



**Association of Accounting Technicians of Sri Lanka**

**July 2020 Examination – Level II**

**Suggested Answers (204)**

**(204) BUSINESS MANAGEMENT**

**Association of Accounting Technicians of Sri Lanka**  
No. 540, Ven. Muruththettuve Ananda Nahimi Mawatha,  
Narahenpita, Colombo 05.

Tel : 011-2-559 669

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**THE ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA**

**Level II Examination-July 2020**

**(204) BUSINESS MANAGEMENT**

**SUGGESTED ANSWERS**

**Fifteen (15) Compulsory Questions**  
(Total 40 Marks)

**SECTION - A**

***Suggested Answers to Question One:***

- |             |                           |                   |
|-------------|---------------------------|-------------------|
| <b>1.1</b>  | <b>(2)</b>                | <b>(02 marks)</b> |
| <b>1.2</b>  | <b>(2)</b>                | <b>(02 marks)</b> |
| <b>1.3</b>  | <b>(1)</b>                | <b>(02 marks)</b> |
| <b>1.4</b>  | <b>(4)</b>                | <b>(02 marks)</b> |
| <b>1.5</b>  | <b>(4)</b>                | <b>(02 marks)</b> |
| <b>1.6</b>  | <b>Doing things right</b> | <b>(01 marks)</b> |
| <b>1.7</b>  | <b>resources</b>          | <b>(01 marks)</b> |
| <b>1.8</b>  | <b>Job design</b>         | <b>(01 marks)</b> |
| <b>1.9</b>  | <b>an external</b>        | <b>(01 marks)</b> |
| <b>1.10</b> | <b>selling</b>            | <b>(01 marks)</b> |

**1.11**

- (1) Having required materials
- (2) Determining production volume
- (3) Optimizing resource usage
- (4) Organizing Facilities
- (5) Integrating work Queues
- (6) Layout designing
- (7) Quality management
- (8) Forecasting Demand

*(02 marks)*

**1.12 Requirements for effective market segmentation**

- Measurable
- Accessible
- Substantial
- Differential
- Actionable

*(02 marks)*

**1.13 Advantages of internal recruitment for an organization**

- Enhances employee morale
- Low cost
- Possible to retain appropriate employees
- Motivates current employees
- Help to maintain a sound labor management relationship

*(02 marks)*

**1.14 Reasons to resistance to change**

- Uncertainty
- Threat to self-interest and power
- Different Perceptions (Lack of understanding of the nature of change)
- Feeling of loss
- Fear of unknown
- Lack of competence
- Low trust
- Poor communication
- Decision making based on facts

*(02 marks)*

**1.15 Principles of Total Quality Management (TQM)**

- Process
- Focus on the customer
- Have a strategic approach to improvement
- Improve continuously

- Integrated system
- Employee involvement
- Communication
- Decision making based on facts

(02 marks)  
(Total 25 marks)

**End of Section A**

(Total 50 Marks)

**SECTION - B**

## ***Suggested Answers to Question Two:***

***Chapter 01 Introduction to Management and Different Perspective of Management***

### **a.) Functions of Management Process**

1. Planning
2. Organizing
3. Leading
4. Controlling

(04 marks)

### **b.) Managers has to face lot of challenges due to COVID outbreak.**

#### **1.) Disruptions in working practices and behaviors**

Due to lock downs the prevalent work practices will have to be changed. Employees may have to work from home and there will be disruptions in the manufacturing process.

#### **2.) Sudden drop in local and export market.**

The demand for some of the products might be decreased and orders from the export market will be cancelled. In such situation's managers have challenges in meeting their targets.

#### **3.) Issues in the supply chain management.**

Government may impose import restrictions on some of the materials. Thus, supply of raw materials may be interrupted. Processes like procurement will be disrupted.

**4.) Management of working capital.**

Inventory may be piled up as unable to process them and it might be difficult to collect money from credit sales. This will cause the issues of management of cash.

**5.) Trust and openness.**

Whereas possible many companies have now moved to remote working and unfortunately this was not by choice. Trust is an essential element of working from home.

**6.) Challenge to prevent for spreading COVID-19 in workplace.**

Additional steps have to be taken by managers in an organization to prevent spreading COVID-19 in workplace. Sometimes they can use work at home, roster basis works, etc. for continuation of operation.

**7.) Loss of some key employees to the organization.**

Due to COVID-19, some employees may be lost to the organization. It is a challenge faced by managers how to get work done from others.

**8.) New advanced technology/information technology.**

New technology supports to continue the operations and the managers should have an understanding on it. Usage of information technology and internet accessibility is being increased with COVID-19. Every manager should have knowledge regarding IT.

**(06 marks)**  
**(Total 10 marks)**

***Suggested Answers to Question Three:***

**Chapter 5-Human Resource Management**

**a) Functions of Human Resource Management**

- Job Design
- Job Analysis
- Man power planning
- Recruitment
- Selection
- Hiring
- Induction
- Performance evaluation
- Reward management
- Training and development
- Career management
- Welfare management
- Discipline management

- Health and safety management.
- Grievances handling, labor relations.

**(02 marks)**

**b.) Difference between Job Description and Job Specification**

- A Job Description (JD) is a list of the job's duties, responsibilities, reporting relationships, working conditions and supervisory responsibilities which is one of the products of a job analysis.

The JD consists of the content of the job. Key elements of a job description are given below.

- Job Title
  - Purpose of job
  - Job Identification (Including data to distinguish job from all other jobs)
  - Main tasks/duties to be performed
  - To whom the job holder is responsible and accountable
  - Required qualifications, skills, etc for the job (if any)
  - Any special working conditions, travel, etc.
  - Tools, equipment and machine to be used
  - Targets to be achieved
  - Criteria for assessment of performance, etc.
- Job specification (JS) is a list of a job's 'human requirements', which is the requisite education, skills, personality and so on. It is another product of a job Analysis.

Even though, most of the organizations prepare JD and JS as a one document, an individual JS would consist of the several key elements given below.

- Job title
- Purpose of job
- Education qualification
- Training and skills
- Special physical capabilities
- Working experience
- Special mental capabilities

**(03 marks)**

**C.) Why Human Resource Management (HRM) is important for an organization**

**1. Human Resources are the most important resource to accomplish organizational goals.**

There are various kinds of resources in the organization. As examples, machines, money and time can be categorized. Availability of all other resources has ability to accomplish the goals of the organization, only human resource accomplishes the goals of the organization.

(Other resources make things possible but only human resource make thing happen).

**2. The success of other functional fields of management depends on success of HRM.**

There are different management fields in order to achieve the organizational goals. As an example, marketing, human resource and finance are major fields. Success of these functional fields depends on competent managers who are functioning these fields. Only the human resource management process has responsibility to create and retain these managers who are competent, motivated, and committed. Therefore, success of other functional fields directly depends on a success of HRM field.

**3. HRM is a very important responsibility of every manager.**

All functional managers should have sufficient degree of competence in HRM due to they have to work with people and get things done by people in an organization. It directly depends on success of their functional fields.

**4. HRM helps for learning and development**

Learning is a continuous process and essential to enhance employees' productivity. HR managers are responsible for the orientation and induction of new employees as well as professional development of existing employees, Further, they must have the ability to identify and analysis the areas that employees need training.

**5. HRM improves employees' satisfaction**

Human resource helps the organization to achieve the performance, morale and satisfaction levels throughout the workforce by creating ways to strength the employer employee relationship. If there is a good relationship between employer and employee it results to increase employees' satisfaction.

**6. HRM is important to organizational success and societal success.**

When having a sound HR management within the organization, it means that there is developed human resource in the organization and it has a chance to meet basic needs and wants of its people. On the other hand, there is a possibility to achieve organizational goals. Therefore, HR contributes to societal development.

**7. Recruitments**

The recruitment of new employees can contribute towards the longevity of any business. The human resources department has a clear understanding about the available vacancies within an organization and it takes necessary measures in order to fill up those vacancies.

**8. Establishing relationships with employees**

The HR department is responsible for maintaining relationships with employees in a unionized work environment. It also focuses on strengthening the relationships among employees. As a result, the HR department is in a position to resolve all sorts of conflicts that arise within the organization.

### 9. Ensuring the safety of employees

It is extremely important for all the organizations to pay special attention towards workplace safety. The HR department takes necessary measures in order to create a safe working environment for the employees.

### 10. Offering benefits to the employees

The benefits that should be given to the employees are handled by one of the specialists in HR Department. That is a motivational factor to the employees.

(05 marks)  
(Total 10 marks)

## *Suggested Answers to Question Four:*

### *Chapter 4-Marketing Management*

a.)

#### **Benefits of Digital Marketing**

- **Global reach** – a digitalized approach in market allows the business to find new markets and trade globally for only a small investment.
- **Lower cost** - a properly planned and well-targeted digital marketing campaign can reach the right customers at a much lower cost than traditional marketing methods.
- **Ability to track and measure the results** - measuring your online marketing with web analytics and other online metric tools makes it easier to establish how effective the campaign has been.
- **Personalization** – if the customer database is linked to the business website, then whenever someone visits the site, the business can greet them with targeted offers. The more they buy from the business, the more the business can refine their customer profile and market effectively to them.
- **Openness** - by getting involved with social media and managing it carefully, the business can build customer loyalty and create a reputation for being easy to engage with.
- **Social currency** - digital marketing lets the business to create engaging campaigns using content marketing tactics. This content (images, videos, articles) can gain social currency - being passed from user to user and becoming viral.
- **Improved conversion rates** - if the business has a website, then its customers are only ever a few clicks away from making a purchase. Unlike other media which require people to get up and make a phone call, or go to a shop, digital marketing can be seamless and immediate.

(04 marks)



b.)

### **Why marketing is considered as an important function**

- **Marketing helps in transfer, exchange and movement of goods:**

Market activities play an important role in connecting the buyer and seller. If this connection is not validated, the buyers may not be able to satisfy their needs as well as the seller may not be able to sell their products.

- **Marketing is helpful in raising and maintaining the standard of living of the community:**

Marketing provides opportunities for the buyers together more information about the products they require and then among the other competitive suppliers. This competition is taking place at public domain, the business of streaked maintaining ethical practices in market and hence standard is maintained. At the qualities and the concern by the buyers, they may not be able to be impacted by less quality products.

- **Marketing creates employment:**

Where there have been the direct marketing, that is the produced directly to the ultimate consumer, the marketing activities are very narrow and includes less number of human to take part. But the practical marketing is mainly on the indirect which involves several number of intermediaries who have the opportunity to serve the market and engage them self - employed.

- **Marketing as a source of income and revenue:**

Marketing does not only provide the revenue generation opportunities for producers but also the intermediaries taking part in the distribution chain obtained opportunity to earn. In a broad perspective, the marketing creates many more opportunities to enhance the level of earning of the economy.

- **Marketing acts as a basis for making decisions:**

Marketing information such as insights of the market, customer behavior, competitor actions and predictions which help the management to make informed decisions in relation to the marketing activities of the business.

- **Marketing acts as a source of new ideas:**

As the marketing is always dynamic, business opportunity to innovate. The products which are out of use because of the Fashion Technology, etc. may need to be replaced by new products in order to provide new satisfaction for the changing customer requirements and taste. Hence marketing does not provide opportunities to innovate but compulsory the business to innovate.

- **Marketing acts as a source of new ideas:**

Marketing is an important strategy to ensure the growth of your business. While your current customers should always be your main priority, marketing efforts can help you expand this base. Little efforts like social media posts and email campaigns can not only engage existing consumers but spread the world to new potential customers. In essence, marketing secures your business's future through new and old customer engagement.

- **Marketing Is helpful in development of an economy:**

At the national level, the marketing in the international market export capacity of the economy which results in a positive trade account as well as balance of payment.

(06 marks)  
(Total 10 marks)

## *Suggested Answers to Question Five:*

<b>Chapter 7-Strategic Management</b>
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a.) Corporate level Strategy, Business level strategy, Functional level strategy

(02 marks)

b.)

- **Economics Forces**

Recently the economic factors such as local and foreign recession, expansions, consumer confidence, disposable income, unemployment, consumer debts and foreign direct investments (FDIs) have considerably influenced on the stock price, interest rates, corporate profits, exports and imports. Therefore, organizational strategy is influenced by economic factors. As an example, organizations have to consider effective capital investment methods when interest rate increases.

Further, if there is any fluctuations of foreign exchange rate relative to its money in any country, it will directly influence on exports and imports of organizations. When decreasing value of money of a country, it will cause to motivate the imports and demotivate the exports.

- **Social, Cultural, Demographic and Environmental Forces**

Social, cultural, demographic and environmental forces influence on organizational strategy development. These forces create different consumption styles and as a result of that the organizations have to produce different goods and services and adhere different strategies. Birth rate, special group size, number of divorces, immigration and migration rate, social security programmes, per capita income, attitude of business, life styles, attitude towards the government, attitudes towards task, habits of purchasing, Attitudes towards the savings, similarities in ethnics, educational levels, attitudes towards the quality of products, attitudes towards the customer services, the feeling regarding environment pollution, the feeling regarding social responsibility, attitude regarding population, Attitude regarding intervals, the feeling regarding profession, changes of religions, attitude regarding power are some of the important social, cultural, demographic and environmental forces.

- **Political, Governmental and Legal Forces**

Political and Governmental forces are important external auditing factors of organizations which are heavily depend on government agreements and subsidies. The operations of an organization are heavily influenced by fluctuations of intellectual capital, common legal legislations and tax rates. Political factors are heavily influence on the multinational organizations which heavily depend on foreign resources, facilities and distributional channels.

Government rules and regulations, legal changes of tax, special customs duty, political actions, intellectual capital rules, environment pollution rules, rules regarding employment, government subsidies level, relationships among country, import export rules, political situations of foreign countries, world power crisis, local government rules and regulations are the most important political, governmental and legal forces.

- **Technological Forces**

Today the organizational operations and services are flexible as a result of changes in electronic technology and information technology. Internet works as an economic engine in national level and international level. Also, the internet provides different facilities and services to develop standard of living of people. The current organizations are engaging their business operations using internet and other communication methods. It is considered as E- Commerce. Technical forces work as opportunities and threats in creating organizational strategies.

- **Competitive Forces**

The organizations must collect data and analyze about its competitors in developing successful strategies. It is not an easy task to identify its unique competitors as organizations operate their business in different industries. However, today most of the organizations use internet to collect data regarding its competitors. According to that, the formal and ethical process which the organization uses to collect data about its competitors is called as Competitive Intelligence.

**(06 marks)**

c.)

- Novelty
- Secretly Devised
- Intelligent
- Deceptive
- Cost Effective

**(02 marks)**

**(Total 10 marks)**

## ***Suggested Answers to Question Six:***

a.)

<b><i>Chapter 2-Part III-Organizational Structure and Design</i></b>
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### **Advantages of a good organizational structure**

1. It allows correlation and coordination among human, physical resources and enables the business to achieve the goals
2. It ensures a smooth flow of communication and better control over the operations
3. It provides the framework within an organization's functions while coordinating the responsibilities of individuals and departments
4. It makes people accountable and sense of belonging or satisfaction of working in groups

5. Improve decision making
6. It eliminates overlapping and duplication of work
7. Improve employee performance

#### **Disadvantage of a good organizational structure**

1. Employees may have low morale
2. Uncertain about reporting lines
3. Increasing conflicts among employees
4. Lack of coordination among activities
5. Slow respond to environment changes
6. Wasting resources

**(04 marks)**

**b)**

#### **Factors affecting the design of an organizational structure**

##### **(i) Strategy:**

Logically, structure follows strategy because organizational structures are built to achieve objectives by implementing the strategies. When strategy changes, structures must change. At the corporate level, strategies are formulated based on the company's mission and strategic goals or objectives.

##### **(ii) Environment:**

Environment has an impact on decision making – specifically the difficulty of making decisions in an uncertain or unpredictable environment. Similarly, the stability and predictability of the environment have a direct bearing on the ability of the organization to function effectively. An unstable environment that changes rapidly and is less predictable has two requirements:

1. The organization must be able to adapt to change, for which it needs to be flexible and responsive.
2. The organization needs greater coordination among departments.

##### **(iii) Size of the organization:**

The number of employees working in an organization indicates its size. It is observed that large organizations differ structurally from small ones in terms of division of labour, rules and regulations, performance appraisal and budgeting procedures.

##### **(iv) Age of the organization:**

With age; an organization incorporates standardized systems, procedures and regulations. Like people, organizations evolve through stage of life cycle – birth, youth, midlife and maturity. In the birth stage, the organization created by the entrepreneur is informal, with no rules and regulations. Decision making is centralized with the owner and tasks are not specialized. In the youth stage, the organization is growing – it expands and hires more employees. It incorporates division of labour and formal rules and policies. Decision making is still with the owner although it is shared by few persons close to the owner. In the midlife stage, the company has become quite large. It now has extensive sets of rules, regulations, policies and systems to guide the employees. Control systems are used, professionals are hired, tasks are decentralized and authority is

delegated to functional departments. In the maturity stage, rules, regulations, specialized staffs, budgets, a refined division of labour and control systems are in place.

**(v) Technology:**

Some kind of technology is used to convert the resources into outputs. Technology includes the knowledge, machinery, work procedures, and materials that convert the inputs into outputs. The technology used to manufacture the products decides the kind of the organization for the production system.

**(vi) Past experience and pattern of ownership:**

The history of the organization and whether the owners are directly involved in the business will have an impact on the organizational structure. Most of the one owner companies are tend to the centralized structure and reporting relationships are decided by one person.

*(04 marks)*

**C.)**

1. Specialization
2. Easy supervision
3. Easy coordination
4. Increases managerial efficiency
5. Effective training
6. Decreased cost

*(02 marks)*

*(Total 10 marks)*

***End of Section B***

**(Total 25 Marks)**

**SECTION - C**

***Suggested Answers to Question Seven:***

***Functions of Management Process -Part IV- Leadership and Motivation***

**Functions of an effective leader**

The role of a leader is essential in a business. When a business has the right leader at the right time, the success is assured. The important roles performed by a leader in a business are discussed below:

### **1. Ensure the business maintains its Vision**

Vision is the strategic direction that a business intends to accomplish. The human forces in the business need to work towards this direction. In order to make this effective, a right leadership in place will ensure the employees are guided to the right path.

### **2. Inspire morale**

The employees want to know what is right. In some critical situations, there need to be a support to keep them aware, active and alert, without their request. An effective leader will always look after the needs of the employees.

### **3. Guide an organization towards embracing diversity**

In the modern era, diversity in many aspects is a unique feature. A good leader will guide his team towards the diversity and hence make sure the organization moves via the correct path among diversity.

### **4. Communicate new strategic directions**

The long term aspirations, market challenges and alternative actions are essential in a situation of environmental uncertainty and less predictability. In such critical situations, a leader can keep himself and his team confident and concentrate on the goals to be accomplished via alternative strategies.

### **5. Ensure the employees are motivated**

Motivation is a function needed everywhere. As it is a general nature of human of getting bored, lacking interest or diverted due to various factors. A leader can keep his team motivated and get the goals accomplished, via continuous communication, teamwork and other motives.

### **6. Availing necessary resources and support**

A leader shall ensure the team has the correct resource at the correct time. This is possible through the correct communication strategy with the senior management. Further, a leader is a resourceful person in terms of intellectual and conceptual skills. Hence, the leader will be able to provide a long-standing support to his team in order to complete the allocated task.

### **7. Encouraging continuous learning**

The modern businesses are mostly learning organizations. The staff learn new things every day in every activity, as the world is operating on data and knowledge. Hence, a leader shall keep his team engaged in continuous learning so that they are not outdated from the work practices, statutory and business requirements and the competitive advantage.

### **8. Inspiring a collective identity**

A leader is an essential element behind a successful team. A leader does not work for himself, but for the team. Making the team effort success, the leader shares the credit with the team. This will encourage the team spirit and the unique identity for teamwork.

*(06 marks)*

## **Chapter 02-VI- Organizational Controlling**

### **b) Reasons to consider that controlling is important for Glove Park**

#### **1.Helps in achieving organizational goals:**

When the plans are made in the organization these are directed towards achievement of organizational goals and the controlling function ensures that all the activities in the organization take place according to plan and if there is any deviation, timely action is taken to bring back the activities on the path of planning. When all the activities are going according to plan then automatically these will direct towards achievement of organizational goal.

#### **2. Judging accuracy of standards:**

Through strategic controlling we can easily judge whether the standard or target set are accurate or not. An accurate control system revises standard from time to time to match them with environmental changes.

#### **3. Making efficient use of resources:**

Like traffic signals, control guides the organization and keeps it on the right track. Each activity is performed according to predetermined standards. As a result, there is most and effective use of resources.

#### **4. Improving employee motivation:**

An effective control system communicates the goals and standards of appraisal for employees to subordinates well in advance. A good control system also guides employees to come out from their problems. This free communication and care motivate the employees to give better performance.

#### **5. Ensures order and discipline:**

Control creates an atmosphere of order and discipline in the organization. Effective controlling system keeps the subordinates under check and makes sure they perform their functions efficiently. Sharp control can detect dishonesty and fraud of employees. Strict control brings more order and discipline in work environment.

#### **6. Facilitate coordination in action:**

Control helps to maintain equilibrium between means and ends. Controlling makes sure that proper direction is taken and that various factors are maintained properly. All the departments are controlled according to predetermined standards which are well coordinated with one another. Control provides unity of direction.

#### **7. Controlling helps in improving the performance of the employees:**

Controlling insists on continuous inspection on the employees and control helps in creating an atmosphere of order and discipline. Under controlling function it is make sure that employees are aware of their duties and responsibilities very clearly. They must know clearly the standards against which their performance will be judged. These standards help the employees to work efficiently.

#### 8. Controlling helps in minimizing the errors:

Small errors or small mistakes may not seriously affect the organization. But if these errors are repeated again and again it will become a serious matter and can be disastrous for the organization. An effective controlling system helps in minimizing the errors by continuous monitoring and check. The managers try to detect the error on time and take remedial steps to minimize the effect of error.

**(04 marks)**

### ***Chapter 2-Part V-Organizational Communication***

#### **C.) Actions that could be taken to overcome communication barriers within the organization**

- Make sure that your communication has a clear aim
- Take time to prepare your communication
- Choose the right setting for oral communication
- Ask for help and advice if you need it
- In oral communication use the correct tone for the message
- Anticipate any queries the recipient might have
- Improve your listening skills
- Always select the correct media
- Take the opportunity to undertake training in communication skills
- Practice for making perfect communication.

**(04 marks)**

d.)

### ***Chapter 2-Part IV-Leadership and Motivation***

#### **Signs of Demotivation of Employees**

- Lack of commitment on work
- Continuous delays(late) or absenteeism
- Lack of willingness to obey the instructions
- Creating problems and spreading rumors
- Lack of interest for personal or business growth
- Loss of productivity and efficiency
- Lack of visible sign of enjoyment and passion in work

**(04 marks)**

E.)

### ***Chapter 2-Part VI-Organizational Controlling***

#### **Relationship between Planning and Controlling.**

Planning and controlling are two separate functions of management, yet they are closely related. The scopes of both activities go hand in hand. Without the basis of planning, controlling activities becomes baseless and without controlling, planning becomes a meaningless exercise. In absence of controlling, no purpose can be served. Therefore, planning and controlling reinforce each other.



According to Billy Goetz, the Relationship between the two can be summarized in the following points.

- Planning precedes controlling and controlling succeeds planning.
- Planning and controlling are inseparable functions of management.
- Activities are put on rails by planning and they are kept at the right place through controlling.
- The process of planning and controlling works on Systems Approach which is as follows:

**Planning → Results → Corrective Action**

Planning and controlling are integral parts of an organization as both are important for the smooth running of an enterprise.

**(04 marks)**  
**(Total 25 marks)**

***End of Section C***

***Notice:***

These answers compiled and issued by the Education and Training Division of AAT Sri Lanka constitute part and parcel of study material for AAT students.

These should be understood as Suggested Answers to question set at AAT Examinations and should not be construed as the “Only” answers, or, for that matter even as “Model Answers”. The fundamental objective of this publication is to add completeness to its series of study texts, designs especially for the benefit of those students who are engaged in self-studies. These are intended to assist them with the exploration of the relevant subject matter and further enhance their understanding as well as stay relevant in the art of answering questions at examination level.

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