



ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

AA2 EXAMINATION - JULY 2019

(AA26) BUSINESS MANAGEMENT AND STRATEGY

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

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

21-07-2019  
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 amount of resources that are used in performing a task is measured by:

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

**1.2** Which one of the following is a barrier to communication?

- (1) Language barrier. (2) Physiological barrier.  
(3) Physical barrier. (4) All of the above.

**1.3** Which one of the following is **not** considered as a step of process of organizing?

- (1) Division of work. (2) Departmentalization.  
(3) Controlling. (4) Assignment of duties.

**1.4** Which one of the following is **not** a layer of the organizational culture as per Johnson and Scholes?

- (1) Values.            (2) Responsibilities.    (3) Behaviours.    (4) Beliefs.

**1.5** An example for an internal stakeholder is:

- (1) Employees.    (2) Suppliers.            (3) Government.    (4) Customers.

*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** Downward communication is where the information flows in between or within peer groups.

**1.7** Feedback control is the process in which information about the past or present is used to influence the present or future.

**1.8** Control system is an element of the cultural web.

**1.9** Planning and controlling are considered as independent and inter-linked functions.

**1.10** The stakeholders with low level of interest and low level of power are known as “key players”.

(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**

The managers are responsible for using the organization’s scarce resources in an effective manner in order to achieve the set goals. Managers can be arranged in a hierarchy depending on the levels of a business organization. Accordingly three levels of managers can be identified.

**You are required to:**

**Explain** the three(03) levels of managers with an example for each level.

(05 marks)

### Question 03

In bureaucracy, authority is exercised by means of a system of clearly defined rules, regulations and procedures. However, modern managers argue that bureaucracy is outdated.

**You are required to:**

- (a) **State** three(03) characteristics of bureaucracy. (03 marks)
  - (b) **State** two(02) challenges faced in bureaucracy. (02 marks)
- (Total 05 marks)

### Question 04

Planning is a process of setting organization's goals and deciding how best to achieve them. It is a process consisting of several steps and the 1<sup>st</sup> step of planning process is environmental scanning (analysis).

**You are required to:**

**Explain** the importance of carrying out an environmental scanning for an organization as the 1<sup>st</sup> step of planning process. (05 marks)

### Question 05

Managers select the best alternative out of the alternatives available in order to solve problems within the organizational context.

**You are required to:**

**Explain** three(03) reasons as to why decision making is important for a manager. (05 marks)

### Question 06

Change management is a systematic approach to deal with change, both from the perspective of an organization and individual levels. The nature of change can be categorized in various ways.

**You are required to:**

**Explain** two(02) types of change. (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**

Management thinking has continued to change in line with the social, cultural, political and economic changes that have taken place in the business environment over the years. Some approaches to management such as behavioral approach to management and quantitative approach to management have played a major role in shaping management thinking over time.

**You are required to:**

- (a) **Identify** five(05) criticisms of behavioral approach. (05 marks)
  - (b) **State** five(05) techniques that are commonly used in quantitative approach. (05 marks)
- (Total 10 marks)

### **Question 08**

In the process of designing organization structures, managers should delegate authority and responsibility. The authority, responsibility and power are closely related concepts within an organization.

**You are required to:**

- (a) **Explain** the relationship between authority and responsibility. (04 marks)
  - (b) **Explain** three(03) barriers to effective delegation of authority. (06 marks)
- (Total 10 marks)

### **Question 09**

Strategy is the direction and scope of an organization for long term which achieve advantages for the organization through its configuration of resources within a challenging environment to meet the needs of markets and to fulfill stakeholders' expectations.

**You are required to:**

- (a) **Explain** three(03) main levels of organizational strategies. (06 marks)
  - (b) **Explain** two(02) characteristics of a good strategy. (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**

**Honey Sweets Ltd.** is operating in the confectionary industry for nearly 50 years. The company is well known in the domestic market for sweets manufactured specially for kids. It is a family owned business and founded by **Mr. L.N. Silva** in 1970. He started the company on a small scale and today it is well known by the brand “Honey Sweets”. The Managing Director of **Honey Sweets Ltd.** is **Mr. M. Silva**; who is the son of the founder. He is an ambitious person with good level of business knowledge. He encourages his employees to think creatively and to come up with innovative ideas in developing the business. In addition to that, he has set up a “Research and Development” department within the company in order to develop new products within the confectionary industry.

He always encourages his employees to share knowledge. He believes that motivated workforce will always bring positive contributions to the company. If any of the employees needs to meet him; he or she can approach him via the social media networks at any time. **Honey Sweets Ltd.** is a learning organization with high level of skilled employees. During 2020; the company is planning to expand its business operations in South Asia.

**You are required to:**

- (a) **Assess** the leadership style of **Mr. M. Silva** of **Honey Sweets Ltd.** (05 marks)
- (b) **Explain** four(04) differences between a Manager and a Leader. (08 marks)
- (c) **Apply** “Two-Factor Theory” as a motivational theory for **Honey Sweets Ltd.** (08 marks)
- (d) **State** four(04) actions that **Mr. M. Silva** can introduce to create an effective corporate culture at **Honey Sweets Ltd.** (04 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.