



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

AA2 EXAMINATION - JANUARY 2018

(AA26) BUSINESS MANAGEMENT AND STRATEGY

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

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

21-01-2018  
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.**

**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** The ratio between the inputs and outputs of an organization during a specific period of time is:

- (1) Efficiency. (2) Effectiveness.  
(3) Productivity. (4) Creativity.

**1.2** Which one of the following is a component of a system in systems theory?

- (1) Inputs. (2) Environment.  
(3) Feedback. (4) All of the above.

**1.3** Which one of the following is a practice associated with Japanese Management Style?

- (1) Short term employment.
- (2) Collective decision making.
- (3) Individual responsibility.
- (4) Individual decision making.

**1.4** Which one of the following is **not** an advantage of delegation of authority?

- (1) Motivation of employees.
- (2) Better coordination.
- (3) Lack of confidence with subordinates.
- (4) Effective management.

**1.5** Which one of the following is **not** an element of the cultural web?

- (1) Symbols.
- (2) Organizational Structure.
- (3) Control system.
- (4) Organizational Mission.

*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** Dedication is a quality of an effective leader according to the Trait Theory of leadership.

**1.7** Step change is the systematic attempt to redesign an organization in a way that helps to adopt to significant changes in the external environment.

**1.8** Lack of understanding of the nature of the change can be identified as one of the sources of resistance to change.

**1.9** Legitimate power for the leader is known as positional power which is based on the position, an individual holds in a company's hierarchy.

**1.10** Unity is an important aspect of culture in an organization. (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**

Management is the process of reaching organizational goals by working with the people and other organizational resources.

**Explain** the importance of Management for an organization. (05 marks)

### **Question 03**

Bureaucracy is a superior way of practicing the authority over a person through the power vested by law and written rules. In bureaucracy, employees behave in a consistent manner due to the set rules and procedures.

**State** five(05) characteristics of Bureaucracy. (05 marks)

### **Question 04**

Even though communication is an important management function of organizations, most of the managers cannot maintain effective communication due to lack of communication skills.

**Explain** three(03) communication skills required for a manager of an organization to maintain effective communication. (05 marks)

### **Question 05**

Controlling is an important function of every manager. Strategic control and operation control are two main types of control.

**State** five(05) differences between Strategic Control and Operational Control. (05 marks)

### **Question 06**

Leadership is a function which is essential at all stages of management. It allows to increase in performance and accomplish business objectives.

**State** five(05) reasons why leadership is important for an organization. (05 marks)

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*End of Section B*

## **SECTION C**

Three (03) compulsory questions

(Total 30 marks)

### **Question 07**

Even though the rational decision making process is recommended to the practicing for most of the time, some managers are reluctant to adopt themselves to this approach due to the difficulties they face.

**You are required to:**

- (a) **State** four(04) barriers of rational decision making. (04 marks)
  - (b) **Explain** the steps involved in rational decision making process. (06 marks)
- (Total 10 marks)

### **Question 08**

Motivation is an important element in moving business forward. Hence, learning motivational theories is important for both companies and individuals.

**You are required to:**

- (a) **Discuss** the relationship between the performance and employee motivation in an organization. (04 marks)
  - (b) **Explain** three(03) needs shown under the “Maslow’s hierarchy of needs theory”. (06 marks)
- (Total 10 marks)

### **Question 09**

Social Responsibility has become a popular concept in modern business environment and it can be performed at individual level (Individual Social Responsibility) or at organizational level [Corporate Social Responsibility (CSR)]. Various CSR programmes are implemented by the organizations in various aspects. The culture of an organization also affects implementation of CSR programmes of the organization.

**You are required to:**

- (a) **Explain** three(03) levels of Corporate Social Responsibility (CSR). (06 marks)
  - (b) **State** four(04) reasons for the importance of culture in 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**

**Supul Furniture Ltd.** was founded in year 2010 by **Mr. Upul**. The company manufactures and distributes household and office furniture using wood within the domestic market. As the **Supul Furniture Ltd.** is a domestic company, it gets many grants and subsidies from the government. The company is managed by **Mr. Upul** and his family members from its inception. The company is being operated by a well experienced staff. The key functions related to operations, human resources, marketing and finance are handled by one Senior Manager. Most of the times, the decisions are taken on an ad hoc basis by considering the prevailing circumstances within the company and the market. Even though the company has a good reputation among customers with a strong brand name, currently it is facing a declining demand condition due to the heavy competition from the imported furniture and other alternatives. **Mr. Upul** has identified through a market survey that most of the customers are demanding steel and plastic furniture rather than traditional wood furniture.

Recently, the CEO; **Mr. Upul** participated in a workshop organized by the Chamber of Commerce. The workshop was mainly focused on boosting the domestic industries by implementing proper strategic management process. Based on the knowledge and experiences gained through the workshop, the CEO has decided to introduce functional organizational structure to formalize the company and to develop a strategic plan for next five years. A new business consultant has been recruited by the company for this purpose. The responsibility was given to the consultant to conduct an internal and external organizational analysis to identify the positive and negative aspects of present organizational structure and environment.

**You are required to:**

- (a) **Explain** three(03) challenges faced by the **Supul Furniture Ltd.** in the dynamic environment. (06 marks)
  - (b) **State** four(04) advantages and four(04) disadvantages of having a functional organizational structure for **Supul Furniture Ltd.** (08 marks)
  - (c) **Assess** the impact to the operation of **Supul Furniture Ltd.** from the environment using SWOT analysis. (08 marks)
  - (d) **State** three(03) primary activities of Porter's Value Chain model. (03 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.