



Association of Accounting Technicians of Sri Lanka

AA1 Examination - July 2019

**Suggested Answers
Subject No : (AA15)**

BUSINESS OPERATIONS AND MANAGEMENT (BOM)

Association of Accounting Technicians of Sri Lanka

No. 540, Ven. Muruththettuve Ananda Nahimi Mawatha, Narahenpita, Colombo05.

Tel : 011-2-559 669

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THE ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA
AA1 Examination – July 2019
(AA15) Business Operations & Management
SUGGESTED ANSWERS

Four (04) compulsory questions
(Total 20 marks)

SECTION - A

Suggested Answers to Question 01:

<i>Question</i>	<i>Answer</i>
1.1	3
1.2	4
1.3	1
1.4	1
1.5	4
1.6	4
1.7	3
1.8	1
1.9	4
1.10	2
1.11	3
1.12	2
1.13	3
1.14	3
1.15	4
1.16	Strengths
1.17	Idea Generation
1.18	Bank of Ceylon
1.19	Product
1.20	Minimization

(Total 20 marks)

End of Section A

Suggested Answers to Question 02:

(a)

Chapter 3-Business Organizations

Element	Description
Ownership	Qualified and practicing accountants and solicitors and the business members of a recognized stock exchange partnerships can have more than 20 partners
An agreement	A partnership should have an oral, written or implied agreement
Business	The partnership should carry on a business. It can be trading business or even a professional service.
Profit sharing	The partnership should be based on sharing the earned profits. This implies that all partners enter into the partnership with a profit motive. The profit sharing ratio should be decided in the partnership agreement. The loss bearing ratio should be as the profit sharing ratio. If the agreement does not say about the profit sharing ratio it should be shared equally according to the Partnership Act 1980. If only one or few of the partners share the profit, it is not considered as a partnership.
Mutual agency	A partnership is the relation that subsists between persons. Hence, every partner is an agent and principal for himself and each other. All should be responsible to each other's activity towards the business

(06 marks)

(b) (i)

Chapter 4-Supportive Services of Business

- Accuracy of information
- Brief/ detailed as suitable to the scenario. In certain instances detailed information is not necessary but only a brief statement is sufficient.
- Completeness
- Clarity
- Politeness
- Consideration
- Cost effectiveness
- Speed

(02 marks)

(ii)

Chapter 4-Supportive Services of Business

- Speed
- Safety
- Cost effectiveness
- Sufficient capacity
- Good standard in the procedures
- Legal aspect- license, road rules, regulations, etc.

(02 marks)
(Total 10 marks)

Suggested Answers to Question 03:

(a)

Chapter 1- Introduction to Business Operations

The followings are the features of a business organization.

- A group of people comes together to achieve a common goal
- Organizations have a vision and mission
- It has a culture followed by organizational values
- Develop strategies to achieve goals and objectives
- It has a formal structure and systems
- Input-output process
- It has customers for whom the product or service is developed

(04 marks)

(b)

Chapter 6-Operations Management

Primary activities

- **Inbound logistics** – This includes the receiving, warehousing and inventory control of input materials
- **Operations** – These are the value creating activities that transform the inputs into the final product
- **Outbound logistics** – These are the activities required to get the finished product to the customer, including warehousing, order fulfillment
- **Marketing & sales** – These are those activities associated with getting buyers to purchase the product, including channel selection, advertising, pricing, etc.

- **Service** – The activities are those that maintain and enhance the products value including customer support, repair service, etc.

Support activities

- **Procurement** – The function of purchasing the raw materials and other inputs used in the value-creating activities
- **Technology development** – It includes research and development, process automation and other technology development used to support the value chain activities
- **Human resource management** – The activities associated with recruiting, development and compensation of employees
- **Firm infrastructure** – It includes activities such as finance, legal, quality management, etc.

(06 marks)
(Total 10 marks)

Suggested Answers to Question 04:

(a)

Chapter 7-Human Resource Management

1. Job Design
2. Job analysis
3. Man power planning
4. Recruitment
5. Selection
6. Hiring and induction
7. Performance Evaluation
8. Reward management
9. Training and Development
10. Career Management
11. Welfare Management
12. Discipline Management
13. Health and Safety Management
14. Grievances Handling
15. Labour relations

(04 marks)

(b)

1) **Job Design**

Job design (also referred to as work design or task design) is the specification of contents, methods and relationship of jobs in order to satisfy technological and organizational requirements as well as the social and personal requirements of the job holder. Therefore, it is work arrangement (or rearrangement) aimed at reducing or overcoming job dissatisfaction and employee alienation from repetitive and mechanistic tasks. In short, Job design is a process of arranging tasks, duties and responsibilities to achieve organizational goals.

Job design can be done based on several techniques. Some popular techniques of job design are given below.

- Scientific technique - Designing jobs with small number of duties for increasing job specialization
- Job enlargement - Increasing number of duties and scope of the job
- Job enrichment - Process of empowering and increasing depth of the job
- Job rotating - Process of shifting one employee from one job to another within a certain period
- Professional technique - Designing jobs according to certain accepted profession
- Group technique – Design job for a group of employees

2) **Job analysis**

Job analysis is the procedure for determining the duties and the skill requirements of a job and the kind of a person who needs to be hired for it. Therefore job analysis can be defined as the process of obtaining information about jobs by determining what the duties, tasks, and/or activities of jobs are. HR managers use the data to develop job descriptions and job specifications that are the basis for employee performance appraisal and development. However the ultimate purpose of job analysis is to improve organizational performance and productivity. Therefore main outcomes of the job analysis are producing two base documents for HR practices such as Job description and Job specification.

3) **Man Power Planning**

Human resource planning (HRP) determines the Human Resources required by the organization to achieve its strategic goal. It is concerned with matching resources to long term business needs for the present and for the future, although it will sometimes address short term requirements as well. Generally HRP can be defined as a process of anticipating and making provision for the movement (flow) of people into, within, and out of an organization or a process of estimating future demand for human resources and determine steps to achieve that future demand for human resources.

It addresses human resource needs both in quantitative and qualitative terms, which means answering two basic questions.

- How many people?
- What sort of people?

Human Resource Planning also looks at broader issues relating to the ways in which people are employed and developed in order to improve organizational effectiveness. It can, therefore, play an important part in Strategic Management process.

4) Recruitment

Recruitment is a process of generating a pool of qualified applicants towards organizational vacancies. Byers and Rue define recruitments as “the process of seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen.” For this reason recruitment focuses on attracting suitable candidates to the organization. This is a positive process where candidates are encouraged to send their CVs and applications to the company. These applications can be then shortlisted in order to proceed to the next step, Selection. The objective of recruitment is to have a pool of suitable candidates which can be sent to the next process of Selection.

5) Selection

After recruiting suitably qualified pool of candidates, HR managers should involve with the selection process. Selection is a process of finding most appropriate candidate to fill the vacancy out of the pool of candidates. On the other hand, Selection is the process of rejecting unsuitable candidates from a set of applications. For this reason it is a negative process where unsuitable candidates are rejected based on unsuitability. There are many selection tools that can be used by an organization. Once selected, the candidates will be given the ‘Job offer letter’. The objective of Selection is to ensure that only good candidates are employed by the organization.

6) Hiring and Induction

After selecting suitable candidates, HR managers should take action to hire them to the organization. Hiring is appointing candidates to fill the vacancies. Hiring process may consist of preparing the appointment letter, notification, confirmation of accepting the job offer and enter into an employment agreement. However, new employee may not be assigned to the position as a permanent employee. Organization may give probationary period for new comers. Probationary period is a certain period during which a new employee, who was hired for a permanent post, works for an organization. In this period, management can decide whether the employee is suitable to the organization.

7) Performance Appraisals

A performance appraisal is a review and discussion of an employee's performance of assigned duties and responsibilities. For this reason it is a process of collecting evidence to

measure productivity of employees for the purpose of making variety of decisions. The appraisal is based on results obtained by the employee in his/her job, not on the employee's personality characteristics. However, effective performance appraisals system should have the following features.

8) Training and Development

Training and development are a function of human resource management concerned with organizational activity aimed at bettering the performance of individuals and groups in organizational settings. It has been known by several names, including "human resource development", and "learning and development".

9) Reward Management

Reward is a something given or received in return or recompense for service, merit or hardship. Reward is compensation, which is the total of all forms of payments and rewards are provided to employees for performing tasks to achieve organizational objectives. Reward management is a complex process that includes decisions regarding benefits and variable pay and is one of the most significant and dynamic of HR practices. Like any other HR practice, it involves the design, development, implementation, communication and evaluation of the reward strategy and processes of the organization.

10) Grievance handling

Grievance is any dissatisfaction arising out of any reason connected with the employer or personnel life that an employee believes unfair or unjust. A grievance can be projected as follows;

- It can be real or imaginative feelings of personnel justice that an employee has, about the employment relationship
- It need not be expressed to become a grievance
- It need not be true or correct
- A feeling arising from imaginative conditions or incorrect reasoning is still a grievance if it causes a feeling of injustice

For this reason grievances can be categorized as legitimate grievances, Imagined grievances and political grievances, etc.

11) Discipline Management

Discipline is defined as conditioning of the future conduct by the application of either rewards or penalties that is behaving in accordance with accepted norms, rules, and regulations.

This approach would include positive motivational activities such as praise, appreciation, participation, rewards, incentives and promotions as well as negative motivational techniques such as punishment and penalties.

Both types of activities seek to condition employee conduct in order to achieve good discipline in the organization. Disciplinary action is a process that involves a penalty against an employee who fails to meet established standards. Effective disciplinary action focuses on the employee's wrongful behaviour, rather than on the employee as a person.

12) Health and Safety Management

Human resource is considered the most valuable resource for an organization. Hence, ensuring health and safety at work is an important responsibility of the HR manager. Problems of safety and physical health still continue to cause problems for many organizations. This highlights the needs for formal programs aimed at promoting health and safety:

- Work accidents can cause human suffering and sometimes death
- Good health and safety practices may help improve productivity
- Accidents and occupational diseases could bring down the moral of workers
- Repeated accidents can cause fear among workers and an uncomfortable working environment
- Accidents are costly

Accidents at work could cost the organizations may direct and indirect costs such as medical fees, hospitalization expenses, increase in insurance costs, decreased productivity, expenses incurred in hiring and training new workers, management time, compensation paid directly in connection with the accident.

(06 marks)

(Total 10 marks)

Suggested Answers to Question 05:

(a) (i)

Chapter 9- Marketing Strategies
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- (1) Product-Kidos product is kido meal pack
- (2) Price-The Price of the meal pack
- (3) Place-The restaurant in Galle
- (4) Promotion-Kido provides a surprise gift to the children. In addition to that they have a modern kids play area

(04 marks)

(ii) Concentrated Marketing

Concentrated marketing occurs when a business concentrates its marketing effort on one segment of the market. The firm will develop a product that caters to the needs of that particular group.

It can be a good option for small or new businesses. The disadvantage is that it reduces the number of customers that the firm is targeting. It also means that the firm needs to be sure that they have selected the correct segment of the market.

- Kido can develop a product that caters to the needs of that particular group
- Concentrated marketing is good for new and small scale business
- However, concentrated marketing reduces the number of the customers that the firm is targeting
- Company needs to be sure that they have selected the correct segment of the market

(03 marks)

(b) Positioning Strategies

Positioning Strategy/ Approaches	Description
By product attribute or benefits	A product attribute is a specific feature or benefit of the product. Positioning in this way focuses on one or two of the product's best features/benefits, relative to the competitive offerings.
By user	This positioning approach highlights the user (the ideal or representative target consumer) and suggests that the product is the ideal solution for that type of person and may even contribute to their social self-identity.
By product class	This positioning strategy tends to take a leadership position in the overall market. Statements with the general message of "we are the best in our field" are common.
Against competition	With this approach, the firm would directly compare, and make a comparison against certain well-known competitors.
By use/application	With this approach, the product/brand is positioned in terms of how it is used in the market by consumers, indicating that the product is the best solution for that particular task/use.
By quality or value	Some firms will position products based on relatively high quality, or based on the claim that they represent significant value.

(03 marks)
(Total 10 marks)

End of Section B

Suggested Answers to Question 06:

(a)

Chapter Reference -Chapter 5: Business Organization

Political – Government policies can affect businesses both directly and indirectly. As per the given scenario the effects may be direct such as tax laws, trade regulations or it may be indirect such as foreign policies and legal system & stability of government.

Economic – This involve the analysis of a wide variety of economic factors and their effects on business. As per the given scenario, economic development, nature of the competition and monetary and fiscal policies of the country are the factors to be considered.

Social-Culture – Customers are the people who consume goods and services. Therefore, the factors around them are critical to business. These factors consist of the language, attitude towards foreign companies, customs, norms, values and life style.

Technological- Businesses operate in a world of rapid technological change. Organizations need regularly to review the impact of new technologies upon their lives. Skill level of workforce, regulations on technology, computer hacking and telecommunication infrastructure are the factors to be considered as per the given scenario.

(06 marks)

(b)

Chapter Reference - Chapter 5: Business Organization

Strengths

- (1) They provide customized ERP.
- (2) They have ten well experienced software developers.
- (3) They have entered into a partnership with an American ERP software developer.
- (4) ERP systems can be sold at a low price due to partnership with S Plus.

Opportunities

- (1) Demand from Sri Lankan retail sector's for customized ERP.
- (2) Small and medium scaled businesses in Sri Lanka can be targeted due to offering the ERP systems at low price.
- (3) E-commerce technology development in Sri Lanka can be seen.

(04 Marks)

(c)

Chapter Reference - Chapter 10: Information Management

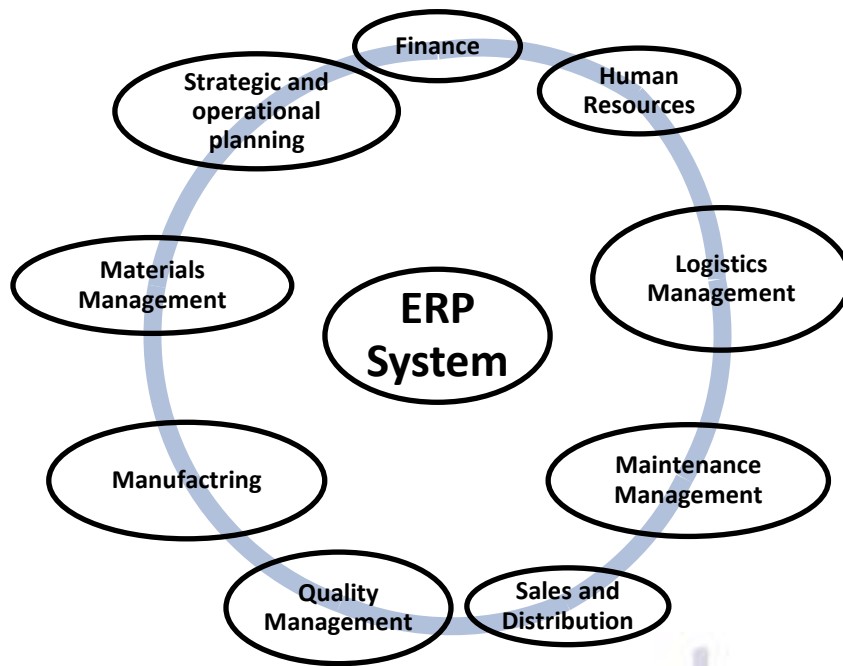
- **Relevancy**-Information should be useful to a particular organization.
- **Accuracy**-Should be correct and true
- **Timely**: Up-to-date information
- **Completeness**-Sufficient information to make relevant information
- **Availability**- Access to information when needed with less cost
- **Confidence**- Genuine sources
- **Understandability**- Presented in a meaningful way to comprehend well

(03 Marks)

(d)

Chapter Reference : Chapter 10- Information Management

- Enterprise resource planning (ERP) is business process management software that allows an organization to use a system of integrated applications to manage the business and automate many back office functions related to technology, services and human resources. ERP software integrates all facets of the operation, including product planning, development, manufacturing, sales and marketing.
- ERP software is considered an enterprise application as it is designed to be used by larger businesses and often requires dedicated teams to customize and analyze the data and to handle upgrades and deployment.
- This system integrates all the functions of an organization to the same system as shown in the figure below. This is highly useful to the top management to get an overall idea of the entire business and take corrective actions.



(03 Marks)

(e)

Chapter 12- Business challenges in the new millennia

Selection and Value	Attractive product selections, competitive prices, satisfaction guarantees and consumer support after the sale
Performance and Service	Fast, easy navigation, shopping and purchasing and prompt shipping and delivery
Look and feel	Attractive Web storefront, Web site shopping areas, multimedia product catalog pages and shopping features
Advertising and Incentives	Targeted Web page advertising and e-mail promotions, discounts and special offers, including advertising at affiliate sites
Personal Attention	Personal Web pages, personalized product recommendations, Web advertising and e-mail notices, and interactive support for all customers
Community Relationships	Virtual communities of customers, suppliers, company representatives and others via newsgroups, chat rooms and links to related sites
Security and Reliability	Security of customer information and Web site transactions, trustworthy product information and reliable order fulfillment

(03 Marks)

(Total 20 Marks)

End of Section C

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