



Association of Accounting Technicians of Sri Lanka

January 2017 Examination - AA2 Level

**Questions and Suggested Answers
(AA26)**

**BUSINESS MANAGEMENT AND STRATEGY
(BMS)**

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THE ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA
EDUCATION AND TRAINING DIVISION

AA2 Level Examination - January 2017
(AA26) Business Management and Strategy

SUGGESTED ANSWERS

SECTION – A

Ten (10) compulsory questions
(Total 20 marks)

Suggested Answers to Question One:

Question No.	Answer
1.1	(3)
1.2	(1)
1.3	(4)
1.4	(3)
1.5	(3)
1.6	False
1.7	False
1.8	True
1.9	False
1.10	True

End of Section A

Five (05) compulsory questions
(Total 25 marks)

Suggested Answers to Question Two:

Any five of the following can be considered as the answer.

01. Division of Labour / work
02. Authority and Responsibility
03. Discipline
04. Unity of Command
05. Unity of Direction
06. Subordination of individual interest to the general interest
07. Remuneration
08. Centralization
09. Chain of Command / Scalar Chain
10. Order
11. Equity
12. Stability of Tenure of Personal
13. Initiative
14. Esprit de Corps

(05 marks)

Suggested Answers to Question Three:

Authority is the legal right of person or superior to command his subordinates and responsibility is the obligation of individual to carry out his duties as per standards of performance. Authority flows from the superiors to subordinates in which orders and instructions are given to subordinates to complete the task. It is only through authority the manager exercises control. In a way through exercising the control, the superior is demanding accountability from subordinates. If the Marketing Manager directs the sales supervisor for 50 units of sale to be undertaken in a month and if the above standards are not accomplished. It is the manager who will be accountable to the Chief Executive Officer. Therefore, authority flows from top to bottom and responsibility flows from bottom to top. Accountability is a result of responsibility and responsibility is result of authority. Authority and responsibility are closely related. It means that proper authority should be delegated to meet the responsibilities.

(05 marks)

Suggested Answers to Question Four:

Any five of following can be taken as the answer

1. There should be two-way communication
2. Receiver should be understood the message properly
3. Receiver should be responded as expected by the sender
4. Should be meet the objective of communication
5. Sender and receiver should be satisfied
6. Message should be delivered to the right person

(05 marks)

Suggested Answers to Question Five:

Any five of following can be taken as the answer

1. Decrease in productivity
2. Tardiness or Absenteeism
3. Change of Personality and change of behaviour
4. Unsolicited feedback
5. Poor time keeping
6. Grievances
7. Lack of co-operation
8. Resistant to change

(05 marks)

Suggested Answers to Question Six:

Any five of following can be taken as the answer

1. Assist to achieve the organizational goals
2. Assist to utilize organizational resources effectively
3. Increase the motivation of employees
4. Assist to Establish a proper system and discipline in the organization
5. Easy to build coordination between tasks
6. Development of employee performance
7. Reducing the defects

(05 marks)

End of Section B

Three (03) compulsory questions
(Total 30 marks)

Suggested Answers to Question Seven:

(a)

	Basis	Manager	Leader
1	Origin	A person becomes a manager by virtue of his position	A person becomes a leader on basis of his personal qualities
2	Formal Rights	Manager has got formal rights in an organization because of his status.	Rights are not available to a leader.
3	Members	The members are known as subordinates.	The members are known as followers.
4	Functions	A manager performs all four functions of management	Leader influences people to work willingly for group objectives.
5	Respect	A manager is expecting the respect.	A leader is naturally receiving the respect.
6	Stability	It is more stable	Leadership is temporary.
7	Accountability	Manager is accountable for self and subordinates' behaviour and performance.	Leaders have no well-defined accountability.
8	Concern	A manager's concern is organizational goals.	A leader's concern is group goals and member's satisfaction.
9	Future focus	Managers are short sighted.	Leaders are far-sighted.
10	Attitude towards change	Managers tend to in Status-quo.	Leaders are Innovative.
11	Influencing mode	Managers influence on subordinates by using punishment.	Leaders influence on their followers by offering rewards.

(06 marks)

(b) Any four of following can be taken as the answer

- | | |
|--------------------|----------------|
| 1. Foresight | 2. Integrity |
| 3. Dependability | 4. Dedication |
| 5. Fairness | 6. Initiative |
| 7. Decisiveness | 8. Ambitious |
| 9. Intelligent | 10. Innovative |
| 11. Honest | 12. Assertive |
| 13. Self-Assurance | |

(04 marks)

(Total 10 marks)

Suggested Answers to Question Eight:

(a)

Any four of following can be taken as the answer

1. Can be obtained rewards of specialization
2. Can be built clear work relationships
3. Can be utilized resources efficiently
4. Can be easily adopted to environmental changes
5. Can be created Competitive Advantages
6. Team Building
7. Managing Risk and Uncertainty
8. Development of personal

(04 marks)

(b)

1. **Consistent Communication**

The cultural principles of the entity must be communicated consistently by the leadership and demonstrated on a daily basis. Also, it is highly vital that the leaders are proactive and a role model. Internal newsletters, business planning processes and company awards all needed to be structured around the principles which the company operates on the short, medium and a long term basis.

2. **Celebrate success**

The primary factor to maintaining cultural momentum has been providing all employees with a line of sight on every success the company achieves. Success requires celebration throughout the organization, and it is the duty of the company management to acknowledge and appreciate the efforts of a given team or department responsible for the achievement of goals.

3. **Be transparent**

Companies need to be transparent in their strategic planning and how they treat their employees. The more a company shares information, the more employees feel like a team and have a shared responsibility over the success of the company. This transparency should even extend to lessons about the failures as they are the pillars of success. Leaders should talk about them and not cover them up.

4. **Respect everyone's contribution**

Subordinates expect that the leaders would be able to respond to their voice and opinion and accept their feedback and criticism. A good corporate culture also invests in the training and welfare of its staff and trusts what employees have to say. The contribution needs to be felt by the employees and this would as a result be respected positively.

5. **Continually benchmark the performance**

Creating an excellent place to work cannot be done in a day, this should be done progressively. Every year employee retention and satisfaction should be enhanced. There are different benchmarking methods and the company should evaluate continuously for better performance. The company should have a clear discussion about the outcomes to make developments.

(06 marks)

(Total 10 marks)

Suggested Answers to Question Nine:

(a)

1 **Education and communication**

Education and communication can help employees to understand the need for change and the ways it will affect workers. Management can prepare for resistance to a change by providing education and communication in advance of its implementation.

2 **Employee Involvement / Participation**

Employees who involved in the development and implementation of new policies and procedures may be less likely to oppose and resist.

3 **Facilitation and Support**

Companies can help employees to deal with an organizational change through training and counseling programs. Training is designed to build up the confidence level of staff.

4 **Negotiation and agreement**

In negotiation strategy, there should be an agreement between Management and Staff representatives in critical issues. If an agreement is reached the staff will fully co-operate in implementation the change.

5 **Co-optation**

Co-optation involves identifying key individuals resisting changes and buying them off by giving them positions of authority to implement the changes.

6 **Explicit and implicit**

Coercion Explicit and implicit coercion involves the use of force or the threat of force (intimidation) to enforce the implantation of change.

7 **Market the new business strategy to each group**

Explain the new plan in terms (a common language) that help each group to understand how the new strategy will make their own jobs better or easier. Everyone in the organization must understand the goal of the new business strategy.

(06 marks)

(b)

Any four of following can be taken as the answer

1. Behaviour of superiors
2. Make wrong decisions
3. Individuals financial requirements
4. Lack of formal organizational policies on business ethics
5. Bad Behaviour of contemporaries
6. Acceptance or legality of standard behaviour
7. Unethical practices of one's industry or profession
8. Formal Organizational Policy (or lack of one)
9. Unethical acts, behaviours or practices
10. Absence of ethical leadership

(04 marks)

(Total 10 marks)



End of Section C

**A compulsory question
(25 marks)**

Suggested Answers to Question Ten:

(a)

- 1 Decision making is the core function of management as it involves with all the management functions namely planning, organizing, leading and controlling. Therefore, the survival of the organization into great extent depends on the effectiveness of the decisions made by managers. This is vital for **Agro Mac PLC** in diversifying the business. Decision making will help to plan and organize on ways of better utilization of resources on diversification strategy.
- 2 Decision making enables **Agro Mac PLC** to deal with new problems and challenges. Unforeseen changes in the external business environment may lead to new challenges. Therefore, proper decisions are necessary to adopt the challenges effectively.
- 3 Decision making is a continuous activity which stimulates the business growth. All managers at all levels of the hierarchy are required to make effective decisions regarding the responsibilities assigned to them. Continuous decision making facilitates followup actions. It will lead to monitor the progress of the **Agro Mac PLC**.
- 4 Decision making is a critical task for **Agro Mac PLC**. The managers need to make effective, correct and quick decisions while at the same time it is ensured that they are making right decisions. It is important to identify new business opportunities and strategies in relation to organic cultivation. The right decisions can lead **Agro Mac PLC** to success in diversifying the business.
- 5 Accurate decision making can lead to motivate and manage the human resource of the company also. This will cause to increase the efficiency of all the functions.

(05 marks)**(b) • The principle of passion**

When teams are acting in good passion, making and implementing of plans will be done courageously. Agro Mac PLC also has to follow this principle, because there are going to engaging new business.

• The principle of creativity

Creativity is very important aspect to present ideas for proper planning. Agro Mac PLC also opens the windows for its employees to present their ideas regarding new business.

• The principle of influence

The management could have to influence for financial positions and programmes of groups

to achieve prepared plans. Management of the Agro Mac PLC also has to influence their employees to achieve plans prepared for new business unit.

- **The principle of priority**

The key to prioritized work is the concentration followed by elimination and it should be developed in planning.

- **The principle of flexibility**

In leadership, planning or any function the management should be able to flexible about the work compared to the situation.

- **The principle of timing**

A company has to be patient till the right moment comes in order to make a decision. Further plans should be prepared for certain time period.

- **The principle of teamwork**

The worthwhile plan ought to be bigger than the abilities. Each person may have areas of weakness, blind spots and shortcomings. Unless the company management relies on a team, the plans may succumb to individual personal limitations.

(06 marks)

(C)

Variable	
Political	<ul style="list-style-type: none"> • Political support towards organic cultivations and discourage agro chemical manufacturing. • Tax guidelines and regulations. • Environmental laws.
Economic	<ul style="list-style-type: none"> • The demand for organic agricultural products is continuously increasing in the country due to increasing health concerns of the general public. • The farmers are starting to move into organic products and they are reluctant to apply agro chemicals for their cultivations. • Economic benefits of moving to traditional cultivation systems. • The grants and subsidies received for organic cultivation. • The effect on sales, revenue and profits.
Social and cultural	<ul style="list-style-type: none"> • Perception of the company by the general public on chemicals. • Pressure from environmental groups and opinion groups on manufacturing agro chemicals. • Perception towards organic fruit and vegetable cultivation by the general public. • Agricultural products contain very harmful chemicals like arsenic and those are directly related with serious diseases such as kidney issues of the people in the respective areas.

Technological	<ul style="list-style-type: none"> • Technological knowledge and techniques relate to use and disposal of agro chemicals. • Technological knowledge and techniques relate to organic fruit and vegetable sector.
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(08 marks)

(d)

As an effective leader CEO should be involved with following key functions.

- **Directing Function**

Effective leader should be direct his followers to achieve formulated goals. In this situation Agro Mac PLC's CEO should be acted with long term perspective. Because of followers always rely on their leader and they are acting according the instructions given by the leader.

- **Communication Function**

Effective leader should communicate information productively to his followers. Therefore leader should be a good communicator. CEO of the Agro Mac PLC also has to communicate the complexity of the process and what we are doing to his followers.

- **Changing Function**

Making changes is a one of the prominent task of an effective leader. The Leader should be act as an agent of the changing process of the business. Agro Mac PLC Company's CEO has play vital role for doing this change.

- **Motivational Function**

Leadership involves with motivating team members. Therefore, leader should be good motivator.

- **Culture Building Function**

Leader should initiating to build appropriate culture within organizations. Therefore, leader should be a role model to followers.

(06 marks)

(Total 25 marks)

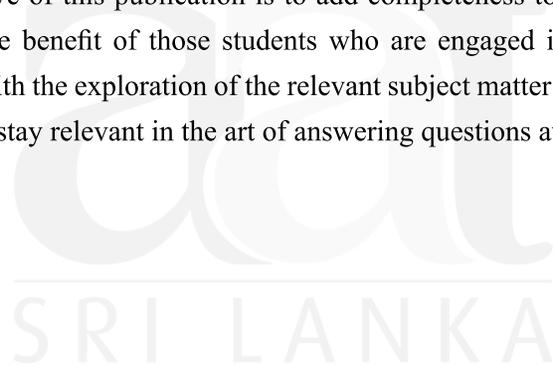
End of Section D

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These should be understood as Suggested Answers to question set at AAT Examinations and should not be construed as the “Only” answers, or, for that matter even as “Model Answers”.

The fundamental objective of this publication is to add completeness to its series of study texts, designs especially for the benefit of those students who are engaged in self-studies. These are intended to assist them with the exploration of the relevant subject matter and further enhance their understanding as well as stay relevant in the art of answering questions at examination level.



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