



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

AA2 EXAMINATION - JULY 2015

(AA23) BUSINESS OPERATIONS AND MANAGEMENT

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

- (1) **Time:** 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) **Submit all workings and calculations. State clearly assumptions made by you, if any.**
- (5) **Use of Non-programmable calculators is only permitted.**
- (6) **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.**
- (7) **100 Marks.**

01-08-2015

Afternoon

[2.00 – 5.00]

No. of Pages : 07

No. of Questions : 10

SECTION A

Objective Test Questions (OTQs)

Twelve (12) compulsory questions

(Total 20 marks)

Question 01

Select the most correct answer for question No. 1.1 to 1.11. 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 contains auxiliary services correctly?

- (1) Trading and banking. (2) Transport and export.
(3) Insurance and communication. (4) Stores management and wholesale trade.

(01 mark)

1.2 Which one of the following is correct with respect to a private company?

- (1) Maximum number of shareholders is seven.
(2) Minimum number of directors is two.
(3) Not compulsory to publish financial statements.
(4) No restrictions to transfer shares.

(01 mark)

- 1.3** A private sector business entity can be differentiated from a public sector business entity based on the purpose of the existence. The main purpose of existence of public sector entities is to:
- (1) Provide required services for the smooth functioning of the market economy.
 - (2) Improve infrastructure facilities.
 - (3) Produce essential goods and services.
 - (4) Control monopoly markets. (02 marks)
- 1.4** **XYZ Ltd.** operates in Country **X** where the demand for product of **XYZ Ltd.** is very strong. However, **XYZ Ltd.** is facing a severe shortage of staff in the production division. Which one of the following environment is possible to be considered in strategic planning?
- (1) External Environment.
 - (2) Foreign Environment.
 - (3) Macro Environment.
 - (4) Internal Environment. (02 marks)
- 1.5** Of the following, which one is **not** a component of the Micro Environment?
- (1) Customers.
 - (2) Competitors.
 - (3) Suppliers.
 - (4) The Government. (01 mark)
- 1.6** Which one of the following is a primary activity according to Porter's Value Chain?
- (1) Human Resource Management.
 - (2) Firm's Infrastructure.
 - (3) Procurement.
 - (4) Inbound Logistic. (02 marks)
- 1.7** Which one of the following is true regarding Inventory Management?
- (1) Monitoring of inventories constantly is not a feature of Continuous Inventory Management System.
 - (2) The costs associated with replacing the stock of inventory being held is named as carrying costs.
 - (3) Economic Order Quantity (EOQ) is the optimal order size that minimizes the sum of carrying cost and ordering cost.
 - (4) The lower warehouse cost is one of the advantages of Traditional Inventory Management System. (02 marks)
- 1.8** Which one of the following permits an organization to share information / facts and to use of IT resources among internal employees?
- (1) Management Information System.
 - (2) Intranet.
 - (3) Internet.
 - (4) Extranet. (02 marks)

1.9 Of the following, select the function that belongs to “Employee and Labour Relations”?

- | | |
|----------------------------|--|
| (1) Manpower Planning. | (2) Reward Management. |
| (3) Discipline Management. | (4) Performance Evaluation. (02 marks) |

1.10 Which one of the following concepts of insurance is applicable to life insurance policies?

- | | |
|-------------------|-----------------------------------|
| (1) Indemnity. | (2) Subrogation. |
| (3) Contribution. | (4) Utmost good faith. (02 marks) |

1.11 External factors that SWOT analysis considers are:

- | | |
|-----------------------------------|--|
| (1) Opportunities and weaknesses. | (2) Strengths and weaknesses. |
| (3) Opportunities and threats. | (4) Threats and weaknesses. (02 marks) |

Write the answer to the question below in your answer booklet with the number assigned to the question.

1.12 The scope of Human Resource Management (HRM) functions can be classified into three aspects. Personnel and welfare aspects are two of them. Name the other aspect of HRM function: (01 mark)

End of Section A

SECTION B

Five (05) compulsory questions

(Total 25 marks)

Question 02

“Management is important for any organization to achieve the goals by using the limited resources”.

Explain briefly, three(03) main concepts of Management. (05 marks)

Question 03

“Insurance is a means of risk management. Insurance companies offer insurance policies to persons who want to manage their risks”.

Explain the concept “Re-insurance” with an appropriate example. (05 marks)

Question 04

“Total Quality Management (TQM) has been the most prominent and visible approach to quality. It originated as a Japanese style management approach to quality improvement and became very popular during 1990’s.”

List any five(05) principles of TQM. (05 marks)

Question 05

ZED Business College is a newly incorporated private limited company, operating in the education industry. Therefore, the human resources of the organization could be identified as one of the energetic resources of the college. However, **ZED Business College** has not implemented a proper appraisal system to monitor performance of its academic staff. Hence, the Board of Directors has decided to develop a proper process of performance appraisal.

Assume you are the Human Resource Executive of **ZED Business College** and the Human Resource Manager has requested you to prepare a proposal on an Effective Performance Appraisal System.

Explain the important features of the Performance Appraisal System that you are proposing for **ZED Business College**. (05 marks)

Question 06

Business Organizations operating in today’s business environment conduct their business activities around the world via internet. Therefore, internet plays a vital role in facilitating the business activities.

List five(05) benefits of internet for a business organization operating in today’s dynamic business environment. (05 marks)

————— *End of Section B* —————

SECTION C

Three (03) compulsory questions

(Total 30 marks)

Question 07

Macro is a leading car manufacturer, operating in the automobile industry. Ordering cost is Rs.10 million per order and the carrying cost amounts to Rs.500,000/- per annum. The annual demand for cars has been forecasted as 2,250 cars.

Macro uses the Traditional Inventory Management System to manage its inventory. However, the recently recruited Production Manager is reluctant to continue with the existing system and therefore, he has proposed a different system, Just in Time (JIT) Inventory Management System to the Board of Directors at a meeting. Further, he has quoted examples of successful global automobile companies such as Toyota in justifying his selection. Thereafter, the board has requested him to prepare a report on both Inventory Management Systems.

You are required to:

- (a) **Identify** the differences between Traditional Inventory Management System and JIT System. (04 marks)
- (b) **Compute** the following:
- (i) Order Size.
 - (ii) Number of orders required per annum.
 - (iii) Annual Carrying Cost.
 - (iv) Annual Ordering Cost. (06 marks)
- (Total 10 marks)

Question 08

D & D is a medium scale advertising company operating in the city limits of Colombo. This firm has recently established a HR department due to realization of the importance of managing employees.

Newly appointed HR Manager is requested to introduce the concept of Talent Management to the company by the Board of Directors.

You are required to:

- (a) **State** the main aspects of Talent Management. (02 marks)
- (b) **Prepare** a report to convince the importance of Talent Management for **D & D**. (08 marks)
- (Total 10 marks)

Question 09

The invention of faster internet connectivity and powerful online tools has resulted in a new commerce arena called E-commerce which offers many advantages to companies and customers. However, it also causes many problems.

You are required to:

- (a) **Draw** a diagram to illustrate the four(04) categories of E-commerce and **state** an example for each category. (04 marks)
- (b) **Explain** three(03) disadvantages of E-commerce. (06 marks)
- (Total 10 marks)

End of Section C

SECTION D

One (01) Compulsory Question

(Total 25 marks)

Question 10

KIK Group is a major player in the beverage industry of Country **X**. It has a strong centralized “Research and Development” department which contributes for the success of the company. Recently, it has found that people of **X** would like to experience ready to drink fruit juice; being more health conscious than drinking soft drinks. After conducting feasibility studies; the Board of Directors has decided to make fruit juice.

“Juzzy” is the brand name for the new fruit juice by **KIK**. The board has expected to earn profits via new product by satisfying customer needs using integrated marketing programmes.

One week ago, Juzzy has been introduced to the domestic market in four different flavours as mango, orange, apple and mixed fruit. The farms (1000 farmers) and the factory (2500 employees) are located in the same geographical area in order to reduce transport cost. The factory sales outlet has been located near farms; it is a model outlet which demonstrated manufacturing process. Customers who visit can truly experience the process of production of Juzzy. Juzzy has been presented in 120ml packets and 500ml bottles. The bottles have been designed in an attractive manner to capture the market.

The product has been distributed by logistic department of **KIK** and available around the country. Customers can buy the product at any given point of sale at a reasonable price. The bulk purchasing is entitled for attractive discounts from the vendors.

The marketing campaign has successfully communicated the launch of the new product via audio, video, e-mails and other online media especially social media. **KIK** has mainly targeted the health conscious customers of the country. It has a helpline where customers can contact the nutritionist to clarify doubts around the clock. Citizens of **X** can visit the factory with permission; where they can visit farms and factory, meet farmers and workers. Additionally, they can experience the workshop and training programmes conducted for employees. **KIK** management has recently announced that they have received more than 100 requests; especially from schools, to visit the factory during this year.

You are required to:

- (a) **Explain** the different elements of the marketing mix (7P’s model) in relation to “Juzzy” by **KIK Group**. (10 marks)
- (b) **Explain** four(04) positioning strategies available for **KIK**, to position “Juzzy” in the domestic market with examples. (08 marks)
- (c) **Explain** briefly five(05) marketing philosophies and **recognize** the relevant philosophy for **KIK’s** “Juzzy”. (07 marks)

(Total 25 marks)

End of Section D

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.