Association of Accounting Technicians of Sri Lanka

Level II Examination - January 2021

Suggested Answers

(204) BUSINESS MANAGEMENT (BMA)

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THE ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

Level II Examination - January 2021

(204) BUSINESS MANAGEMENT

SUGGESTED ANSWERS

(Total 25 marks) **SECTION - A**

Suggested Answers to Question One:

1.1 (2)

1.2 (4)

1.3 (2)

1.4 (2)

1.5 (4)

(02 marks each, 10 marks)

1.6 Internal

1.7 Authority

1.8 Recognition

1.9 Induction

1.10 Main duties to be performed

(01 mark each, 05 marks)

1.11 Advantages of Group Decision making

- Help to combine individual strengths of the group members and hence has a set of varied skill sets applied in the decision making process.
- Always means enhanced collective understanding of the course of action to be taken after the decision is taken.
- A group decision gains greater group commitment since everyone has his/her share in the decision making process.
- Group members motivate since they participate in the decision making.
- It is easy to implement decisions.

(02 marks)

1.12 Elements of Supply Chain Management

1. Integration
2. Operations
3. Purchasing
4. Distribution
5. Procurement
6. Inbound Logistics
7. Outbound Logistics
8. Production functions
9. Marketing channels

(02 marks)

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1.13 Objectives of Human Resource Management

1. To help the organization to achieve its goals.
2. To ensure effective utilization and maximum development of human resources.
3. To ensure due respect for human beings.
4. To identify and satisfy the needs of individuals.
5. To ensure reconciliation of individual goals with those of the organization.
6. To achieve and maintain high morale among employees.
7. To provide the organization with well-trained and well-motivated employees.
8. To increase for the employee's job satisfaction and self-actualization.
9. To develop and maintain a quality of work life.
10. To be ethically and socially responsive to the needs of society.
11. To develop overall personality of each employee in its multidimensional aspect.
12. To enhance employee's capabilities to perform the present job.
13. To equip the employees with precision and clarity in transaction of business.
14. To inculcate the sense of team spirit, team work, and inter-team collaboration

(02 marks)

1.14 Causes for grievances of employees of an organization

1. Contract terms
2. Working conditions
3. Unsatisfactory pay
4. Ineffective supervisors
5. Inter personal issues
6. Lack of communication
7. Organizational culture and macro influence etc.

(02 marks)

1.15 Characteristics of Business Process Re-engineering (BPR)

1. Several jobs are combined into one.
2. Decision-making becomes part of the job of employees (employee empowerment).
3. Steps in the processes are performed in natural order, and several jobs get done simultaneously.
4. Processes have multiple versions. This enables the economies of scale that result from mass production, yet allows customization of products and services.
5. Work is performed where it makes the most sense.
6. Controls and checks and other non-value-added work are minimized.
7. Reconciliation is minimized by cutting back the number of external contact points and by creating business alliances.
8. A single point of contact is provided to customers.
9. A hybrid centralized/decentralized operation is used.

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(02 marks)

(Total 25 marks)

End of Section A

(Total 50 Marks) **SECTION - B**

Suggested Answers to Question Two:

Chapter 1 - Introduction to Management and Different Perspective of Management

(a) Characteristics of Bureaucratic Management Theory

1. Specialization
2. Hierarchy
3. Conditions
4. Impersonality
5. Appointed officers
6. Professional officers
7. Full-time officers
8. Public/ private division

(03 marks)

(b) Skills required by a manager

- **Conceptual skills**

Conceptual skills are the abilities to coordinate and integrate all of the interest and activities. In other words, it means the ability of seeking the organization as a whole. It represents how an organization works as a whole in the environment. Top level managers require more conceptual skills than middle level managers and lower level managers.

- **Interpersonal Skills (Human Skills)**

This explains the managers' skill of working with people inside and outside of the organization. Interpersonal skills mean the ability to motivate organizational people, groups, understanding and communicating. Interpersonal skills play a key role in the success of the manager's jobs as every manager has to work with people by understanding how they work and how they behave within the organization.

- **Technical Skills**

Technical skills are the abilities and knowledge needed to perform specific tasks. They are practical, and often relate to mechanical, information technology, mathematical, or scientific tasks. Since the first line managers directly connect with the duties of employees, they need more technical skills.

- **Diagnostic Skills**

This skill means the ability to judge or presume the reactions which can be received from any situation. As an example, a doctor predicts the possible ill-health after analyzing symptoms of a patient. Accordingly, a manager should have an ability to find the reasons for a problem and take remedial actions.

- **Communication skills**

Communication skills are important to communicate effectively to other parities and obtain information effectively from them. And also these skills are important to inform correctly about expected things by communicating to the subordinates about the manager's ideas, work with them and to inform about the achievement and issues to higher level management. It is improved the ability to understand the accuracy of formal and informal communication in the organization

- **Decision- making skills**

The effective manager should have good decision making ability. This skill means that the ability to identify and judge the problems and take corrective actions to solve the problems and utilize business opportunities properly by selecting alternatives.

- **Time management skills**

Time management is very important in an environment which is worked on time. Time management is useful to fulfill the delegated task within the given time period. Time management means the ability of prioritizing work, working effectively and delegating work in a proper way.

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(03 marks)

(c)

1. **Work from home**

Due to the COVID -19 one trend that was immerged is the work from home. Even the concept was already there in the management. With the situation that the entire world went through, many employees have shown a positive response towards the remote working at least a part of their work. As organizations shift to more remote work operations, employees need to focus more on the exploring of critical digital skills in order to collaborate with these changes.

2. **Organizational Communication streamlining**

Utilizing communication tools in organizations can be vital during this period specially using technology. Enhanced communication can be extremely beneficial and streamlining organization communication to both management and workers is essential.

3. **Increase in organization complexity**

After the global pandemic, many companies were nationalized to avoid failure. As the pandemic subsides, companies will focus on expanding their geographic diversification and investment in secondary markets to mitigate and manage risk in times of disruption. This rise in complexity of size and organizational management will create challenges for leaders as operating models evolve.

4. **Frontline workers up skilling**

Business faced bad impact due to COVID-19 or a substantial period of time. This is the time where training accessibility enhanced will be key in determining the outcome of operational efficiency.

5. **Health and safety emphasis**

Organizations work giving more priority for maintaining the health and safety of both employees and public. Therefore, additional steps had to be taken by management to ensure safety of the employees and public.

6. **Using new technology**

Organizations required continuing their operations smoothly during the period of COVID-19. To work from home organizations required to invest more on technology equipment and tools.

7. **Decrease in economy**

During COVID-19 companies had to face a huge challenge to continue their business. Since there were lot of companies had to incur a huge loss after COVID -19 outbreaks. It results to bankrupt or close down the business. Therefore, managers have to apply different things to retain in the market with COVID -19.

(04 marks)
(Total 10 marks)

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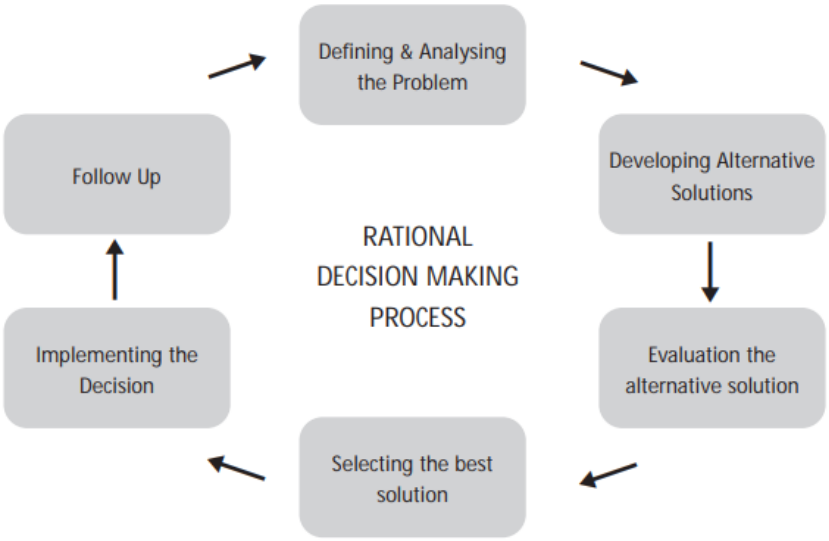
Suggested Answers to Question Three:

(a)

Chapter 2 – Part I Decision Making



(03 marks)

(b)

Chapter 2 – Part II Organizational Planning

1. **Planning provides direction**

Under the procedure of planning the goals of the company are defined in simple and apparent terms. The apparent result of this is that all the employees get a direction and all their attempts are targeted towards a particular end. In this way, planning has a crucial part in the achievement of the goals of the company.

2. **Planning decreases threats of uncertainty**

Threats of Uncertainty: Planning is always done for upcoming and upcoming is unclear. With the help of planning possible changes later on are expected and various actions are organized in the best possible way. In this way, the risk of upcoming concerns can be reduced.

3. **Planning encourages impressive ideas:**

It is apparent that planning chooses the best substitute out of the many available. All these solutions do not come to the manager on their own, but they have to be found. While creating such an attempt of finding, many new concepts appear and they are analyzed intensively to be able to figure out the best out of them.

4. **Planning decreases overlapping and inefficient activities**

Under planning upcoming actions are organized to experience goals. Consequently, the problems of when, where, what and why are almost made the decision. In such a scenario coordination is recognized among different actions and divisions. It places an end to overlapping and wasteful actions.

5. **Planning helps decision making**

Decision making means the procedure of taking choices. Under it, a wide range of solutions are found and the best option is selected. The planning places the focus on for selection. It also places down the requirements for analyzing considerations. In this way, planning facilitates selection.

6. **Planning determines requirements for controlling**

By identifying the goals of the company through planning all the people working in the company and all the divisions are advised about 'when', 'what' and 'how' to do things. Standards are set down about their work, initiatives and cost, etc. Under managing, at the time of duration of finishing the work, the actual work done is in contrast to the standard work and diversions are found out and if the work has not been done as preferred the person involved are attributed.

7. **Team building cooperation**

Team building and spirit of cooperation promotes through planning. Everyone knows about their own responsibilities and knows how other areas need their assistance and expertise in order to complete assigned tasks.

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8. **Establishing organizational goals**

Setting goals that challenge everyone in the organization to strive for better performance is one of key aspect of the planning process.

(05 marks)

(c)

Chapter 2 – Part II Organizational Planning

1. Fear can be a barrier to effective planning
2. Can create negative or a lack of positive ideas for the future can create barricade when it comes to planning.
3. Difficulty in communicating goals and plans and Poor Communication
4. The lack of creativity, tied with poor leadership, can cause employees to grow bored and disheartened, and employees who feel like that can't do their best at work
5. Inability to plan or inadequate planning.
6. Lack of commitment to the planning process

7. Inferior information
8. Lack of proper situation analysis
9. Focusing on the present at the expense of the future
10. Concentrating only on controllable variables
11. Resistance to Change
12. Insufficient resources

(02 marks)
(Total 10 marks)

Suggested Answers to Question Four:

Chapter 3 – Operations Management

(a) Key Functions of Operations Management

1. Supply Chain Management
2. Forecasting Demand
3. Capacity Planning
4. Layout Planning
5. Production Scheduling
6. Quality Management

(02 marks)

(b)

1. Artificial Intelligence
2. 3D printing
3. Computer aided designing
4. Computer aided manufacturing
5. Computer integrated manufacturing
6. Block chain
7. Machine learning

(02 marks)

(c)

Chapter 2–Part III Organizational Structure and Design

1**. Effective management**

By delegation, managers pass their routine work to their subordinates. So they get more time to concentrate on more important matters. This will help them to excel in new areas and be more efficient and effective.

2**. Employee development**

In the process of management, the work is passed on to the employees. This gives them opportunity to use their talents and increases their experience. It makes them better leaders and decision makers. Thus delegation helps in producing better future managers.

3**. Motivation of employees**

When a superior passes on the responsibility to his subordinate, it is not merely sharing work but also sharing trust. This develops a feeling of belongingness and commitment for the subordinate. It improves his confidence and he feels encouraged to improve his performance.

4**. Facilitation of growth**

While passing on a responsibility and authority, managers have to take care of the qualification and capability of the employee. This division of work and specialization provides a ready work force to take the leading position in a new venture and thus help in the expansion of the enterprise.

5**. Basis of management hierarchy**

Delegation establishes authority, responsibility and relationships between employees. The degree and flow of authority determines who is to report to whom. It also decides the power enjoyed by each job position in the organization.

6**. Better coordination**

Authority, responsibility and accountability help to define the powers, duties and answerability related to various job positions in an organization. This helps to avoid overlapping and duplication of efforts and thus helps in maintaining coordination amongst departments and functions of management.

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(06 marks)
(Total 10 marks)

Suggested Answers to Question Five:

Chapter 2–Part V Organizational Communication
Chapter 2–Part VI Organizational Controlling

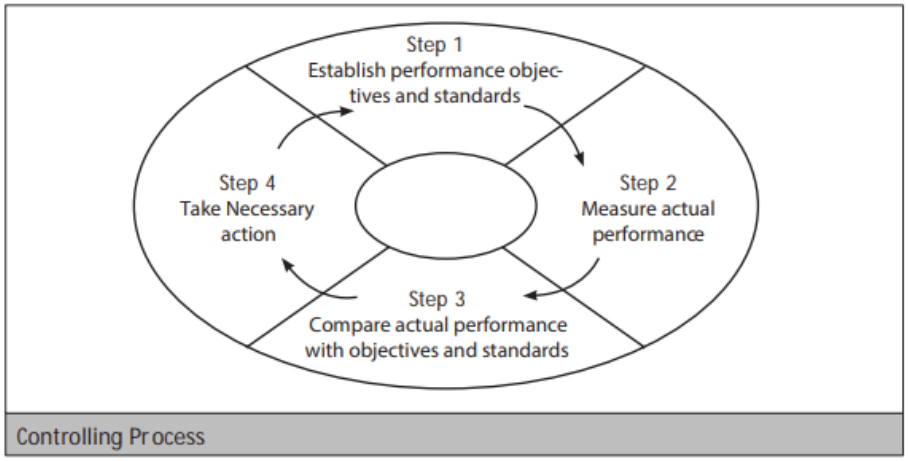
(a) Benefits of effective communication for an organization

1. Encourage motivation
2. Change individual's behavior
3. To maintain effective stakeholder relationship
4. Efficient decision making
5. Effective problem solving
6. Enhance professional image
7. Enhance organizational transparency, trust and confidence
8. Smooth functioning of a company

(02 marks)

(b) Main steps in a process of controlling

1. Establish standards to measure performance.
2. Measure actual performance
3. Compare actual performance with objectives and standards.
4. Take corrective actions



(04 marks)

(c)

Controlling monitors the differences between actual and standard outcomes, identifies reasons for differences and assists in taking corrective managerial action for better performance. With new health guidelines below factors need to be considered when controlling an organization.

1. **Effective Communication**

This has become a crucial factor for controlling. Health guidelines should be properly communicated to everybody in the organization.

2. **Changes in the environment**

Various factors in the environment have changed a lot and particularly the macro environmental factors. The changes in the environment influence the performance of the organization. Therefore, these macro environmental factors need to be taken in to consideration in controlling the performance.

3. **Compatibility with the organization size and structure**

The controlling mechanism need to be change based on the number of operations and scope of the business. Large scale organizations operations are highly diversified and complex.

4. **Expectations of the management**

Successful control system always should be capable in fulfilling the expectations of the management.

5. **Cost effectiveness**

The cost associated with controlling system should be substantially less than the benefits generated from it.

6. **Planned objectives**

There is inherent relationship among the planning and controlling process of an organization. If there is no planning process, there is no effective controlling. Controlling process is initiated by developing controlling standards and criteria. These criteria are basically derived from the objectives set at the planning process of the organization.

7. **Ability of absorption of complexity**

Organizations are highly complex today in terms of complex activities, systems and processes and the company controlling process should be developed in a way to respond these internal as well as external complexities of the firm.

8. **Level of motivation**

Controlling is not always a set of activities designed to correct the behavior of employees of an organization and it also should be a process which prevent, the firm members who deviate from the level of accepted behavior limitations. Successful control system therefore is composed with certain features to motivated company members to work accordingly.

(04 marks)
(Total 10 marks)

Suggested Answers to Question Six:

Chapter 4 – Marketing Management

(a) Variables of Marketing Mix (4Ps)

- Product
- Price
- Place
- Promotion

(02 marks)

(b) Requirements for a successful brand

- Relevance
- Clarity
- Coherence
- Patience

(02 marks)

(c) Importance of Branding

1. **Branding gets recognition**

The most important reason branding is important to a business is because it is how a company gets recognition and becomes known to the consumers. The logo is the most important element of branding, especially where this factor is concerned, as it is essentially the face of the company.

2. **Branding increases business value**

Branding is important when trying to generate future business and a strongly established brand can increase a business' value by giving the company more leverage in the industry. This will result to increase more investment opportunities.

3. **Branding generates new customers**

Strong branding generally means there is a positive impression of the company amongst consumers, and they are likely to do business with the company because of the familiarity and assumed dependability of using a name they can trust. Once a brand has been well-established, word of mouth will be the company's best and most effective advertising technique.

4. **Improves employee pride and satisfaction**

When an employee works for a strongly branded company and truly stands behind the brand, they will be more satisfied with their job and have a higher degree of pride in the work that they do. Working for a brand that is reputable and help in high regard amongst the public makes working for that company more enjoyable and fulfilling.

5. **Creates trust within the marketplace**

Well established branding will help the company to build trust with consumers, potential clients and customers. People are more likely to do business with a company.

(06 marks)

(Total 10 marks)

End of Section B

(Total 25 Marks) **SECTION - C**

Suggested Answers to Question Seven:

(a)

Chapter 4 – Marketing Management

1. **Search engine optimization (SEO)**
   Search engine optimization is the process of improving the quality and quantity of website traffic to a website or a web page from search engines. SEO targets unpaid traffic rather than direct traffic or paid traffic. In simple terms, it means the process of improving your site to increase its visibility for relevant searches.

2. **Social media marketing**
   Susantha can use social media such as Facebook and Instagram to promote its brand and increase the brand awareness of the company. These methods nowadays play role in terms of creating customer awareness and building the brand. The reasons for the popularity of these modes are the large usage and the large number of active users.

3. **Content marketing**
   The other method he can use digital marketing to his business is the content marketing. Through content marketing he can create good content related to his business and via that content he can take his business to the market and its target market.

4. **Pay Per Click (PPC)**
   PPC is a method of driving traffic to website by paying a publisher every time your ad is clicked. One of the most common types of PPC is Google Ads, which allows you to pay for top slots on Google's search engine results pages at a price "per click" of the links.

5. **Paid ads on Facebook**
   Here, users can pay to customize a video, image post, or slideshow, which Facebook will publish to the newsfeeds of people who match the business's audience.

6. **Twitter Ads campaigns**
   Here, users can pay to place a series of posts or profile badges to the news feeds of a specific audience, all dedicated to accomplish a specific goal for business. This goal can be website traffic, more Twitter followers, tweet engagement, or even app downloads.

7. **Sponsored Messages on LinkedIn**
   Here, users can pay to send messages directly to specific LinkedIn users based on their industry and background.

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8. **Marketing automation**
   This refers to the software that serves to automate your basic marketing operations. Many marketing departments can automate repetitive tasks they would otherwise do manually, such as, Email newsletters, Social Media post scheduling, Lead-nurturing workflows and Campaign tracking and reporting, etc.

9. **Email Marketing**
   Companies use email marketing as a way of communicating with their audiences. Email is often used to promote content, discounts and events, as well as to direct people toward the business's website.

10. **Online PR**
    Online PR is the practice of securing earned online coverage with digital publications, blogs, and other content-based websites. It's much like traditional PR, but in the online space.

(06 marks)

(b)

Chapter 7 – Strategic Management

PEST Analysis is a scan of the external macro-environment in which an organization exists. It is a useful tool for understanding the political, economic, socio-cultural and technological environment that an organization operates in. It can be used for evaluating market growth or decline, and as such the position, potential and direction for a business.

1. **Political Factors -** These include government regulations such as employment rules, environmental regulations, custom duties, tax policies, trade restrictions and political stability.
2. **Economic Factors –** Economic environment represents the impact of economic situation of a country on organizations. These affect the cost of capital and purchasing power of an organization. Economic factors include economic growth, interest rates, inflation and currency exchange rates.
3. **Social Factors –** Social environment includes the cultural and sociological forces of external micro environment. These factors will influence on the consumer's need and the potential market size for an organization's goods and services. Social factors include population growth, age demographics, professional attitudes, new cultural trends and attitudes towards health.
4. **Technological Factors -** These influence barriers to entry, reduce the production inefficiency level, make or buy decisions and investment in innovation, such as automation, investment incentives and the rate of technological change.

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5. **Legal Factors –** These factors have both external and internal sides. There are certain laws relating to this industry. Therefore, legal factors take into account both of these changes. As examples labour laws and consumer laws.
6. **Environmental Factors –** These factors include all those that influence or are determined by surrounding environment.

(08 marks)

(c)

Chapter 5 – Human Resource Management

Strategies for HR Surplus

1. Hiring Freeze
2. Reduction of reward expenditure
3. Attrition – Voluntary departure
4. Early retirements
5. Lay off
6. Encourage of leaves
7. Formal out placement
8. Termination

(04 marks)

(d)

Chapter 6 – Change Management

1. **Education & Communication -** In this strategy, management must make the awareness of the need for change among the workforce. The change must be justified. The best way to achieve this is by clearly outlining the benefits it will bring to the company, as well as the workforce. Effective communication is vital to prevent rumors. The change should be clearly communicated to all concerned parties in the best possible time and at all times.

2. **Participation and Involvement -** In a participatory strategy, management must involve staff in the process of change. If they are removed, the staff will begin to distrust the work. Management should therefore seek the advice of the staff and make them partners in the process of change.

3. **Facilitation and Support -** There are techniques such as counseling and training that can be used to reduce the fear and confusion in facilitating and assisting. For example, employees may feel less confident and feel that they cannot work in a new environment. Training programs should be developed to increase the confidence of the staff.

4. **Negotiation and Agreement -** This strategy involves negotiating between staff representatives and management in critical situations. When agreed, the staff will support the change.

5. **Manipulation and Co-optation -** This is to control the publication of information that is misleading to people to hinder the change. For example, while management claims that change does not lead to reductions in staff, this is not true. By identifying people who are hindering change through cooperation, they can be used to create change by giving them positions of authority that are relevant to change.

6. **Implicit and Explicit Coercion -** The use of various forces, both expressive and unexpressive, or threatening forces (intermediate), to lead the change.

7. **Open to employees -** As soon as management becomes aware of the change, they need to train their employees to do so. The best way to overcome the barriers to change is to inform employees about the change in advance.

8. **Keep communication lines open -** Communicate about the change happens daily and frequently. Managers should always be able to explain what they want from the employees in the business. The business needs to be able to open up about their concerns or expectations. It helps them to better communicate their problems, fears and challenges.

9. **Have a clear idea of the need to accept change -** If there are obstacles, it is important to discuss the issue openly and honestly. During a major transformation in a company, there may not be time to look for people's will and constantly worry about dissatisfied people. If they create further obstacles and they do not accept the difference, it is very important that they communicate the importance of it and the consequences for them and the company as a whole.

10. **Allowing accountability -** It is very important to understand that each person takes a step forward on accountability personally in a change.

11. **Be realistic -** If people are always hindering the change, there will always be obstacles. Therefore, there must be a realistic view of disruption.

(04 marks)

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(e)

Chapter 4 - Part IV Leadership and Motivation

Characteristics of a successful modern leader

1. Inspire and motivate others
2. Display high integrity and honesty
3. Analyze issues and solve problems
4. Drive for results
5. Communicate powerfully and prolifically
6. Build relationships
7. Display technical or professional expertise
8. Display a strategic perspective
9. Develop others
10. Make Innovations

(03 marks)

(Total 25 marks)

End of Section C

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