ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

AA1 EXAMINATION - JULY 2019

(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.

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, an advantage of a sole proprietorship is:

(1) Unlimited liability.

(2) Difficulty in raising funds.

(3) Easy to start.

(4) More legal requirements.

1.2 Which one of the following is an example for a human need?

(1) Bread.

(2) Shirts.

(3) Biscuits.

(4) Safety.

1.3 Which one of the following is **not** a characteristic of a service?

(1) It is tangible.

(2) Its output is variable.

(3) It is perishable.

(4) It has higher customer contact.

1.4 Which one of the following statements is correct regarding a private limited company?

(1) Maximum number of shareholders is 50.

(2) Shares are permitted to be issued to the public.

(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 dimension of quality for a manufactured product?

(1) Reliability.　　(2) Durability.　　(3) Performance.　　(4) Timeliness.

1.6 Which one of the following is an advantage of technology in information management?

(1) It reduces operating cost.

(2) It improves efficiency and productivity.

(3) It safeguards vital information.

(4) All of the above.

1.7 Which one of the following is **not** an element of job specification?

(1) Job title.

(2) Purpose of job.

(3) Main duties to be performed.

(4) Working experience.

1.8 A cause for a grievance is:

(1) Working conditions.

(2) Effective supervision.

(3) Satisfactory pay.

(4) Effective communication.

1.9 Which one of the following is a feature of an effective performance appraisal system?

(1) Top management commitment and facilitation.

(2) Trust and openness.

(3) Constant monitoring to ensure reliability.

(4) All of the above.

1.10 Which one of the following is a non-financial reward?

(1) Salary.

(2) Best Employee of the Year award.

(3) Pension.

(4) Over-time payment.

1.11 When there is lack of demand shown for certain mobile packages in the market, mobile communication providers design and offer different mobile packages to cater to the diverse needs of the customers. The demand for such mobile packages is called:

(1) Negative demand.

(2) Full demand.

(3) Latent demand.

(4) Unwholesome demand.

1.12 Which one of the following is **not** a characteristic of an effective market segment?

(1) Measurable.

(2) Indifferentiable.

(3) Accessible.

(4) Actionable.

1.13 According to Phillip Kotler, a characteristic that needs to be perceived as a successful brand is:

(1) Ownership.

(2) Advertising.

(3) Attributes.

(4) Channel alternative.

1.14 Which one of the following is a strategy that can be adopted when there is a human resources surplus?

(1) Subcontract.

(2) Work for overtime.

(3) Termination.

(4) Hire casual workers.

1.15 The quality certification awarded to organizations seeking to identify and control their environmental impact and constantly improve their environmental performance is known as:

(1) ISO 9000.   (2) ISO 9400.   (3) ISO 9004.   (4) ISO 14000.

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 ………………… *(Strengths / Opportunities)* are the internal factors of an organization in the environment.

1.17 ………………… *(Form design / Idea generation)* is the first step in the product design process that aims to understand the customers and their needs.

1.18 ………………… *(Bank of Ceylon / National Savings Bank)* is an example for licensed commercial bank.

1.19 Higher profits from high quality products is the final objective of ………………… *(product / production)* concept.

1.20 ………………… *(Maximization / Minimization)* of movements and material handling costs is an objective of effective facility layout.

(02 marks each, Total 40 marks)

———— *End of Section A* ————

SECTION B

Four (04) compulsory questions

(Total 40 marks)

Question 02

Businesses can be classified as sole proprietorships, partnerships, companies, etc. Supportive services are vital for any business regardless of the type of the organization. Transportation and communication are considered as crucial supportive services which play a vital role in the day to day life of people and business organizations.

You are required to:

(a) **Explain** four(04) features of a partnership business.   (06 marks)

(b) (i)   **State** two(02) qualities of effective communication.   (02 marks)

     (ii)   **State** four(04) features of a good transportation system.   (02 marks)
                                                                                                      (Total 10 marks)

Question 03

A business organization is where two or more people work together in a structured way to achieve a specific goal or set of goals. It connects with peoples' day to day life both directly and indirectly to fulfill needs and wants. Operations Management is a key factor of any business organization and it refers to all activities involved in producing goods and providing services.

You are required to:

(a) **State** four(04) features of a business organization.   (04 marks)

(b) **Explain** three(03) primary activities and three(03) supportive activities of Porter's Value Chain.
                                                                                                      (06 marks)
                                                                                                      (Total 10 marks)

Question 04

Human Resources Management (HRM) is the utilization of human resources effectively and efficiently in order to reach the goals of an organization. Hiring the right people for the right job at the right time is an objective of HRM.

You are required to:

(a) **State** four(04) functions of Human Resources Management.   (04 marks)

(b) **Explain** any three(03) functions stated as answers to (a) above.   (06 marks)
                                                                                                      (Total 10 marks)

Question 05

"**Kido**" is a recently opened small scale food restaurant in Galle. **Kido's** target customers are 'families dining with children'. According to the preferences of these target customers, **Kido** designed its restaurant with a modern kids play area while **Kido**'s kids' meal pack comes with a surprise gift toy.

You are required to:

(a) (i) **Explain** two(02) variables of marketing mix of **Kido**. (04 marks)

    (ii) **Identify** the most suitable 'target marketing approach' for **Kido's** food chain with reasons for your answer. (03 marks)

(b) **Explain** two(02) main positioning strategies. (03 marks)

———— *End of Section B* ————

(Total 10 marks)

SECTION C

A compulsory question.

(Total 20 marks)

Question 06

Easy Soft is a small scale Sri Lankan-based office automation firm which provides consultancy services specially for the retail service sector. **Mr. Alwis** who is a software engineer started this firm two years ago. **Easy Soft's** expertise is mainly on developing customised ERP solutions to clients in the retail sector. At present **Easy Soft** employs ten well experienced software developers.

As new office automation solution providers are entering into the Sri Lankan market, **Easy Soft** recently entered into a partnership agreement with an American ERP software developer named **"S Plus"** and developed a new ERP system. With this agreement **Easy Soft** business is mainly focused on selling this new ERP system to Sri Lankan retail firms and provide other supportive services for ERP systems.

The main reason behind **Easy Soft's** partnership with **S Plus** is the low price, which enables **Easy Soft** to target small and medium-scale businesses in Sri Lanka, which are unable to buy expensive ERP solutions. Further, **Easy Soft** believes new ERP system is an affordable platform that enables Sri Lankan retail sector's firms to link E-commerce features with their business operations.

You are required to:

(a) **Assess** the **Easy Soft's** business environment using PEST analysis. (06 marks)

(b) **State** two(02) strengths and two(02) opportunities of **Easy Soft**. (04 marks)

(c) **Explain** three(03) characteristics of good information. (03 marks)

(d) **Explain** what Enterprise Resources Planning (ERP) software is. (03 marks)

(e) **State** four(04) key factors that affect the success of e-commerce. (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.