



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

AA1 EXAMINATION - JANUARY 2018

(AA15) BUSINESS OPERATIONS AND MANAGEMENT

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

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

28-01-2018  
Afternoon  
[1.45 – 5.00]

- (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 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.

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

**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 1.15. 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 human want?

- (1) Food.                      (2) Clothes.                      (3) Bread.                      (4) Shelter.

**1.2** Which one of the following is **not** a criterion in setting objectives for a business organization?

- (1) Specific.                      (2) Measurable.                      (3) Realistic.                      (4) Unachievable.

**1.3** Which one of the following is an auxiliary service?

- (1) Banking.                      (2) Communication.  
(3) Transportation.                      (4) All of the above.

- 1.4** Which one of the following partners is entitled to receive salaries and wages from the partnership?
- (1) Silent partner. (2) Active partner. (3) Limited partner. (4) Dormant partner.
- 1.5** Which one of the following is **not** a main type of database?
- (1) Operational Database. (2) Distributed Database.  
(3) Intranet Database. (4) External Database.
- 1.6** Which one of the following is **not** an advantage of information management?
- (1) To reduce tax liability. (2) To safeguard vital information.  
(3) To improve efficiency and productivity. (4) To reduce operating cost.
- 1.7** Which one of the following is a fundamental feature of an insurance agreement?
- (1) A valid contract. (2) Insurable interest. (3) Utmost good faith. (4) All of the above.
- 1.8** Which one of the following is a disadvantage of private limited companies?
- (1) Limited liability.  
(2) Economies of scale due to large scale operations.  
(3) Rights to certain tax exemptions.  
(4) Limited capital due to inability of issuing shares to public.
- 1.9** A reason for threat of new entrants is:
- (1) Bargaining power of buyers. (2) Product differentiation.  
(3) Threat of substitute products. (4) Bargaining power of suppliers.
- 1.10** Which one of the following activities is **not** included in planning and controlling of capacity management?
- (1) Human Resource Management. (2) Loading.  
(3) Sequencing. (4) Monitoring.
- 1.11** A support activity included under the Porter's Value Chain is:
- (1) Outbound logistics. (2) Marketing and sales.  
(3) Procurement. (4) Inbound logistics.
- 1.12** Which one of the following is the most suitable strategy for dealing with Human Resources' surplus?
- (1) Recall employees. (2) Hire part-time employees.  
(3) Early retirement of employees. (4) Hire full-time employees.

**1.13** A key element of a Job Description is:

- |                         |                                 |
|-------------------------|---------------------------------|
| (1) Duties of the job.  | (2) Educational qualifications. |
| (3) Working experience. | (4) Training and skills.        |

**1.14** In the marketing philosophy, increase in quality is a tactic of:

- |                         |                      |
|-------------------------|----------------------|
| (1) Production concept. | (2) Product concept. |
| (3) Marketing concept.  | (4) Selling concept. |

**1.15** Which one of the following is a tool of Promotional Mix?

- (1) Sales promotion. (2) Public relations. (3) Direct marketing. (4) All of the above.

Select the correct word/words from those given within brackets to fill in the blanks of question No. 1.16 to 1.20. Write the selected word/words in your answer booklet with the number assigned to the question.

**1.16** ..... [*Office Automation System (OAS)*] / [*Transaction Processing System (TPS)*] is a knowledge level information system.

**1.17** ..... (*Explicit knowledge / Tacit knowledge*) is personal knowledge embedded in individuals based on their experiences.

**1.18** ..... (*Performance / Courtesy*) is a dimension of quality for manufactured products.

**1.19** ..... (*Role playing / Outdoor training*) is a training method which allows employees to act issues that could occur in the workplace.

**1.20** A characteristics of an effective market segment is ..... (*unmeasurable / differentiable*). (02 marks each, Total 40 marks)

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End of Section A

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## **SECTION B**

Four (04) compulsory questions

(Total 40 marks)

### **Question 02**

Organizations which are incorporated under the Companies Act and thus have legal personality and limited liability are known as incorporated companies. Public Limited Companies and Private Limited Companies are incorporated companies.

(a) **State** four(04) differences between the private limited companies and public limited companies. (04 marks)

(b) (i) **State** four(04) reasons for importance of effective communication to the companies (04 marks)

(ii) **State** two(02) internal communication tools used by a business organization for the day today purposes and operations. (02 marks)

(Total 10 marks)

### Question 03

In most firms, operation function which is the hub of the organization interacting with the other functional areas and suppliers to produce goods and services for customers, covers specific areas of supply chain, quality, inventory and capacity management.

- (a) **State** four(04) characteristics of services. (04 marks)
- (b) **Explain** the importance of inventory management for an organization. (06 marks)  
(Total 10 marks)

### Question 04

Reward management of the organization is a process that includes decisions regarding the financial benefits and non-financial benefits offered to its employees. This helps to build a strong relationship between employer and employee which enhances the employer-employee relations and reduces grievances and disputes of employees.

- (a) **State** two(02) internal factors and two(02) external factors that determine the rewards received by an employee. (04 marks)
- (b) **Explain** the steps involved in a grievance handling process. (06 marks)  
(Total 10 marks)

### Question 05

Marketers should develop marketing programs to meet company's goals. A marketing programme should include various tactics. Marketing mix which is the most important component of a marketing program is called 4 'p's of marketing.

- (a) **Explain** the marketing mix (4'p's). (08 marks)
- (b) **State** two(02) benefits of using marketing in not-for-profit organizations. (02 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**

**Fashion Garments (Pvt) Ltd.** started its business operations in 1982 in Kandy. The company was able to expand its manufacturing operations to Galle and Kurunegala in the past. With the end of the war the company was able to open its new factory in Trincomalee. From the beginning **Fashion Garments** has been popular in manufacturing kids' garments with imported quality materials from UK.

Considering the recent trends emerging in international business in 2016, the Board of Directors of the company unanimously decided to commence overseas operations by establishing a new factory in Bangladesh. This was also supported by the news of the Sri Lankan government's intention to sign a free trade agreement with Bangladesh in the near future.

The government of Bangladesh indicated their intention to withdraw the tax exemptions given to companies that manufacture using imported raw materials. On the other hand, the Sri Lankan government decided to increase the corporate tax rate from 15% to 28%.

A recent survey reported that Indian, Chinese and Bangladesh garment manufacturers are competitive in terms of both cost and price of their products.

In September 2017, the employees of **Fashion Garments (Pvt) Ltd.** took union action demanding a better working environment in all its factories and opposed its management decision to restrict employees' overtime. The inability of the Human Resources Manager to negotiate with its employees to settle these disputes recently was resulted in resignation of the Human Resource Manager from his post.

**You are required to:**

(a) **Identify** two(02) opportunities and two(02) threats faced by **Fashion Garments (Pvt) Ltd.** through exposure to globalization. (04 marks)

(b) **Assess** the **Fashion Garments (Pvt) Ltd.'s** environment using PEST analysis. (08 marks)

(c) The newly appointed Human Resources Manager has decided to re-design its performance appraisal system.

**State** the steps that should be used to strengthen the process of performance appraisals.

(04 marks)

(d) **Explain** why product positioning is important to target the customers of **Fashion Garments (Pvt) Ltd.** (04 marks)

(Total 20 marks)

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*End of Section C*

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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.