



**ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA**

**AA2 EXAMINATION - JANUARY 2020**

**(AA26) BUSINESS MANAGEMENT AND STRATEGY**

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

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

19-01-2020  
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 a principle of planning?

- (1) Principle of team work. (2) Principle of creativity.  
(3) Principle of flexibility. (4) All of the above.

**1.2** Which one of the following is **not** a principle of management according to Henry Fayol?

- (1) Division of work. (2) Centralization.  
(3) Flexibility of work. (4) Authority and responsibility.

**1.3** A key practice of the Japanese Management Style is:

- (1) Short term employment. (2) Collective decision making.  
(3) Specialized career path. (4) Rapid evaluation and promotion.

1.4 Which one of the following is **not** a role of a manager according to Mintzberg?

- |                         |                         |
|-------------------------|-------------------------|
| (1) Interpersonal role. | (2) Decisional role.    |
| (3) Motivational role.  | (4) Informational role. |

1.5 Which one of the following is a disadvantage of restructuring?

- |                               |                       |
|-------------------------------|-----------------------|
| (1) Lower cost.               | (2) Less disruption.  |
| (3) Uncertainty in employees. | (4) All of the above. |

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 Conceptual skills refer to skills and knowledge specific to the job that are necessary for the specific tasks to be performed in an excellent manner.

1.7 Specialization is a characteristic of bureaucracy.

1.8 Diversification is an element of Porter's five forces model.

1.9 Customers are an example for external stakeholders of the organization.

1.10 Risk is a condition that a manager needs to consider when making decisions.

(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**

Communication is effective when it is received by the correct recipient and understood & acted upon in the manner intended by the sender while achieving the sender's communication objectives.

**You are required to:**

(a) **State** three(03) advantages of effective communication in an organization. (03 marks)

(b) **Explain** two(02) barriers to effective communication. (02 marks)

(Total 05 marks)

### Question 03

A system is defined as a set of interrelated and interdependent parts that have been sequenced in an order.

**You are required to:**

**Explain** three(03) components of a system as per the system theory. (05 marks)

### Question 04

When the management introduces a change, most of the organizations face many challenges due to resistance to change by employees.

**You are required to:**

**Explain** three(03) reasons for resistance to change by employees. (05 marks)

### Question 05

Organizational culture is influenced by the company's history, product, market technology & strategy, type of employees, management style and national culture. The cultural web was developed to look at change the organization's culture.

**You are required to:**

**State** five(05) elements of the cultural web. (05 marks)

### Question 06

Strategy is the plan of actions designed to achieve a long term or overall objective. The culture should be shaped to go in line with the strategies so that the overall objective is met effectively.

**You are required to:**

**Explain** the relationship between culture and strategy. (05 marks)

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*End of Section B*

## **SECTION C**

Three (03) compulsory questions

(Total 30 marks)

### **Question 07**

The process of allocation of resources, delegation of authority and division of work among the members of an organization to fulfill the organizational goals in an effective and efficient manner is organizing. The process of organizing is crucial in determining the success or failure of any organization.

**You are required to:**

- (a) **Explain** steps of organizing process. (06 marks)
  - (b) **Explain** two(02) benefits of a good organizational structure. (04 marks)
- (Total 10 marks)

### **Question 08**

Motivation is an individual emotional attribute that plays a role in a person's degree of dedication. Though there are several motivational theories, Maslow's needs hierarchy theory becomes very prominent than others.

**You are required to:**

- (a) **Explain** the Maslow's needs hierarchy theory. (06 marks)
  - (b) **Explain** two(02) signs which indicate that employees are motivated. (04 marks)
- (Total 10 marks)

### **Question 09**

Leadership is the process of influencing people so that they will perform a variety of tasks in an effective manner. A leader can develop his / her power based on different sources of power.

**You are required to:**

- (a) **Discuss** three(03) reasons why leadership is important for an organization. (06 marks)
  - (b) **Explain** two(02) sources of power available for a leader. (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**

**Supiri (Pvt) Ltd.** which is a leading dairy manufacturer in Sri Lanka has own outlets in several provinces. **Supiri (Pvt) Ltd.** provides value for money satisfying the dairy customers although the dairy market is very competitive. **Supiri (Pvt) Ltd.** is a profitable company. Most of the time, decisions are taken by the Managing Director of **Supiri (Pvt) Ltd.** according to the situation in the market due to high turnover of managerial level staff. Recently the company entered into South Asian region to expand the business and government regulations are very strict in some of those countries. Further **Supiri (Pvt) Ltd.** is facing a difficulty to find required raw material for the production and labourers for the factory. However, the Sri Lankan government has given tax concessions to dairy manufacturers to encourage the local dairy producers.

It was understood by **Supiri (Pvt) Ltd.** that the smooth running of operations would be ensured by the culture within the organization. The management of the company encourages an open-door culture and also promote the organization as a learning organization. The management is confident that; adopting to the dynamic business environment and be proactive are keys for effective and efficient operations of the company. The Managing Director of the company has emphasized the importance of controlling process in an organization. Controlling process monitors the difference between the actual and the standard outcome and the managers should take corrective actions over the deviations.

**You are required to:**

- (a) **Discuss** how the environment could impact the operations of **Supiri (Pvt) Ltd.** using SWOT analysis. (08 marks)
  - (b) **Explain** three(03) reasons why effective decision making is important for **Supiri (Pvt) Ltd.** (06 marks)
  - (c) **State** two(02) advantages of group decision making. (02marks)
  - (d) **Explain** three(03) benefits to **Supiri (Pvt) Ltd.** having a good controlling process (06 marks)
  - (e) **State** three(03) ways how **Supiri (Pvt) Ltd.** can create an ethical climate. (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.