



**ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA**

**AA2 EXAMINATION - JULY 2018**

**(AA26) BUSINESS MANAGEMENT AND STRATEGY**

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

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

22-07-2018  
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.**

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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 a middle level manager?

- (1) Chief Executive Officer. (2) Accounts Executive.  
(3) Finance Manager. (4) Managing Director.

**1.2** The management theory which explains the human dimension of work is known as:

- (1) Bureaucracy theory. (2) Behavioural theory.  
(3) Qualitative theory. (4) Scientific theory.

**1.3** Which one of the following is an approach for organizational restructuring?

- (1) Downsizing. (2) De-layering. (3) Virtualization. (4) All of the above.

**1.4** Which one of the following is **not** a limitation of controlling?

- |                                 |   |
|---------------------------------|---|
| (1) It is an expensive process. | (2) No control on external factors.               |
| (3) Acceptance from employees.  | (4) Difficulty in setting quantitative standards. |

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

- |  |   |
|--|---|
| (1) Controlling is a continuous process. | (2) Controlling is not related with planning. |
| (3) Controlling is a dynamic process.    | (4) Controlling 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** Act as a monitor, disseminator and spokesperson are the interpersonal roles of a manager.

**1.7** Centralization is a principle of management which was introduced by Henry Fayol.

**1.8** Planning increases overlapping activities.

**1.9** Strategic control requires data only from internal sources.

**1.10** Authority of an organization flows from top to bottom whereas responsibility flows from bottom to top. (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**

Skills are one of the most important requirements to become a successful manager in an organization.

**You are required to:**

**Explain** three(03) managerial skills to be developed by managers at different management levels. (05 marks)

### **Question 03**

An objective is a specific result that a person, a team or an organization is hoping to achieve within a particular time frame and with available resources.

**You are required to:**

**State** the five(05) characteristics of an objective. (05 marks)

#### Question 04

Delegation of authority is the process whereby a superior gives to a subordinate or subordinates a part of his or her own authority to make decisions.

**You are required to:**

**Explain** three(03) advantages of delegation of authority. (05 marks)

#### Question 05

In the basic model of Communication, media is the channel through which message is carried out.

**You are required to:**

**Identify** five(05) factors that should be considered in selecting a suitable media for an effective communication. (05 marks)

#### Question 06

The cultural web helps to expose cultural assumptions and practices and set to work aligning organizational elements with one another and with the strategy.

**You are required to:**

**Explain** the following elements of cultural web:

(a) Organizational Structure.

(b) Stories.

(05 marks)

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*End of Section B*

### **SECTION C**

Three (03) compulsory questions

(Total 30 marks)

#### Question 07

**Maldeniya Industries** is a vehicle spare parts company that manufactures and exports special vehicle security systems to Japanese companies. As a fast growing company, **Maldeniya Industries** adopts the Japanese Management Style to face the current dynamic business environment successfully.

**You are required to:**

(a) **State** two(02) differences between Traditional (Western) Management Style and Japanese Management Style. (04 marks)

(b) **Explain** three(03) contemporary management challenges which may be faced by **Maldeniya Industries**. (06 marks)

(Total 10 marks)

### Question 08

A strategy includes the formulation of a goal and set of action plans for the accomplishment of that goal. The rational planning model (strategic planning process) which is generally adopted by companies to evaluate and make strategic decisions, consists of several steps. Strategic option generation is a step included in the rational planning model.

**You are required to:**

- (a) **Discuss** the importance of strategy for an organization. (06 marks)
- (b) **Explain** the following two strategic alternatives included in the Ansoff matrix of strategic option generation:
- (i) Product development.
  - (ii) Diversification. (04 marks)
- (Total 10 marks)

### Question 09

Change Management provides competitive advantages allowing organizations to quickly and effectively implement the change to meet the market demands.

**You are required to:**

- (a) **Explain** three(03) parameters for a successful change. (06 marks)
- (b) (i) **Identify** two(02) internal stakeholders of an organization. (02 marks)
- (ii) **Explain** their influences towards the organizational operations. (02 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**

**Priyantha Holdings Ltd.** is a well-established company operating across many industries such as garment, tea, hotel and healthcare. Since its origin in 1983, its founding member, **Mr.Priyantha Gunasekara** has been involving in the company activities. **Mr.Priyantha** adopts a very friendly style in dealing with people in the organization. He has a strong vision of creating a peaceful working environment within the organization. Usually he walks around the workfloor and speaks with employees. Company's values of respect for individuals, honesty, empathy, equality and hard work have been derived from **Mr.Priyantha** over a long period of time. Further, he took a decision to create few places for employees from different religions to do their religious activities. He often encourages employees to be united and live together. Therefore, co-existence is a deeply rooted assumption of the company. Employees follow **Mr.Priyantha** as a good leader and devote enormous love and respect to him.

However, newly appointed Group Chief Executive Officer (CEO) of **Priyantha Holdings Ltd.**, **Mr. Austin Perera** follows a different approach when dealing with employees. He is aggressive and target oriented. He closely scrutinizes the subordinates, rewards the best performers and punishes the poor performers. He has introduced a new rewards policy saying that it will take the company to a better financial position.

Nevertheless, employees are not satisfied with the new reward policy at all. In the new reward policy, it addresses only the financial needs of employees whereas it pays no attention on the other needs of the employees. **Mr. Priyantha** is also very disappointed about the new reward policy as he thinks that it may create a threat for the prevailing healthy working environment in the organization.

**You are required to:**

- (a) **Discuss** the leadership styles adopted by **Mr.Priyantha** and **Mr.Austin** respectively as given in the case. (08 marks)
- (b) **Explain** two(02) motivational theories that could be considered by **Priyantha Holdings Ltd.** to motivate the employees. (12 marks)
- (c) **Explain** why organizational culture is important for operations of **Priyantha Holdings Ltd.** (05 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.