



**Association of Accounting Technicians of Sri Lanka**

**July 2017 Examination - AA2 Level**

**Questions and Suggested Answers  
(AA26)**

**BUSINESS MANAGEMENT AND STRATEGY  
(BMS)**

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**A publication of the Education and Training Division**

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

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

**SUGGESTED ANSWERS**

**SECTION – A**

**Objective Test Questions (OTQs)**

Ten (10) compulsory questions

(Total 20 marks)

*Suggested Answers to Question One:*

Question No.	Answer
1.1	(3)
1.2	(3)
1.3	(3)
1.4	(4)
1.5	(2)
1.6	True
1.7	True
1.8	False
1.9	True
1.10	True

*(02 marks each, Total 20 marks)*

*End of Section A*

**Five (05) compulsory questions**  
**(Total 25 marks)**

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***Suggested Answers to Question Two:***

**Advantages of Bureaucracy:**

- i. Easy management due to the consistent behavior of employees in accordance with decided rules, regulations and procedures.
- ii. Clarity in job roles. So that every job has clearly delegated duties and responsibilities.
- iii. Specialization through division of work which will affect to increase performance.
- iv. Human Resources are utilized in the most optimum way as recruitment and promotion are solely based on expertise and merit.
- v. The continuity of work is not affected due to the leaving of an employee as he is soon replaced.

**Disadvantages of Bureaucracy:**

- i. Unnecessary documentation (or documentation processes) due to rigid regulations.
- ii. Strict adherence to rules and regulations.
- iii. Less flexibility, and difficulty in adjusting to dynamic / changing situations.
- iv. It takes slow Decision Making

**(05 marks)**

***Suggested Answers to Question Three:***

**Challenges faced by managers in today's context:**

- i. Globalization
- ii. Quality management
- iii. Information Technology
- iv. Competing with the low cost labour
- v. Knowledge management, and managing learning organizations
- vi. Managing workforce diversity
- vii. Ethics and Social responsibilities

**(05 marks)**

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### ***Suggested Answers to Question Four:***

#### **Actions to overcome communication barriers:**

- i. Ensure that the communication has a clear objective.
- ii. Take time to prepare for communication.
- iii. Choose the right setting for oral communication.
- iv. Ask for help and advice from others if you need it.
- v. An oral communication use the correct tone for the message.
- vi. Anticipate any queries the recipient might have.
- vii. Improve listening skills.
- viii. Always select the correct media.
- ix. Take the opportunity to undertake training in communication skills.
- x. Practice for making perfect communication.

***(05 marks)***

### ***Suggested Answers to Question Five:***

1. **Be upfront people**

As soon as the management is aware that change is afoot, they need to begin preparing the people in the company. One of the best ways to overcome resistance to change is to inform people about the change in advance.

2. **Keep the lines of communication open**

Communicate often and regularly about the change within the company. Continually explain what the management want from the people within the business and allow them to openly communicate their concern, issues, fears or perceived challenges related to the change.

3. **Be clear about the need for embracing the change**

If people are showing resistance, the management should speak openly and honestly to them about the issue. If you need them to embrace the change, it's important to communicate the importance to them and make sure that they understand the consequences to both themselves and to the company as a whole if they continue to resist.

4. **Allow Accountability**

We are all personally accountable for the manner in which we decide to handle change. It's important that each person understand that they are personally accountable for either stepping up or stepping out.

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5. **Be Realistic**

If people are putting up a lot of resistance to change, the likelihood is that this roadblock will always be there and hence need to be realistic of the expectations of resistance.

*(05 marks)*

***Suggested Answers to Question Six:***

1. **Mitigating Risk**

Through corporate governance, scandals, fraud and criminal liability of the company can be prevented or eliminated completely. The individual engaged in the company knows what they are responsible for the activities. An individual who is engaged does wrong thing it could be identified and necessary steps could be taken.

2. **Increasing Public Acceptance**

A company with corporate governance is approved by the community. This is mostly due to the concepts of disclosures and transparency that comes with corporate governance.

3. **Developing Public Image**

Today many organizations hold an advanced stage of corporate governance. This is because a company has a reputation to maintain. Only the profitability is not a success factor of the business. Public image influences lot for the success of business.

4. **Ethical Behaviour**

If corporate governance is in the office, people must also follow a code of conduct and exhibit ethical behaviour during the decision making process of the business.

5. **Identifying the roles of the Board of Directors**

Board of the Directors is people who are at the highest level of a company. The responsibilities of the board are varied and it necessitates to have both talent and knowledge to assess conduct of employees. In addition, the corporate governance assess to ensure that the board is committed and has the required size to operate the business effectively and efficiently.

6. **Increasing overall success of business**

Based on all the benefits, it is concluded that the good corporate governance make the overall success of the business.

*(05 marks)*

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***End of Section B***

**Three (03) compulsory questions  
(Total 30 marks)**

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***Suggested Answers to Question Seven:***

(a) There are three types of planning based on the levels of management. They are:

**Strategic Planning** : A strategic plan is a high-level overview of the entire business, its vision, objectives, and core-value. This planning is the foundational basis of the organization and will dictate decisions in the long-term. The scope of the planning can be two, three, five, or even ten years. Senior management is involved in the strategic planning process and managers at every level will turn to the strategic plan to guide their decisions. It is a general plan outlining the decisions of resource allocation, priorities and action steps necessary to reach strategic goals. Thus, this affects entire organization.

Eg: A business organization develops a plan to expand operations into European markets with the purpose of increasing profitability by 15% during the next 5 years.

**Tactical Planning** : Top and middle level managers (like divisional heads or functional heads) prepare tactical plans to breakdown strategic plans into more practical and manageable ways. Tactical planning focuses on the middle term. Most probably these plans can be seen as functional plans or divisional plans. This affects only the respective functional area or the business unit.

**Operational Planning** : The operational planning describes the day to day running of the business. The operational planning charts out a roadmap to achieve the tactical goals within a realistic timeframe. This is highly specific with an emphasis on short-term objectives. Tactical planning is the responsibility of lower-level managers and supervisors.

**(06 marks)**

(b) Why decision making is important for an organization?

Decision making is a process of selecting the best alternative among the available alternatives. It is the act of making the best choice. A decision is taken to solve a problem or to get the advantage from an opportunity. Without decision making different managerial function such as planning, organizing, directing, controlling, staffing can't be conducted. Therefore, decision making is important to implement other managerial functions as well. Decision-making is continuous. All managers at all levels of the hierarchy are required to make decisions regarding the responsibilities

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assigned to them. Continuous decision-making facilitates follow-up actions.

Any policy or plan is established through decision making. Without decision making, no plans and policies are performed. In the process of making plans, appropriate decisions must be made from so many alternatives. Therefore, decision making is an important process which is helpful in planning and policy making. Also, to solve problems, to exploit opportunities, to stimulate creativity, and to launch research and development activities. Further, Decision-making is a critical task. Managers need to make effective and quick decisions while at the same time ensuring that they make the right decisions. The right decision leads the organization to success while the wrong one leads to instability and loss.

*(04 marks)*

*(Total 10 marks)*

### ***Suggested Answers to Question Eight:***

(a) 1. **Identification and Division of Work**

The organizing function begins with division of work into smaller units. Each such unit is called a job. One individual is assigned only one job according to his capabilities and qualifications. This leads to systematic working and specialization.

2. **Grouping the Jobs and Departmentalization**

Once the work is divided into smaller manageable units, related jobs are grouped together and put under one department. This grouping process is called departmentalization.

3. **Assignment of duties**

Once departments are formed, each department is put under the charge of an individual. The work must be assigned to those who are best suited for it. Employees are assigned duties by giving them a document called Job description.

4. **Establishing reporting relationships**

After assigning the duties, all individual must also be assigned matching authority. This assignment of authority and responsibility results in the creation of authority. This assignment of authority and responsibility results in the creation of authority responsibility relationship between superior and subordinate. With this, a managerial hierarchy is created (chain of command) where everyone knows from whom he has to take orders and to whom he is accountable to.

*(06 marks)*

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(b) Advantages of a functional organizational structure:

- It facilitates the specialization
- Easy supervision
- Easy coordination
- Increase the management efficiency
- Easy to train employees
- Cost effectiveness

Disadvantages of a functional organizational structure:

- The departments become specialized in their own way and fail to see the prospects of the whole organization. Thus it becomes difficult to achieve organizational goals.
- The departmental heads start thinking their departments to be functional empires. This leads to conflicts among various departments.
- When the departments are large it becomes difficult to coordinate.
- Even when the organizational goals are not achieved it becomes difficult to fix responsibility as all the departments are interrelated.
- Employees and managers are trained for only one function i.e. the department to which they belong. This develops inflexibility in them as they have difficulty in appreciating others point of view.

(04 marks)

(Total 10 marks)

### ***Suggested Answers to Question Nine:***

(a) In the cultural web:

**Symbols** : These include organizational logos and designs, theme color, dress code, slogans, and visible artifacts through which the organization distinguish it from other competitors.

**Control systems** : The processes in place to monitor what is going on in the culture (organization). Financial systems, quality control systems are some of the examples.

(04 marks)

(b)

1. **Flexibility and Adaptability**

To accept change and to establish an organization that is open to effective communication and operation and organization must be flexible. This delivers a structure that accepts cultural



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diversity and helps clarify strategy implementation. Culture of a company could assist numerous resolutions, including unifying members in an organization and creating common norms.

2. **Characteristics of Stability**

A stable culture would methodologically support implementation of strategy. This would create a culture of conglomerate, harmony, team work and collaboration among employees. A stable culture enhances employee commitment and productivity rather than fighting with regulations and rules or external features that outlay accomplishment.

3. **Goal Association**

Unified, strong and flexible cultures will implement strategy in an optimistic way by aligning goals. Goals can come into arrangement when the company culture emphasis on productivity and mission accomplishment. This could comprise on time delivery to customers, distributing more products than the key rival of the organization or similar goals.

4. **Process Implementation**

Process implementation is a part of strategy implementation and cultural alignment. Utilization of technology to attain goals, customer services, working for the expected results, etc... are included in processes. When company meets more problems and reaches to meet goals, the culture becomes neglected. Process comes to play a role in such situations. Strategy implementation gradually comes into existence to uphold and maintain organizational culture and strategies.

5. **Cultural Alignment**

An organization can operate more efficiently and efficiently in global market, when strategy implementation is linked to the culture. Leaders are assisted to work as a team as well as individuals by a strong culture. These could comprise constructing novel partnerships and re-establishing old ones to endure bringing the best possible products and services to the international market.

*(06 marks)*

*(Total 10 marks)*

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*End of Section C*

**A compulsory question  
(25 marks)**

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***Suggested Answers to Question Ten:*****(a) Signs of demotivation:**

Demotivation is the unwillingness of employees to work willingly. It can be seen through several symptoms.

1. According to the given case, the absenteeism and staff turnover at Sales and Marketing Department are very high at the moment which is a sign of demotivation of employees in that department.
2. Inter staff conflicts and clashes are frequent and very common in that department. Because of that Human Resources Department has taken some disciplinary actions against the employees working in Sales and Marketing.
3. There is no team spirit in that department where they prefer to work as individuals. So, that no team work could be seen. This lack of cooperation among employees also a sign of demotivation.

**(06 marks)**

**(b) Steps in designing an effective motivational program:**

- Assess the current level/degree of motivation of employees by using appropriate method of motivational testory.
- Identify the unfilled expectations / needs of the employees by carrying out the need analysis.
- Design an attractive rewards/intensive or motivational package (as a pre-requirement) based on the need analysis.
- Create and maintain a conducive working environment (as a pre-requirement)
- Design an appropriate motivational program after doing a proper cost-benefit analysis
- Monitor and evaluate the response of the employees about the motivation program/s
- Do modifications if any, and continue the program

**(05 marks)**

**(c) Leadership Style of Mr. Nadeeshan:**

According to the facts given in the case, Mr. Nadeeshan is a very flexible person. He believes in learning organizations and team working. Believing in learning and development, and team working is a characteristic of a democratic leader. Such a leader creates strong teams and help others to create effective relationships. Further, a democratic leader allow the members of such teams to use their potential and practice collective decision making. Hence, it could be concluded that Mr. Nadeeshan is a democratic leader.

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### **Leadership Style of Mr. Silva:**

According to the facts given in the case, Mr. Silva is a very strict person. He does not maintain good relationships with his team. Most of the time, he makes decisions and the team has to follow his mere guidelines. Employees are demotivated in his department. Hence, having considered these evidence it could be concluded that Mr. Silva is an autocratic leader. Such a leader takes decisions by himself and order others to implement them. Also, an autocratic leader does not take the support and the participation of team members and team work is not appreciated. According to the theory, such a leader expects a strong obedience from subordinates, and uses punishments as the source of getting things done.

*(06 marks)*

(d) Characteristics of a good strategy:

- **Novelty** : Strategy should be a result of impressiveness and creativity. It should consist of a new/novel area which were not methods before. If the strategy does not consist of any novel part in it there is a high propensity that opponents will be already having specific information about the procedure applied. Therefore, strategy should consist of a novel / creative part into create it exclusive and distinguish from opponents.
- **Secretly Devised** : Strategy should include some private factor in it which should only be known to the control of the company. The key factor of the strategy will always keep the opponents interested about the procedure. When creating the procedure it is regarded to be a private action where the control group has to keep the company tricks and should not expose.
- **Intelligent** : Strategy should be design in a brilliant and intelligent way. If the strategy is not able to acquire this attribute it will not be an approach as only the intelligent techniques will be able to accomplish preferred goals.
- **Deceptive** : Strategy should include a feature of the misleading and should be able to mislead the focus on market in an ethical manner. When integrating the misleading factor the care should be attracted not to go beyond the boundaries and mislead people in illegal way.
- **Cost Effectiveness** : The strategy should be able to break-even and restore the investment / cost suffered. In other terms, advantages obtained by the company by performing the procedure has to be greater than the price suffered in performing the strategy.

*(08 marks)*

*(Total 25 marks)*

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*End of Section D*

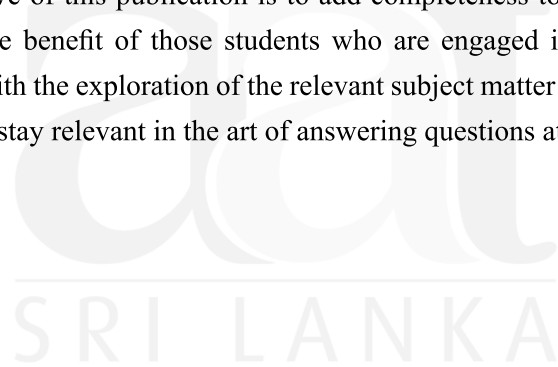
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