



**ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA**

**AA2 EXAMINATION - JANUARY 2017**

**(AA26) BUSINESS MANAGEMENT AND STRATEGY**

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

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

22-01-2017  
Afternoon  
[1.45 – 5.00]

No. of Pages : 06  
No. of Questions : 10

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

Ten (10) compulsory questions

(Total 20 marks)

**Question 01**

*Select the most correct answer for question No. 1.1 to 1.5. 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 is an example for top level management in an organization?

- (1) Human Resource Manager.                      (2) Accountant.  
(3) Chief Executive Officer.                      (4) Supervisor.

**1.2** The skills of managers to think, understand and make decisions during complex situations is known as:

- (1) Conceptual Skills.                      (2) Interpersonal Skills.  
(3) Technical skills.                      (4) Diagnostic Skills.



## **SECTION B**

Five (05) compulsory questions

(Total 25 marks)

### **Question 02**

Henri Fayol introduced fourteen (14) principles that managers should follow in structuring and organizing employee groups.

**State** five(05) principles of management introduced by Henri Fayol. (05 marks)

### **Question 03**

In the process of designing organizational structures, managers should delegate authority and responsibility.

**Explain** the relationship between authority and responsibility. (05 marks)

### **Question 04**

Effective communication is an essential factor for successful businesses. There are several conditions that should be satisfied for effective communication.

**State** five(05) conditions that need to be satisfied for effective communication. (05 marks)

### **Question 05**

Employee motivation and performance are key factors in moving any organization forward. Highly motivated employees play a vital role in determining the efficiency of an organization. On the other hand, the performance of demotivated employees lead to lower productivity within the organization.

**State** five(05) signs which indicate that employees are de-motivated. (05 marks)

### **Question 06**

Controlling is the process of establishing and maintaining authority over and throughout an organization.

**State** five(05) benefits of controlling. (05 marks)

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*End of Section B*

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## **SECTION C**

Three (03) compulsory questions

(Total 30 marks)

### **Question 07**

Leadership is the process of influencing people so that they will perform a variety of tasks in an effective manner. Without effective leadership, other management functions cannot be successful. All managers are not leaders and all leaders are not managers. According to the Trait Theory of leadership, leaders are born with outstanding leadership qualities and leaders cannot be developed.

**You are required to:**

- (a) **Explain** three(03) differences between a Leader and a Manager. (06 marks)
  - (b) **State** four(04) qualities of an effective leader according to the Trait Theory of leadership. (04 marks)
- (Total 10 marks)

### **Question 08**

Organizing is crucial to determine the success or failure of any organization and the type of the culture prevailing at the organization will also determine the success of the organization. Organizational culture is influenced by the various factors such as company's history, product, market, technology, strategy etc.

**You are required to:**

- (a) **State** four(04) benefits of an effective organizing process to the organization. (04 marks)
  - (b) **Explain** three(03) possible actions for creating an effective culture in an organization. (06 marks)
- (Total 10 marks)

### **Question 09**

In this dynamic world of business, change is an essential factor which allows organizations to quickly and effectively adjust to changing conditions of the market. However, it is not easy to implement change as majority of the individuals are reluctant to change due to many reasons. Sometimes this will create unethical behaviour among the employees of the organization.

**You are required to:**

- (a) **Explain** three(03) methods of overcoming resistance to change. (06 marks)
  - (b) **State** four(04) factors which influence the unethical behaviour of employees of an organization. (04 marks)
- (Total 10 marks)

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*End of Section C*

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## **SECTION D**

A compulsory question

(25 marks)

### **Question 10**

**Agro Mac PLC** which is a local company operating since 1970, is in the business of manufacturing and selling agro chemicals. By 1990s, the company diversified its business into plantation sector specially to tea and rubber. Currently, the company operates as a Group of Companies with several businesses and each business is separately governed as Strategic Business Units (SBUs). Therefore, the core businesses, namely, agro chemical manufacturing and plantations are operated as separate SBUs.

At the recent strategic review meeting, most of the senior managers of the company informed that prevailing condition in the business environment may not be favorable to the agro chemical businesses. Further, they noted that public perception towards agro chemical is not in a positive state. This situation has been mainly created by the role of the pressure groups and opinion leaders in the society. Also some scientists have studied that agricultural products contain very harmful chemicals like arsenic and those are directly related with serious diseases such as kidney issues of the people in the respective areas. On the other hand, the demand for organic agricultural products are continuously increasing in the country due to increasing health concerns of the general public. As a result, the farmers are starting to move into organic products and they are reluctant to apply agro chemicals for their cultivations. Moreover, some of them have already moved to traditional agricultural systems. Hence, this situation has seriously affected the future survival and growth of the agro chemical business.

Assume that you are the newly appointed Chief Executive Officer (CEO) of the group and have already made a decision to withdraw the agro chemical business and to diversify the business into organic fruits and vegetable sector.

**You are required to,**

- (a) **Discuss** why decision making is important in relation to the present situation of **Agro Mac PLC**.  
(05 marks)
- (b) **Explain** three(03) principles of planning to guide the planning process of new organic fruits and vegetable business of **Agro Mac PLC**.  
(06 marks)
- (c) **Discuss** how the environmental analysis will be considered by **Agro Mac PLC** for their business diversification using PEST analysis.  
(08 marks)
- (d) **Explain** three(03) key functions of the CEO as an effective leader of the organization. (06 marks)  
(Total 25 marks)

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*End of Section D*

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## ACTION VERB CHECK LIST

Knowledge Process	Verb List	Verb Definitions
<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).	

Knowledge Process	Verb List	Verb Definitions
<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.

Knowledge Process	Verb List	Verb Definitions
<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.