



**ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA**

**AA2 EXAMINATION - JULY 2017**

**(AA26) BUSINESS MANAGEMENT AND STRATEGY**

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

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

16-07-2017  
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 group is correct with reference to basic functions of the management process?
- (1) Planning, Decision Making, Unity of Command and Communication.
- (2) Planning, Decision Making, Delegation of Authority and Motivation.
- (3) Planning, Organizing, Leading and Controlling.
- (4) Planning, Organization Structure, Unity of Command and Controlling.

**1.2** Skills specific to the job that are necessary for the performance of specific tasks in an excellent manner are:

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

**1.3** According to the nature of Authority, Managers could be categorized as:

- (1) Lower Level Managers, Middle Level Managers and Top Level Managers.
- (2) HR Manager, Marketing Manager and Finance Manager.
- (3) Line Manager and Staff Manager.
- (4) Lower Level Managers and Top Level Managers.

**1.4** Which one of the following is **not** an example for esteem needs of Maslow's hierarchy of needs theory?

- (1) Self-respect.
- (2) Autonomy.
- (3) Recognition.
- (4) Shelter.

**1.5** Which one of the following is **not** a characteristic of controlling?

- (1) It is a dynamic process.
- (2) It is not related with planning.
- (3) It is a continuous activity.
- (4) It is forward looking.

*State whether each of the following statements from question No.1.6 to 1.10 is **TRUE** or **FALSE**. Write the answer (True/False) in your answer booklet with the number assigned to the question.*

**1.6** Division of labour is a characteristic of bureaucracy.

**1.7** An organic organizational structure best works when the environment is relatively dynamic and uncertain.

**1.8** Porter's five forces model can be used to analyze the internal environment.

**1.9** Concurrent control is an active engagement in a current process where observations are made in real time.

**1.10** Planning precedes controlling and controlling succeeds planning.

(02 marks each, Total 20 marks)

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*End of Section A*

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## **SECTION B**

Five (05) compulsory questions

(Total 25 marks)

### **Question 02**

Bureaucracy is a superior way of practicing authority over a person through the power vested by laws and written rules.

**State** three(03) advantages and two(02) disadvantages of Bureaucracy.

(05 marks)

### **Question 03**

The rapid and continuous changes that takes place in the environment has a direct impact on the manner in which businesses are managed. Therefore managers need to respond to the rapid and continuous changes in the environment.

**State** five(05) challenges faced by managers in today's context.

(05 marks)

### **Question 04**

Communication is an important function for any organization. However, most of the managers cannot maintain an effective communication system in the organization due to the barriers affecting effective communication.

**State** five(05) actions that could be recommended to overcome communication barriers. (05 marks)

### **Question 05**

**ABC Ltd.** uses a manual accounting system in order to keep records on their accounting transactions. The management of **ABC Ltd.** has decided to use a computerized accounting system from next month. However, the accounting division's staff is reluctant to change to the computerized accounting system.

**Explain** three(03) ways of encouragement available to the employees of **ABC Ltd.** to embrace the change. (05 marks)

### **Question 06**

Corporate governance means the mechanism, processes and relations by which organizations are controlled and directed.

**Explain** the importance of Corporate Governance.

(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**

Planning is the first and the most important function of management. It is needed at every level of management. It also assists to make rational decisions in the organization.

**You are required to:**

- (a) **Explain** the three(03) types of planning based on the levels of management. (06 marks)
- (b) **Explain** two(02) reasons as to why decision making is important for an organization. (04 marks)  
(Total 10 marks)

### **Question 08**

An organizational structure is a network of job positions, responsibilities and authority at different levels. Whenever organizations grow in size and complexity, an adequate structure is needed. When the activities or jobs are grouped according to the functions to be performed, it is called as a functional organizational structure.

**You are required to:**

- (a) **Explain** the steps involved in the process of organizing. (06 marks)
- (b) **State** two(02) advantages and two(02) disadvantages of a functional organizational structure. (04 marks)  
(Total 10 marks)

### **Question 09**

Organizational culture is a key variable that distinguishes an organization from the other organizations. Cultural web is an approach for looking and changing the organization's culture.

**You are required to:**

- (a) **Explain** the following elements of the cultural web:
  - (i) Symbols.
  - (ii) Control systems. (04 marks)
- (b) **Explain** the impact of organizational culture on strategy implementation. (06 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**

**Seasons Airlines** is the national airline; which is owned by the Government of country **HH**. It has the monopolistic power in the industry within the country. It operates mainly under five departments, namely; Sales and Marketing Department, Administration Department, Finance Department, IT Department and Human Resources Department. **Seasons Airlines** is a profit generating entity from its inception; however the performance of the company has begun to decrease from the last two years. The recently appointed Minister of Finance is keen about this situation and he has asked the CEO of **Seasons Airlines, Mr. Perera** to carry out an investigation in this regard. A committee was appointed by the CEO to identify the reasons for the poor performances and to give recommendations to overcome the poor performance.

The Finance Department of **Seasons Airlines**; is headed by a well-qualified and experienced Finance Director; **Mr. Nadeeshan**. He is the most senior member of the management team. However, he is a very flexible person and believes in learning organizations and team working. When carrying out the investigations, the committee has found that the performance of Sales and Marketing Department has decreased drastically. **Mr. Silva**, who is the head of Sales and Marketing Department, is a very strict person. He does not maintain good relationships with his team. Most of the time, he makes decisions related to marketing activities by himself. The team only follows his guidelines. The absenteeism and staff turnover at Sales and Marketing Department are very high at the moment. Additionally, inter staff-conflicts are very common in this Department. Hence, the Human Resources Department has taken some disciplinary actions on some employees recently. The staff of Sales and Marketing Department work as individuals and no team working could be seen.

After investigating the current situation, the committee has provided a suggestion to implement a motivational programme within the company and to give training to all the managers and address these concerns at the strategic management level of **Seasons Airlines**.

**You are required to:**

- (a) **Explain** three(03) signs of demotivation of the sales and marketing staff of **Seasons Airlines**.  
(06 marks)
- (b) **Identify** the steps in designing an effective motivational programme for the Sales and Marketing staff at **Seasons Airlines**.  
(05 marks)
- (c) **Discuss** the relevant leadership style of **Mr. Nadeeshan** and **Mr. Silva** of **Seasons Airlines**; based on appropriate leadership style.  
(06 marks)
- (d) **Explain** four(04) characteristics of a good strategy.  
(08 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.