ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

AA1 EXAMINATION - JULY 2017

(AA15) BUSINESS OPERATIONS AND MANAGEMENT

23-07-2017
Afternoon
[1.45 – 5.00]

No. of Pages   : 07
No. of Questions : 06

- **Instructions to candidates** (Please Read Carefully):

  (1) **Time allowed:** Reading   -   15 minutes

     Writing   -   03 hours.

  (2) **All questions should be answered.**

  (3) **Answers** should be in **one language**, in the **medium** applied for, in the **booklets** provided.

  (4) State clearly assumptions made by you, if any.

  (5) **Action Verb Check List** with definitions is attached. Each question begins with an **action verb** excluding OTQ's. Candidates should answer the questions based on the **definition** of the verb given in the Action Verb Check List.

  (6) 100 Marks.

SECTION A

Objective Test Questions (OTQs)

Twenty (20) compulsory questions

(Total 40 marks)

Question 01

Select the most correct answer for question No. **1.1** to **1.15**. Write the number of the selected answer in your answer booklet with the number assigned to the question.

1.1   Which one of the following is correct with respect to a partnership?

  (1)   It is compulsory to have a written agreement.

  (2)   Minimum number of partners is 2.

  (3)   It is compulsory to publish financial statements.

  (4)   It should be registered under the Companies Act No. 07 of 2007.

1.2   Which one of the following is a "Main Business Function" of an organization?

  (1)   Production / operations.   (2)   Finance and Accounting.

  (3)   Sales and marketing.   (4)   All of the above.

1.3 Which one of the following is **not** a document required for registering a company under the Companies Act No. 07 of 2007?

    (1)   Company registration form.

    (2)   Statement of consent from the initial secretary.

    (3)   Articles of Association.

    (4)   Bank statement of the company.

1.4 Which one of the following is considered as a success factor in e-commerce?

    (1)   Selection and value.   (2)   Performance and service.

    (3)   Security and reliability.   (4)   All of the above.

1.5 Which one of the following is a unique feature of the internet?

    (1)   It connects only with customers and suppliers.

    (2)   It can be used only for information sharing.

    (3)   Nobody owns it.

    (4)   It can be used only by the business organizations.

1.6 Which one of the following is **not** a characteristic of services?

    (1)   Services are tangible.   (2)   Service output is variable.

    (3)   Services are perishable.   (4)   Services have higher customer contacts.

1.7 Which one of the following is **not** a role of a manager according to Henry Mintzberg?

    (1)   Decisional role.   (2)   Informational role.

    (3)   Conceptual role.   (4)   Interpersonal role.

1.8 Which one of the following is an example for data?

    (1)   Employees turnover ratio.   (2)   Selling price of an item in an invoice.

    (3)   Total sales for the month.   (4)   Profit for the month.

1.9 Which one of the following is **not** an element included in the Job Description (JD)?

    (1)   Purpose of the job.   (2)   Job title.

    (3)   Main tasks to be performed.   (4)   Working experience.

1.10 Which one of the following is **not** an objective of manpower (Human Resources) planning?

(1)   To forecast the future human resource requirements.

(2)   To ensure availability of flexible workforce.

(3)   To attract and retain the number of people required with skills and competence.

(4)   To reduce reward expenditure.

1.11 Which one of the following is a feature of a business organization?

(1)   It is a group of people working towards a common goal.

(2)   It has a vision and a mission.

(3)   It has a culture followed by organizational values.

(4)   All of the above.

1.12 Which one of the following is correct with reference to the final objective of Marketing Concept included in evolution of marketing philosophy?

(1)   Higher profits through higher production.

(2)   Higher profits through high quality products.

(3)   Higher profits through customer satisfaction.

(4)   Higher profits through higher sales.

1.13 According to the marketing mix (4ps), credit terms are included in:

(1)   Place.   (2)   Product.   (3)   Price.   (4)   Promotion.

1.14 Which one of the following is a characteristic of a successful brand?

(1)   Benefits.   (2)   Culture.

(3)   Values.   (4)   All of the above.

1.15 Which one of the following describes value based pricing?

(1)   Pricing based on how much customers are willing to pay for the goods or services.

(2)   Pricing by adopting a constant percentage to the cost price of goods or services.

(3)   Pricing based on the prevailing market price of goods or services.

(4)   Pricing based on the perceived worth of goods or services to its intended customers.

*Select the correct word/words from those given within brackets to fill in the blanks of question No. **1.16** to **1.20**. Write the selected word/words in your answer booklet with the number assigned to the question.*

1.16 …………………… *(Job design / Job analysis)* is the procedure for determining the duties and skills requirement of a job.

1.17 …………………… *(Positioning / Market segment)* refers to the place that a brand occupies in the minds of customers and how it is distinguished from products of competitors.

1.18 …………………… *(Intranet / Extranet)* is an organizational network based on internet technology that can provide assess to data across the enterprise.

1.19 …………………… *(Decision support system / Executive support system)* is a strategic level information system.

1.20 …………………… *(ISO 9001 : 2008 / ISO 9000 : 2005)* sets out the requirements of a quality management system. (02 marks each, Total 40 marks)

───────── *End of Section A* ─────────

SECTION B

Four (04) compulsory questions

(Total 40 marks)

Question 02

Different types of enterprises that are designed to provide the broad range of goods and services required by people are known as business organizations. Business organizations can be categorized as sole proprietorships, partnerships, companies, co-operatives and Franchises based on the ownership. Regardless of the type of the business organization, every organization uses support services such as, transportation, insurance, communication, banking, etc. for the smooth operation of their business activities.

(a) **Explain** three(03) characteristics of a sole proprietorship. (06 marks)

(b) **Explain** the importance of insurance for a business organization. (04 marks)
(Total 10 marks)

Question 03

A successful business organization needs to identify the changes in business environment. Business environment can be divided as internal environment and external environment. There are different models used to identify environmental factors. Porter's Five Forces model is one of the models used to identify the external environmental factors.

(a) (i) **State** three(03) elements of the internal environment.   (03 marks)

(ii) **Identify** three(03) differences between Macro Environment and Micro Environment.
                                                                                        (03 marks)

(b) **Explain** any two(02) forces of Porter's Five Forces model.   (04 marks)
                                                                            (Total 10 marks)

Question 04

Due to the inherent complexity of human behaviour, Human Resource Management (HRM) plays a vital role in any organization. Major functions of HRM are job design, job analysis, man power planning, recruitment, selection, induction, performance evaluation, training and development, etc.

(a) (i) **Explain** the difference between recruitment and selection.   (03 marks)

(ii) **Identify** the steps involved in the selection process.   (04 marks)

(b) **State** three(03) advantages of external recruitment over internal recruitment.   (03 marks)
                                                                            (Total 10 marks)

Question 05

Marketing is the process of supplying goods and services necessary for the fulfillment of consumers' needs and wants. Market segmentation is one of the core concepts in marketing.

(a) **State** the difference between needs and wants with two(02) examples for each.   (04 marks)

(b) **Explain** three(03) characteristics of effective market segmentation.   (06 marks)
                                                                            (Total 10 marks)

———————————————— *End of Section B* ————————————————

SECTION C

A compulsory question.

(Total 20 marks)

Question 06

Agro Product PLC (APP) is a reputed company in Sri Lanka engaged in the manufacture of machineries relating to agriculture. Recently, **APP** had developed a machinery aimed at improving the productivity of paddy harvest. A market survey was not conducted before introducing the new product to the market. Moreover, the **Product Development Department (PDD)** of **APP** had not communicated with other related Departments of **APP,** regarding the suppliers of raw materials and potential customers until the new machinery was launched. **APP** manufactured new machineries without having proper orders. At the moment, a large stock of new machineries was maintained. After a few months of the launch, there were several complaints regarding the technical issues of the new machinery. Project Manager of **PDD** had already resigned from the company. The exit interview evidenced that the resignation was mainly due to the workload, failure of the new product and unsatisfactory rewards. Further, marketing department of **APP** was not able to clearly answer the concerns raised by the customers. Some issues were answered after long delays because those concerns related to highly technological aspects and there was no competent person to resolve those issues. These long lasting unresolved issues related to the new machinery are causing reputational damage to the other products of the company, and there is a declining trend in revenue from existing products. Finally, **APP** management decided to recall the new machinery.

You are required to:

(a) **Explain** reasons for the main issues faced by **APP** regarding the launching of newly developed machinery. (06 marks)

(b) **Identify** the steps involved in a new product design process. (06 marks)

(c) **State** four(04) objectives of an effective rewards system. (04 marks)

The company had decided to conduct a market survey to observe the perception of the market about the new machinery. It was decided to outsource the conducting part of the market survey.

(d) **List** four(04) benefits that could be gained through outsourcing conducting of the market survey. (04 marks)

(Total 20 marks)

───────────── *End of Section C* ─────────────

ACTION VERB CHECK LIST

Knowledge Process	Verb List	Verb Definitions
Level 01 Comprehension Recall & explain important information	**Define**	Describe exactly the nature, scope, or meaning.
	Draw	Produce (a picture or diagram).
	Identify	Recognize, establish or select after consideration.
	List	Write the connected items one below the other.
	Relate	To establish logical or causal connections.
	State	Express something definitely or clearly.
	Calculate/Compute	Make a mathematical computation
	Discuss	Examine in detail by argument showing different aspects, for the purpose of arriving at a conclusion.
	Explain	Make a clear description in detail revealing relevant facts.
	Interpret	Present in an understandable terms.
	Recognize	To show validity or otherwise, using knowledge or contextual experience.
	Record	Enter relevant entries in detail.
	Summarize	Give a brief statement of the main points (in facts or figures).

Knowledge Process	Verb List	Verb Definitions
Level 02 Application Use knowledge in a setting other than the one in which it was learned / Solve closed-ended problems	**Apply**	Put to practical use.
	Assess	Determine the value, nature, ability, or quality.
	Demonstrate	Prove, especially with examples.
	Graph	Represent by means of a graph.
	Prepare	Make ready for a particular purpose.
	Prioritize	Arrange or do in order of importance.
	Reconcile	Make consistent with another.
	Solve	To find a solution through calculations and/or explanation.

Knowledge Process	Verb List	Verb Definitions
Level 03 Analysis Draw relations among ideas and compare and contrast / Solve open-ended problems.	**Analyze**	Examine in detail in order to determine the solution or outcome.
	Compare	Examine for the purpose of discovering similarities.
	Contrast	Examine in order to show unlikeness or differences.
	Differentiate	Constitute a difference that distinguishes something.
	Outline	Make a summary of significant features.