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SRI LANKA

Association of Accounting Technicians of Sri Lanka

AA1 Examination - January 2020

Suggested Answers
Subject No : AA15

BUSINESS OPERATIONS AND MANAGEMENT (BOM)

AA1 Examination - January 2020
(AA15) Business Operations and Management

SUGGESTED ANSWERS

SECTION A

Objective Test Questions (OTQs)

Twenty (20) compulsory questions

(Total 40 marks)

Suggested Answers to Question One:

Question	Answer
1.1	3
1.2	4
1.3	1
1.4	4
1.5	3
1.6	1
1.7	3
1.8	1
1.9	4
1.10	4
1.11	2
1.12	4
1.13	2
1.14	3
1.15	1
1.16	intranet
1.17	Competitors
1.18	internal
1.19	Effectiveness
1.20	Job description

(02 marks each, Total 40 marks)

End of Section A

Four (04) compulsory questions
(Total 40 marks)

Suggested Answers to Question Two:

Chapter 03 - Business Organizations

(a)   (i)   **Characteristics of a Private Limited Company**

1.   **Limited Liability**

   Liability of the shareholders is limited to the value of the shares issued to each shareholder.

2.   **Legal Identity**

   The company has a legal identity separated from its shareholders. As a result taxes and other payments can be paid in the name of the company.

3.   **Going concern**

   Death or retirement of shareholders does not affect the company's existence.

4.   **Ownership and Management are mutually exclusive**

   Management and control power lies with the board of Directors and Management. Though the shareholders are the owners, they have less control power.

5.   **Number of shareholders**

   Minimum number of shareholders is 1 and maximum number of shareholder is 50.

6.   **Publishing Annual Report**

   It is not compulsory to publish annual report to the public.

7.   **Shares issue**

   Shares cannot be issued to the public and shares cannot be transferred without the consent of other shareholders.

(04 marks)

(ii)   Advantages of a Private Limited Company when compared to a partnership

- Limited liability, hence, can attract more capital compared to partnerships.

- Large scale operations will bring economies of scale.

- Rights to certain tax exemptions.

- Transferability of shares is restricted. Hence, can keep the ownership within the family or limited group of people.

(03 marks)

(b)

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Chapter 12 - Business Challenges in the New Millennia

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Opportunities of Globalization

(1) **Free Trade**

Free trade is a policy in which a country does not levy taxes, duties, subsidies or quota on the import/export of goods or services from other countries. There are countries that have resolved to free trade in specific regions. This allows consumers to buy goods and services, comparatively at a lower cost.

(2) **New Markets**

The opportunities for new markets have increased dramatically. Numerous companies have started investing in different countries and different customers for their brands. These ever-expanding markets have helped countries to raise capital in terms of foreign domestic investments, thus improving the economy of the country.

(3) **Cheap Labour**

Most of the developing countries have labour at a lowest rate than the developed countries. Hence, many businesses use these labour recourses for their production through Outsourcing, Offshoring business practices.

(4) **Expanding the operations**

Many companies have opportunities to expand its business and operations through mergers, acquisitions, joint ventures, licensing, franchising or forming multinational companies.

(5) **Increased creativity and innovation**

Global competition can encourage creativity and innovation helping companies to stay one step ahead of competitors.

(6) **Easy access to foreign culture**

Globalization has also made it easier to access foreign culture including food, movies, music and art. The free flow of people, goods and information has made it possible to have.

(03 marks)

(Total 10 marks)

Suggested Answers to Question Three:

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Chapter 7 - Human Resources Management

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(a) **Reasons for why induction is important**

(1) **To provide suitable training for all new members of staff**

A comprehensive induction training program helps the new employees get all the necessary information about the company and clarifies the organization's expectations on them. This helps them understand the culture, work norms, policies and procedures of the organization, and thus enables him to quickly adapt to the work environment.

(2) **To enable ongoing training needs to be identified**

An induction process would assess whether the particular employee needs further training while performing his or her job.

(3) **To improve the contribution to the business, a new member of staff makes as soon as possible**

If employees are trained well in the induction program, they can easily adapt to their new role and start delivering results quickly and it saves the organization a lot of money and time. The new employees can be encouraged to improve the contribution towards the company at the induction.

(4) **To encourage the new employee**

An effective Induction process will ensure that the employees are supported in achieving expected performance levels. This gives them a sense of business, career growth and advancement . Further they will feel that how important they are to the organization.

(5) **To initiate the progress for a probationary period**

This will encourage the new staff to show the progress of their work at the probationary period and get promoted.

(6) **To eliminate fear and build up confidence in the employee**

New employees are quite stranger to the people, work place, and the work environment therefore they have a lot of fear in their mind. An induction programme removes all the type of fears in the mind of new comers and develops confidence in them and it develops a feeling that their role in the organization is important. A proper opportunity should be given to them to do creative things and come up with new ideas. In this way their confidence will be improved.

(7) **To enhance the productivity and the quality of the productivity**

An induction programme will help the employees to enhance the quality of the services provided by an employee.

(8) **To build on sense of belongingness and loyalty**

At the induction, employees will familiarize with the company and they turn into loyal employees.

(9) **Feeling of job satisfaction and security**

People who start a job without adequate training will almost always experience stress and anxiety not feeling confident in what they should do at work and it is a really distressing experience. They will feel more comfortable and secured in the job if a proper induction is given.

(10) **A macro picture of the organization is given to the employees**

Employees will gain a broad understanding of the organization if they are given an induction at the beginning.

(06 marks)

(b)   **Objectives of Human Resource Management**

1.   To help the organization reach 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 to the fullest 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.

(04 marks)

(Total 10 marks)

Suggested Answers to Question Four:

(a)

Chapter 9 - Marketing Strategies

(1)   **Attract the new customers**

At present, people use more technologically advanced equipment and software, hence, customers too can be attracted by advertising the products or services using technology such as Facebook, Whatsapp and Viber.

(2)   **Increase the market share**

Technology can attract many customers which will eventually increase the market share.

(3)   **To face the competition**

Every supplier uses technologies such as online delivery, call app, sms to acquire new customers to face the competition successfully.

(4)   **Retain the customers**

Brand loyal customers will stay long with the business to make them loyal continuous learning programmers should be implemented and to make them for that technology will helps a lot. Offering star points programs for loyalty cards would be one of the examples.

(5) **Cost of marketing can be reduced**

The methods of contacting with customers have developed with the advancement of the technology and the unnecessary marketing costs can be reduced by moving into effective promotional campaigns with the development of new technology.(eg:Telephone calls, sending SMS s)

(6) **It would be easy to access large number of customers**

With the new technology a large number of customers can be covered at once in delivering information about the product.

(7) **Access to large number of customers can be done within short period**

A large number of customers can be informed about the product accessed within short period of time.

(06 marks)

b)

Chapter 9 - Marketing Strategies

Reasons why positioning is important for an organization

• It supports overall strategy.

• Clear positioning helps the consumer differentiate between competitive offerings.

• Increases the competitive strength of the organization in the marketplace.

• Increases sales and customer loyalty.

• Avoid cannibalization (A reduction in sales volume, sales revenue, or market share of one product as a result of the introduction of a new product by the same producer.)

• Facilitates clear communication and consistency.

• Reduces price sensitivity.

• Good for low-involvement purchases.

• Good for habitual purchases

(04 marks)

(Total 10 marks)

Suggested Answers to Question Five:

(a)

Chapter 6 - Operations Management

Challenges faced by an Operation Manager in the current context

1. **Rapid development in Technology**

In the modern world a fast development in technology can be seen. Acquiring new technology is time consuming and costly and therefore operational managers face difficulty in going in line with this rapid change.

2. **Lack of competent staff**

Acquiring experienced and skilled staff is not an easy task and at the same time it costs a lot.

3. **Difficulty in obtaining sufficient finance**

Funds allocated to certain task will not be sufficient to achieve the set objectives and this is a major problem faced by an operational manager.

4. **Difficulty in obtaining required resources**

If quality resources can't be acquired at right time it will affect to timely production and quality of the product.

5. **Pressures from other core departments**

There are many departments in an organization such as Marketing, Human Resources etc. and they have different objectives and they work towards achieving them.

Therefore Operational managers face difficulty when they do their job with support of other departments.

6. **Higher competition**

At present company has to face a huge competition and the operational managers should come up with new ideas.

(06 marks)

b)

Chapter 4 - Supportive Services of Business

Features of an effective business communication system

- Access to information: Access to information should be available only for the required parties. Passwords can be used with electronic methods.

- Easy to use: Should not be a very complicating method to apply

- Efficiency of user: All the users should have the knowledge and talent use the method. If a person does not know how to handle e-mails, the user will not efficient; hence, it will not be an effective communication method.

- Interaction between people: It should facilitate feedback and reactions from the receiver to the sender

- Interactions between institutions

- Confidentiality and security

(04 marks)

(Total 10 marks)

End of Section B

One (01) compulsory question

(Total 20 marks)

Suggested Answers to Question Six:

(a)

Chapter 7 - Human Resources Management

Key benefits gained by super move through an effective training programme

1. **Improves morale of employees**

   Training helps the employee to get job security and job satisfaction. The more satisfied the employee is, and the greater is his morale, the more he will contribute to organizational success, and it will reduce the employee absenteeism and turnover.

2. **Less supervision**

   A well trained employee will be well acquainted with the job and will need less of supervision. Thus, there will be less wastage of time and efforts.

3. **Fewer accidents**

   Errors are likely to occur if the employees lack knowledge and skills required for doing a particular job. The more trained an employee is, the less are the chances of committing accidents in job and the more proficient the employee becomes.

4. **Chances of promotion**

   Employees acquire skills and efficiency during training. They become more eligible for promotion. They become an asset for the organization.

5. **Increased productivity**

   Training improves efficiency and productivity of employees. Well trained employees show both quantity and quality performance. There is less wastage of time, money and resources if employees are properly trained.

(06 marks)

(b)

Chapter 08 - Role of Marketing in Business Operations

Customer concept used by SuperMove

The customer concept begins with the individual customers. This concept identifies importance of satisfying individual customers based on their personal preference, customize the products/ services.

Advanced information technology with internet and related devices have made this an easy task. The customer concept adds lifetime value to the customer. This creates customer loyalty towards the company. This is also called one-to-one marketing.

Further the companies have given trainings to call centre staff to improve the quality of their service. It is a competitive advantage for SuperMove and thereby SuperMove is able to build sound relationships with its customers.

(04 marks)

(c)

Chapter 06 - Operations Management

Dimensions of quality for services by SuperMove

(1)   Time and Timeliness

(2)   Completeness

(3)   Courtesy

(4)   Consistency

(5)   Accessibility and convenience

(6)   Accuracy

(7)   Responsiveness

(04 marks)

(d)

Chapter 10 - Information Management

Advantages that could be gained by SuperMove using the modern technology for information management

1)   **To control the creation and growth of records**

Despite decades of using various non-paper storage media, the amount of paper in our offices continues to escalate. An effective records information system addresses both creation control (limits the generation of records or copies not required to operate the business) and records retention (a system for destroying useless records or retiring inactive records), thus stabilizing the growth of records in all formats.

2)   **To reduce operating costs**

Recordkeeping requires administrative dollars for filing equipment, space in offices, and staffing to maintain an organized filing system (or to search for lost records when there is no organized system).

3)   **To improve efficiency and productivity**

Time spent on searching for missing or misfiled records are non-productive. A good records management program (e.g. a document system) can help any organization upgrade its recordkeeping systems so that information retrieval is enhanced, with corresponding improvements in office efficiency and productivity. A well designed and operated filing system with an effective index can facilitate retrieval and deliver information to users as quickly as they need it.

4) **To minimize litigation risks**

Business organizations implement management information systems and programs in order to reduce the risks associated with litigation and potential penalties. This can be equally true in Government agencies. For example, a consistently applied records management program can reduce the liabilities associated with document disposal by providing for their systematic, routine disposal in the normal course of business.

5) **To safeguard vital information**

Every organization, public or private, needs a comprehensive program for protecting its vital records and information from catastrophe or disaster, because every organization is vulnerable to loss. Operated as part of a good management information system, vital records programs preserve the integrity and confidentiality of the most important records and safeguard the vital information assets according to a "Plan" to protect the records.

6) **To support better management decision making**

In today's business environment, the manager that has the relevant data first often wins, either by making the decision ahead of the competition or by making a better, more informed decision. A good management information system can help ensure that managers and executives have the information they need when they need it.

By implementing an enterprise-wide file organization, including indexing and retrieval capability, managers can obtain and assemble pertinent information quickly for current decisions and future business planning purposes.

7) **To preserve the corporate memory**

An organization's files, records and financial data contain its institutional memory, an irreplaceable asset that is often overlooked. Every business day, you create the records, which could become background data for future management decisions and planning.

8) **To foster professionalism in running the business**

A business office with files, documents and financial data, stacked on top of file cabinets and in boxes everywhere, creates a poor working environment. The perceptions of customers and the public, and "image" and "morale" of the staff, though hard to quantify in cost-benefit terms, may be among the best reasons to establish a good management information system.
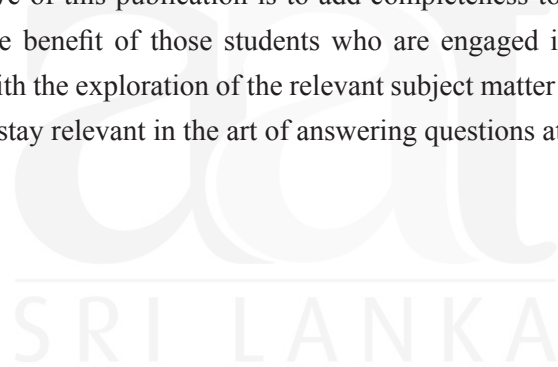
(06 marks)

(Total 10 marks)

End of Section C