



Association of Accounting Technicians of Sri Lanka

Level II Examination – July 2021

Suggested Answers

(204) BUSINESS MANAGEMENT (BMA)

Association of Accounting Technicians of Sri Lanka

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ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

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(204) BUSINESS MANAGEMENT

SUGGESTED ANSWERS

(Total 25 marks)

SECTION - A

Suggested Answers to Question One:

1.1 (2)

1.2 (3)

1.3 (4)

1.4 (2)

1.5 (3)



(02 marks each, 10 marks)

1.6 Organizing

1.7 Service

1.8 Hierarchy of needs theory

1.9 Product concept

1.10 Transformational change

(01 mark each, 05 marks)

1.11. Characteristics of Bureaucracy according to Max weber

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

(02 marks)

1.12. Principles of Planning

- 1) The principle of passion
- 2) The principle of creativity
- 3) The principle of influence
- 4) The principle of priorities
- 5) The principle of flexibility
- 6) The principle of timing
- 7) The principle of teamwork
- 8) The principle of implementing ability

(02 marks)

1.13 Barriers for Communication

- 1) Language barriers
- 2) Physical barriers
- 3) Physiological barriers
- 4) Systematic barriers
- 5) Attitudinal barriers
- 6) Demographic barriers like cultural differences, status differences, race, gender, age, religion, education

(02 marks)

1.14 Differences between Managers and Leaders

Managers	Leaders
Give directions to get the works done.	Ask questions and let the followers think what's right.
Have subordinates who obey the instructions.	Have followers who are influenced.
Mostly use an authoritarian style to get the things done.	Have a motivational style to get the employees influenced.
Tell what to do.	Show what and how to do.
Have good ideas and ask others to follow	Implement good ideas and show others to follow
React to change in the work situation	Create change in the life of the followers
Try to be heroes in their offices.	Make heroes of everyone around them in their lives.
Exercise power over people.	Develop power with people.

(02 marks)

1.15 Change Management:

Change management is the process of continually reviewing an organization's direction, structure and capabilities to serve in the ever changing needs of external and internal stakeholders.

In other words, change management in the process, tactics and techniques to manage the people side of the change to achieve the required business outcome.

Moreover, it is a systematic approach of dealing with the transitions or transformation of an organization's goals, processes and technologies. It is the process of achieving the smooth implementation of change by planning and introducing it systematically.

(02 marks)

(Total 25 marks)

End of Section A

Suggested Answers to Question Two:***Chapters 2 - Organizational Structure and Design / Decision Making*****(a) Differences between Authority and Responsibility**

Authority	Responsibility
It is the legal right of a person or a superior to command his/her subordinates.	It is the obligation of subordinate to perform the work assigned to him.
Authority is attached to the position of a superior in concern.	Responsibility arises out of superior subordinate relationship in which subordinate agrees to carry out duty given to him.
Authority can be delegated by a superior to a subordinate.	Responsibility cannot be shifted and is absolute.
It flows from top to bottom.	It flows from bottom to top.

(02 marks)**(b) Main steps involved in the organizing process**

- 1) Identification and division of work
- 2) Departmentalization
- 3) Assignment of duties
- 4) Establishing reporting relationships

(04 marks)**(c) Decision making is important for a manager because:**

- Decision making helps in facilitating the entire management process. It allows actions to be taken based on the business objectives decided during the planning. Therefore, decision making helps in facilitating the entire management process. In fact, decision making is a type of planning. A decision is a type of plan involving commitment to resources for achieving specific objective. Further, decision making is important when carrying out other functions of the management such as organizing, staffing, coordinating and communicating.
- Decision making is continuous. All managers at all levels of the hierarchy are required to make decisions regarding the responsibilities assigned to them. Continuous decision making facilitates follow-up actions.

- Decision making enables the organization to deal with new problems and challenges. Unforeseen changes in the external business environment may lead to new challenges. Thus, proper decisions are necessary to overcome the challenge effectively.
- Decision-making is a critical task. Managers need to be making effective and quick decisions while at the same time ensuring that they are making the right decisions. The right decision leads the organization to success while the wrong one leads to instability and loss.
- Maximum and best use of available resources: The best and maximum use of physical and human resources of production sustainability depends upon the effective decision making.
- Measurement of Managers Success: The decision taken by the managers are very important for achieving the objectives and goals of the business because success or failure depends on the decisions. That's why quality of decisions taken by managers is the measurement is the measurement of their effectiveness.
- To reduce risk: In present businesses face lot of risks. To reduce the risk the managers should take solid decisions. These decisions should completely base on facts. Knowledge rational etc. So that the decisions of the managers may be more reliable and business risks may be reduced.

(04 marks)

(Total 10 marks)

Suggested Answers to Question Three:

Chapters 5 - Human Resource Management
Chapters 6 - Change Management

(a) Strategies to be adopted for Human Resource (HR) shortage

- 1) Work overtime
- 2) Subcontracts
- 3) Provide learning opportunities for learners (hire trainees)
- 4) Hire part-time workers
- 5) Hire casual workers
- 6) Hire temporary worker
- 7) Hire full-time worker
- 8) Capital substitution

(02 marks)

(b)

Functions of HRM support in achieving organizational objectives during Covid-19 pandemic

With the COVID-19 pandemic, any organization's main objective is to survive in the market. Therefore all functions in organizations need to support in achieving that objective.

1 Working Conditions

As working conditions of employees have changes due to the COVID-19 pandemic, due to working from home, HRM need to arrange those working conditions for employees to work at home without any hazard. Some employees may not have necessary tools required to work from home, so HRM should arrange those facilities. Also organizations can adapt to remote work and hybrid-remote work schedules.

2 Staffing

During the COVID-19 pandemic, staffing has become a very crucial activity for any organization, as they cannot afford all the employees of the organization, most of the instances. Therefore HRM needs to maintain the proper balance required to perform all the activities of the organization as well as lower salary expense. Organizations can implement new hiring practices such as: e-recruitment, online selection, virtual on-boarding.

3 Performance Management

During the COVID-19 pandemic, as almost all the employees are working from home, HRM measure the work performed by each employee and see from their performances, whether the company will be able to achieve their objectives. Organizations can introduce new ways of target setting, performance evaluation and virtual teaming.

4 Training and Development

As there are certain employees who need training in new technology as they working from home, HRM can facilitate them by providing necessary training. And also organizations could strengthen counseling, training programs, distance leadership, in-house coaching and grievance handling.

5 Compensation Management

HRM should carefully handle the situations in places like hospitals, where contamination is very high, by properly managing compensations for those employees.

6 Safety and Health Management

It is the duty of the HR Department of the organization to make the workplace free from any hazard that may psychologically or physically harm employees or cause death. Therefore organizations need to strengthen the health and safety of employees.

(06 marks)

(c) Ways by which an organization can overcome resistance to change

- 1) Education and Communication
- 2) Participation and Involvement
- 3) Facilitation and Support
- 4) Negotiation and Agreement
- 5) Manipulation
- 6) Implicit and Explicit Coercion
- 7) Open to employees
- 8) Keep communication lines open
- 9) Have a clear idea of the need to accept change
- 10) Allowing accountability
- 11) Be realistic

(02 marks)

(Total 10 marks)

Suggested Answers to Question Four:

Chapter 7- Strategic Management
Chapter 2 Part VI - Organizational Controlling

(a) Different types of strategies in the organizations

- Business strategy
- Operational strategy
- Transformational strategy
- Functional level strategies
- Corporate level strategies

(03 marks)

(b) Difference between Cost Leadership and Differentiation

Cost Leadership - Organizations will be cost leaders through economies of scale. To be a cost leader, organizations must produce standard products in mass scale and must have mass distribution and mass marketing. So that they can enjoy economies of scale and thereby a lower market price than the competitors in the market.

Differentiation - Differentiation strategy means that the organizations change their present goods and services that are preferred by the customers considering the requirements. Unique products are produced in differentiation, and obtain advantages by charging highest price.

(03 marks)

(c) Limitations of Controlling

• **Difficulty in setting quantitative standards**

Control system loses its effectiveness when standards of performance cannot be defined in quantitative terms and it is very difficult to set quantitative standard for human behavior, efficiency level, job satisfaction, employee's morale, etc. In such cases judgment depends upon the discretion of managers.

• **No control over external factors**

Organizations cannot control the external environmental factor such as government policies, change in fashion, change in competitor's policies and etc.

• **Resistance from employees**

Employees often resist control and as a result effectiveness of control reduces. Employees feel control reduces or curtails their freedom. Employees may resist and go against the use of cameras, to observe them minutely.

- **Costly affair**

Control is an expensive process it involves lot of time and effort as sufficient attention has to be paid to observe the performance of the employees. To install an expensive control system organization, have to spend large amount. Management must compare the benefits of controlling system with the cost involved in installing them. The benefits must be more than the cost involved then only controlling will be effective otherwise it will lead to inefficiency.

(04 marks)

(Total 10 marks)

Suggested Answers to Question Five:

Chapter 3- Operations Management

(a) Support activities in the Porter’s Value Chain

- 1) Procurement
- 2) Technology development
- 3) Human Resource Management
- 4) Firm Infrastructure

(02 marks)

(b) Role of Operations Management for Business Success

Role of the Function	Explanation
Make what customers want	The product which is created in operations process makes the business live in the market.
Make the brand for business	Leading business names are well-known not because of who they are, but what they make. Accordingly, the reputation or the blame is finally the performance of the operations process.
Utilize resources and competencies to gain competitive advantage	The secret of success of business is gaining and retaining competitive advantage in the market. In fact, the competitive advantage is the outcome of unique resources and core competencies utilized in the operations process.
Create the basis for profitability	Production cost management is enabled in operations to make profits.
Create the basis for market leadership	The relative performance of the operations process / management is considered the life blood which determines whether the firm is a leader in the market or not.

(04 marks)

(c) Key Production Methods

Method	Explanation
Job Production	Production takes place for a single order from the customer. In this method, the business does not maintain finished goods in stock, since the design and other features of the products may differ among the priorities of the customers and hence, the customers do not wish to buy ready-made products. As their priority for custom made products, the businesses wait for the orders and the production is started once the order from the customer is confirmed. In order to reduce the customers' waiting time, the required raw material may be kept at stock in advance. This method is more suitable for customized products such as carpentry works, construction, catering, etc.
Batch Production	The production is made in batches. Every batch will have a fixed number of units, since the production machineries are organized in such a manner to process a certain capacity at a time. If the production units are lower than the fixed capacity, the cost may be high, or the machinery may not be processed due to low weight. Every batches may be customized in limited aspects such as design or colour, but the items in the same batch are similar. Since the production volume is high, finished goods are stocked until the opportunities arise for sale. This production method is suitable for long durable goods such as plastic furniture.
Mass Production	This is the manufacturing of large quantities in the production lines. In this method, the products are more standardized, and the process takes place often using assembly lines or automation technology. This aims on the efficient production of a huge volume of similar products. This production method is mostly suitable for the products frequently traded in bulk quantities such as vehicle tires.
Just-In-Time Production	This is a production model which focuses on producing to meet the market demand, excluding stock holding. The purpose of JIT production is to avoid the waste associated with overproduction, waiting and excess inventory, etc. Since this is a production based on customer demand, this is referred like job production in some instances. The primary difference to be seen here is the job production generally

	<p>targets on the smallscale production based on the traditional technology. Just in time is the modernized version which has the extended production capacity with the access to technology in production. This method is followed by the leading franchise chains such as Pizza Hut, Burger King, etc. who cooks only when the customer order is placed.</p>
Lean Production	<p>Rather than being referred to as a production technology, Lean manufacturing is referred to as a production philosophy.</p> <p>This Japanese philosophy has the concern on two major areas as:</p> <ul style="list-style-type: none"> • Maximize the value to the customer • Minimize the usage of all resources <p>Since the customer focus is to have valuable products at low cost, the above two key focuses of lean manufacturing enable the businesses to have a long-standing market. For this purpose, it necessitates the businesses not only to listen to the customer (like just in time production) but also on the internal processes to reduce the resource usage cost by eliminating the unnecessary inventory, non-value adding processes and wastages.</p>
Push and Pull Production	<p>A push manufacturing is a method where the business produces first and then pushes the products to the market. Hence the business needs to stock the products until they are sold and there is an uncertainty of selling the products since the production decision did not consider the market demand. Also, the business may have to suffer with low sales price, when they try to push a huge volume and due the excess supply, the prices go down. On the other hand, pull is allowing the market to pull out the products from the business. First the market demand is created and then the business produces. In this model, the entire production will be sold out in the market, since the demand is there. Hence the business can enjoy less finished good stocking and cost of damages, fast response to customer demand and movement of business with the market sense.</p>

(04 marks)
(Total 10 marks)

Suggested Answers to Question Six:

Chapter 4 - Marketing Management

(a) Unethical practices in advertising

- 1) Surrogate advertising
- 2) Exaggeration
- 3) Puffery
- 4) Unverified claims
- 5) False brand comparisons
- 6) Children in advertising

(02 marks)

(b) Why ethics are important in marketing:

• **Customer Loyalty**

Ethics is that it helps the company to win the trust and loyalty of its customers on the long-term basis as it is the basic human nature and tendency to go for the brand that is genuine in its nature, its products and services offered are authentic, and they sell the exact products and services that are shown during the marketing campaigns and artworks.

• **Long term gains**

Understanding the importance of Marketing Ethics is not only the long term goal and objective of the company but there are various long term gains such as customer loyalty, high credibility in the market and in the minds of the customers, increased market share, enhanced brand value, higher sales and elevated revenues amongst others with the company able to accomplish its both short term and long term objectives in a successful manner.

• **Builds credibility**

When the company follows marketing ethics on a consistent and continuous basis in all its marketing and promotional campaigns, it slowly and gradually builds its distinctive niche in the market as a genuine and authentic brand that also result in the factor of credibility building for the company within the industry.

• **Satisfies basic human needs and wants**

Following the importance of Marketing, Ethics makes the company fulfill and satisfy the basic human needs and wants of truth, faith and integrity as there are the basic factors that the customers look forward from the brands whilst indulging in the purchase of the

products and services offered by the firm. And it will enjoy the long-term benefits such as customer loyalty, trust in the brand, faith in its offerings, and the word of mouth publicity that will earn various referrals to the company.

- **Attracts talent**

It helps the company to attract the talented professionals who wish to get associated with the company as internal employees, vendors or consultants as getting attached and associated to the firm that understands and follows the importance of marketing ethics will surely provide the boost to their professionals' trajectory as well. Plus it helps the company to attain its aims and objectives in a short period of time and in a successful manner.

- **Attains financial goals**

In order to grow and to expand its business operations, the management of the company always needs investors and financial partners who provide the required funds and investments that will facilitate to launch the new lines of products in the market., tap new market locations, and try out innovative marketing and promotion techniques. Hence, to attain the financial goals, it is vital for the company to understand and follow the Importance of Marketing Ethics as it gives the firm a tag of the brand that is genuine in its business operations and offerings.

- **Enhanced brand value**

If the company follows ethical marketing it results to enhance brand value of the firm making as the most trustworthy and reliable brand in the market.

(04 marks)

(c)

Many marketing and advertising departments are affected by the challenges of Covid-19 thinking through creative and innovative marketing strategies and practices that will navigate the business through this new-normal. This has resulted in changes to advertising, marketing, promotional and media spends, facing businesses and brands to re-evaluate their thinking about current and future advertising and marketing campaigns to maintain a steady stream of income.

- **Advertising**

Due to the COVID-19 pandemic, organization has to shift their advertising strategies in to on creative and strategic marketing campaigns and targeted advertising and using social media effectively for digital marketing.

- **Marketing**

Also due to COVID-19 pandemic, organizations had to shift their marketing strategies towards online platforms such as FB, Whatsap, Instragram, etc. as most of the time, the country is under lockdowns and hence consumers had to order goods while staying at home through online ordering.

- **Changes in preferences**

Due to COVID-19 pandemic many people lost their jobs or ended up with pay cuts. Therefore, customers had to focuses mainly on the essential needs rather than products that improve the life style. As a result, consumers had to more focus on essential needs and preference for those products has been increased. Therefore organizations have to identify potential new products and services needed to meet consumers' needs and expectations during the post-pandemic.

(04 marks)

(Total 10 marks)



End of Section B

Suggested Answers to Question Seven:

(a)

Chapter 2 Part IV - Leadership and Motivation

Role of leadership is critical and important for GAG Limited because:

1) To ensure the business maintains its vision

Right leadership must be in place to ensure that the employees are guided towards the right path. A business leader needs to always be alert in order to ensure the organization has a vision and stays on course towards the achievement of that vision.

2) Inspiring Morale

A business leader's position is to inspire morale among the organizations' employees to retain the business as a major player of beverage industry. Employees want to know what is correct. An effective leader always looks after the needs of the employees while organizational goals are worked for; especially in the process of seeking alternative methods to share the experience with customers in the pandemic. GAG Ltd. should motivate employees. They have done several ways to motivate employees.

3) Guiding an organization towards embracing diversity

Good leader guides the teams towards the diversity and make sure that the organization moves via the correct path in diversity. An organization embraces diversity based on the kind of business leadership offered by the organizational management GAG Ltd.'s management introduces "Nectrazz" considering health conscious of the customers. Management of the GAG Ltd. Understood about the target market and introduces new product.

4) Communicating new strategic directions

In critical situations the leader can keep the entire company confident and focus on the goals to be accomplished via alternative strategies. Once an organizations management has decided on a new strategic direction for the organization. Leadership must communicate this to staff. GAG Ltd. organizes several workshops and training programs continuously for their employees.

5) Encouraging continuous learning

GAG Limited seems to be a learning organization. In this GAG Ltd organizes workshops and training programs continuously for their employees. Thus, the leader shall keep the team engaged in continuous learning so that they are not outdated.

6) Availing necessary resources and support

A better leader will even ask the employees what it is that will help them deliver better. With the information the business leader will then direct and follow up on the acquisition of the resources required.

7) Helps in influencing the behavior of employees

Leader brings the employees under his/ her control in such a way that they put in their best efforts to achieve the goals of the GAG Ltd.

8) Helps in introducing required changes

Due to the COVID-19 pandemic situation, several changes in business environment can be identified. In order to face the changing environment many changes should be introduced in the organization by the leader.

9) To inspire a collective identity

Leadership is important to make the team efforts success and encourage the team spirit while creating a unique identity for teamwork.

10) To ensure employees are motivated

Role of the leader is important to motivate the get the goals accomplished via open communication, teamwork and other suitable motives.

(08 marks)

(b)

Chapter 2 Part IV - Leadership and Motivation

1) Increase productivity

Motivation as a process increases productivity of the employee. Motivation meets the needs of the employee and thereby creates the drive to work at the best of his abilities. A motivated employee will be willing to put in more effort towards the betterment of the organization than another discouraged employees. A motivated employee will put an extra effort towards the success of the organization.

2) Ensures organizational efficiency

Motivation plays a key role in changing the attitudes of the employees in the organization. Indifferent attitude is put out most efficiently by motivation. The presence of such favorable attitude allows the organization to be successful.

3) Ensures loyal workforce

A well-motivated workforce is a loyal workforce. Motivated employees have high levels of commitment and moral towards its goals and objectives. Motivation thus reduces employee turnover and also it reduces the requirement of constant induction of new employees. Motivation thus reduces employee turnover and absenteeism.

4) Ensures a reactive workforce

Adapting to changing business environment is an important feature of any successful business. In order to react to changes easily and to continue smooth functioning, an organization requires extensive loyalty and commitment of its employees. This reduces resistance to the changes that the organization intends to make. This helps the organization to be efficient in adapting to changing minds.

5) Facilitates direction

Direction is an important managerial function and motivation as already mentioned is a major part of direction. Direction is a process that involves directing or initiating action according to a plan drawn up. It requires the employees to work genuinely with commitment and loyalty. The process of direction is thus possible only when the employees proceed in the direction that the manager determines and this requires a motivated workforce.

(06 marks)

(c)

Chapter 4 - Marketing Management

- 1 Advertising in TV and radio
- 2 Online purchasing via the company website or merchant portals
- 3 Mobile App
- 4 Online delivery based on vendor selling
- 5 Personal selling
- 6 Online direct marketing
- 7 Sponsorships and donations to Covid-19 prevention programs
- 8 Public relations (basically via social media and company specific online platforms)

(04 marks)

(d)

Chapter 5 - Human Resource Management

- 1 Reduce direct and indirect cost on industrial accidents and occupational diseases such as medical fee, hospitalization expenses, insurance cost, decreased productivity, expenses incurred in hiring and training new employees, and compensation cost.
- 2 Create risk-free, accidents-less workplace in which employee motivation to work and morale will be improved.
- 3 Ensure good health and safety practices during Covid-19 period, which in turn may help improve organizational productivity.
- 4 Ensure legal compliance in employee health and safety management; especially during the post-pandemic of Covid-19.
- 5 Ability to create a comfortable working environment for employees, as repeated accidents can cause fear among workers and an uncomfortable working environment.
- 6 When the organization is free from hazards that affect the employees, naturally it gains a good reputation in the industry.
- 7 If the company has health & safety management practices, they can reduce employee absenteeism and labour turnover rates.

(04 marks)

(e)

Chapter 7 – Strategic Management

- 1 Helps company to achieve its competitive advantage
- 2 Explains how to improve financial performance of the company.
- 3 Helps to identify risks in the environment and helps organization to adapt to those changes.
- 4 Establish focus and direction.
- 5 Control resources effectively.
- 6 Minimize risks.
- 7 Enhance employees' motivation.
- 8 Achieve long term success.
- 9 To diversify/develop its new product further; the fruit juice.
- 10 To enter into new market segments during the post-pandemic of Covid-19.
- 11 To attract new customers, and retain the existing customer base.
- 12 To utilize company resources in a better way in a dynamic environment; new normal context.



(03 marks)

(Total 25 marks)

End of Section C

Notice:

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