (03 marks)
- (ii) **Identify** any two(02) dimensions of quality for services. (02 marks)
- (Total 10 marks)

### **Question 04**

Marketing is the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return. In today's competitive world, customers expect products to be branded.

**You are required to:**

- (a) **Explain** three(03) reasons why branding is important. (06 marks)
- (b) **Explain** the following terms used in Marketing:
- (i) Market segmentation.
- (ii) Positioning. (04 marks)
- (Total 10 marks)

### **Question 05**

Operations Management is an area of management concerned with designing and controlling the processes of production and redesigning business operations in the production of goods or services.

**You are required to:**

- (a) **Explain** three(03) reasons to consider Operations Management as important for an organization. (06 marks)
- (b) **Explain** two(02) main reasons for companies to outsource their functions to another organization. (04 marks)
- (Total 10 marks)

End of Section B

## **SECTION C**

A compulsory question.

(Total 20 marks)

### **Question 06**

**Rubi** is the Project Manager of **SETA (Social Entrepreneurships Training Association)**, a not-for-profit Training and Development Organization. **SETA** is engaged in designing Training and Development projects, instrumentation, data collection and analysis and project implementation activities. At the moment, **Rubi** is in charge of leading an important long-term training and development project for a leading Multi-National Company.

**Shiromi** is her immediate supervisor, who is also the Directress of **SETA**. **Shiromi** has appreciated **Rubi's** work on a few occasions specially her ability to manage large and complicated projects such as what she is doing at the moment.

After the project was commenced, **Rubi** had some serious disagreements on numerous occasions with **Shiromi** about her duties and responsibilities as the Project Manager. It seems that tight schedules, long working hours and lack of technical expertise in training and development had lead **Rubi** into stressful situation. It seems that some conflicts were mostly due to a "personality conflict" between **Rubi** and **Shiromi**. Their dislike of each other was often seen in many staff meetings as well as project progress review meetings. Further **Rubi** has requested several times to increase her salary but it has not been considered.

Therefore, **Rubi's** dissatisfaction regarding her working environment has been gradually increased and her absenteeism has also been increased. Finally, **Rubi** has decided to resign. Following the HR policies at **SETA**, **Rubi** gave her 'resignation letter' mentioning that she would vacate her post in one months' time.

**You are required to:**

- (a) **Explain** three(03) causes of grievances of **Rubi**. (06 marks)
- (b) **Identify** the steps of procedure that the Human Resource Manager should follow when selecting a suitable candidate to replace **Rubi**. (05 marks)
- (c) Upon the resignation of **Rubi**, **Shiromi** wanted to explain the current project that was handled by **Rubi** to her newly recruited Project Manager using the method of data mining.  
**Explain** what is meant by "data mining" in relation to databases. (03 marks)
- (d) **Explain** three(03) variables included in the marketing mix (4P's) of **SETA** as a not-for-profit organization. (06 marks)

(Total 20 marks)

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*End of Section C*

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## ACTION VERB CHECK LIST

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

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

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