



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

AA1 EXAMINATION - JANUARY 2016

(AA15) BUSINESS OPERATIONS AND MANAGEMENT

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

- (1) **Time allowed:** Reading - 15 minutes  
Writing - 03 hours.

07-02-2016  
Afternoon  
[1.45 – 5.00]

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

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

- (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.

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**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 1.14. Write the number of the selected answer in your answer booklet with the number assigned to the question.

**1.1** Which of the following best describes the term "Mission"?

- (1) Mission answers the question "Where do we aim to be and what do we do?"  
(2) Mission explains about organization's future.  
(3) Mission communicates both purpose and values of the business.  
(4) Mission explains reason for the existence of the organization.

(02 marks)

**1.2** Which one of the following is **not** a basic concept of Management?

- (1) Efficiency. (2) Effectiveness.  
(3) Productivity. (4) Uncertainty. (02 marks)

**1.3** Which one of the following correctly explains the term “Productivity”?

- (1)  $\text{Productivity} = \frac{\text{Achieved objectives}}{\text{Planned objectives}}$   
(2)  $\text{Productivity} = \frac{\text{Total input}}{\text{Total output}}$   
(3)  $\text{Productivity} = \frac{\text{Resources used}}{\text{Resources allocated}}$   
(4)  $\text{Productivity} = \frac{\text{Total output}}{\text{Total input}}$  (02 marks)

**1.4** Any additional profits to an insurance policy holder are avoided through the principle of:

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

**1.5** Which one of the following is **not** included as a policy interest rate of the Central Bank?

- (1) Bank Interest Rate.  
(2) Reverse Repurchase Rate (Standing Lending Facility Rate).  
(3) Repurchase Rate (Standing Deposit Facility Rate).  
(4) Statutory Reserve Ratio. (02 marks)

**1.6** Which one of the following groups comprises components of foreign trade?

- (1) Import and wholesale. (2) Wholesale and export.  
(3) Export and Import. (4) Retail and wholesale. (02 marks)

**1.7** “PEST” analysis examines:

- (1) Internal environment and internal environment factors that may affect the business.  
(2) External environment and the global factors that may affect the business.  
(3) Micro environment and macro environment factors that may affect the business.  
(4) Micro environment and internal environment factors that may affect the business. (02 marks)

**1.8** Which one of the following is **not** a component of task environment?

- |                          |                  |            |
|--------------------------|------------------|------------|
| (1) Customers.           | (2) Competitors. |            |
| (3) Internal management. | (4) Suppliers.   | (02 marks) |

**1.9** The receiving, warehousing and inventory control of input materials have been recognized in Porter's Value Chain as:

- |                                     |                            |            |
|-------------------------------------|----------------------------|------------|
| (1) Outbound logistics.             | (2) Supportive activities. |            |
| (3) Marketing and sales activities. | (4) Inbound logistics.     | (02 marks) |

**1.10** Which one of the following is **not** a pillar under 5S model?

- |                  |                  |            |
|------------------|------------------|------------|
| (1) Suitability. | (2) Shine.       |            |
| (3) Sustain.     | (4) Standardize. | (02 marks) |

**1.11** Which one of the following is true regarding employee selection?

- (1) Selection generates a pool of qualified applicants towards the organization.
- (2) Selection is a function responsible for motivating human resources of an organization.
- (3) Selection is a systematic process of finding the most appropriate candidate to fill the vacancy.
- (4) Selection determines the human resources required by the organization to achieve strategic goals. (02 marks)

**1.12** Which of the following action does **not** transfer data into information?

- |                          |                                    |            |
|--------------------------|------------------------------------|------------|
| (1) Analyzing variances. | (2) Calculating various equations. |            |
| (3) Filing of records.   | (4) Compare difference of figures. | (02 marks) |

**1.13** According to the Mendelow's Matrix, stakeholders who have high-level of interest and power are mapped as:

- |                     |                     |            |
|---------------------|---------------------|------------|
| (1) Minimum effort. | (2) Keep informed.  |            |
| (3) Key Players.    | (4) Keep satisfied. | (02 marks) |

**1.14** Induction is important for an organization:

- (1) to provide suitable training for all members of staff.
- (2) to provide suitable training for all new members of the staff.
- (3) to introduce new services provided by the company to the society.
- (4) to introduce new services provided by the company to the customers. (02 marks)

State whether each of the following statements from No.1.15 to 1.20 is **TRUE** or **FALSE**. Write the selected answer (True/False) in your answer booklet with the number assigned to the question.

- 1.15** The components of the macro environment cannot be directly controlled by the business. (02 marks)
- 1.16** A partnership should be carried out on a written agreement, when the startup capital is more than Rs.1,000/-. (02 marks)
- 1.17** Exchange rate control and financial system stabilization are the main objectives of the Central Bank of Sri Lanka. (02 marks)
- 1.18** When the same property is insured in two or more insurance companies by the insured, it is called as “Re-insurance”. (02 marks)
- 1.19** Employee layoffs, terminations, demotions and retirements are some of the strategies used when there is labour surplus. (02 marks)
- 1.20** Discipline Management includes both positive motivational techniques and negative motivational techniques. (02 marks)

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*End of Section A*

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## **SECTION B**

Four (04) compulsory questions

(Total 40 marks)

### **Question 02**

“Globalization has become inevitable for business organizations. This brings advantages and disadvantages for businesses. Additionally, globalization opens avenues on opportunities and threats to business organizations”.

- (a) **Explain** how supportive services would facilitate “Globalization”. (06 marks)
- (b) **Identify** two(02) opportunities and two(02) threats of globalization. (04 marks)
- (Total 10 marks)

### Question 03

The demand is usually unknown with certainty. Hence, it is not possible to produce the exact quantity of goods demanded. However, the objectives of inventory management are to keep enough inventories to meet customer demand and also to be cost effective. Nevertheless, inventory has not been always perceived as an area to control cost.

- (a) **Explain** the basic costs associated with inventory management. (06 marks)
- (b) **Explain** two(02) inventory control systems practiced by today's manufacturing organizations around the world. (04 marks)
- (Total 10 marks)

### Question 04

Promotion is an activity to raise awareness of a product or to encourage customers to purchase a product. Advertising is a form of promotion, but not all promotions are advertisements.

- (a) **Identify** two(02) differences between marketing mix and promotional mix. (04 marks)
- (b) (i) **Identify** two(02) tools of promotional mix. (02 marks)
- (ii) **State** an advantage and a disadvantage for each of the tools identified in (i) above. (04 marks)
- (Total 10 marks)

### Question 05

The intranet, extranet and internet technological applications are commonly used by modern organizations.

- (a) **Explain** the importance of intranet, extranet and internet for a business organization. (06 marks)
- (b) **List** four(04) uses of internet for a business organization. (04 marks)
- (Total 10 marks)

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*End of Section B*

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## **SECTION C**

A compulsory question.

(Total 20 marks)

### **Question 06**

**DEES** is country **Z**'s second largest supermarket. It is a retailer focused on selling food, toys and home furnishing. In country **Z**, **DEES** is one of the largest employers with over 5,000 employees working across the country's urban, sub urban and rural areas. These include a diversity of job roles in its supermarkets and warehouses. **Z** is a nice country in which most of the citizens are educated, cultural oriented, ambitious and work in private and government sectors. Additionally, it has both tropical and moderate climates.

**DEES** wants to be a trusted employer in order to gain success as a leading retailer. **DEES** believes that the excellent customer service heavily depends on its skillful trained employees in the organization. The company has recently held a trade exhibition in city of **York** in order to introduce its new product range of "Garments" for kids, females and males of all ages. In that exhibition, the CEO of the company stated that; "**DEES** is dedicated to doing the right thing for its customers, employees and society".

The company has decided to recruit new staff in order to facilitate selling of its new range of garments via online. **DEES** also uses social media channels such as face book, as well as recruitment firms. After three months of setting up the new business segment, **DEES** has experienced some human resource and sales issues. Mainly, it has experienced some issues with its operational level staff and as a result **DEES** has experienced a significant rate of staff turnover.

The board of directors has employed an external consultant in order to address these issues. The management of **DEES** has discussed this as a major concern and findings of the consultant at the recently held board meeting. It was revealed that the main reason for staff turnover was that **DEES** has not properly recruited the employees with relevant skills in order to perform respective tasks. Therefore, need for having a proper recruitment process has become a key concern by the management. Additionally, the main reason for drop in sales has been mainly identified as not properly identifying the target markets / segments and their needs.

**You are required to:**

- (a) **Explain** the steps of proper recruitment process applicable for **DEES**. (10 marks)
  - (b) **Discuss** the segmenting strategies available for **DEES** in order to effectively sell new range of garments products. (10 marks)
- (Total 20 marks)

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*End of Section C*

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## **ACTION VERB CHECK LIST**

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

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

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