



**Association of Accounting Technicians of Sri Lanka**

**July 2016 Examination - AA1 Level**

**Questions and Suggested Answers  
Subject No : AA15**

**BUSINESS OPERATIONS AND MANAGEMENT  
(BOM)**

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THE ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA  
EDUCATION AND TRAINING DIVISION

**AA1 Examination - July 2016**  
**(15) Business Operations and Management**

**SUGGESTED ANSWERS**

**SECTION A**

Twenty (20) compulsory questions  
(Total 40 marks)

*Suggested Answers to Question One:*

Question	Answer
1.1	2
1.2	2
1.3	2
1.4	3 / 1
1.5	4
1.6	1
1.7	4
1.8	4
1.9	4
1.10	3
1.11	3
1.12	3
1.13	1
1.14	2
1.15	3
1.16	Effectiveness
1.17	Man power planning
1.18	Market segmentation
1.19	Markup pricing
1.20	Intranet

(Total 40 marks)

*End of Section A*

**Four (04) compulsory questions**  
**(Total 40 marks)**

***Suggested Answers to Question Two:***

- (a)
- To be able to voice your opinion front of all the partners
  - To access accounts and books
  - To earn a share of the profit
  - To earn interest for capital
  - To earn interest for the loans provided to the business
  - Right of indemnity
  - To use business properties for business activities
  - To withdraw from the business
- (b)
- Could collect more capital (compared with the sole proprietorship)
  - Liability is divided among many persons
  - As decisions are made collectively, better decisions could be implemented
  - The ability to get competent persons to join as partners
  - Possibility of expanding the business

**(10 marks)**

***Suggested Answers to Question Three:***

- (a) (i)        Micro environment  
                  Macro environment

(ii)

<b>Macro environment</b>	<b>Micro environment</b>
It is very large in size	It is smaller than the macro environment
The components of the macro environment cannot be controlled	The components of the micro environment can be controlled to some extent
It is very unpredictable and highly uncertain	It is not very unpredictable and ranks low uncertain
The components are complex in nature	The components are comparatively simple in nature
This includes Political, Social, Economical, Cultural, Natural and Technological environment	This includes Customers, Suppliers, Intermediaries, Competitors and Public

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**(b) Political - Legal Environment**

1. Government (Ministry of Plantation and Sri Lanka Tea Board) promotes tea export : Being one of the major income source for country, government provides subsidies for small and medium scale tea planters and manufacturers.
2. Government provides aid in assistance programme for promotion and development of brand names, business opportunities at the international platforms such as trade fair participation, product development programmes, awareness programs, quality improvement programmes and market access requirements such as standards, quality certifications.
3. There is a Tea Research Institute in Sri Lanka
4. Colombo also has tea bagging plants.
5. Sri Lanka Tea Board organizes trade fairs; this facilitates to expose to new markets.

**Economic Environment**

1. A well-established road-rail network and highways help in transport productions on time.
2. Tea price per kilogram has fallen; hence the income has been dropped.
3. Economic conditions are somewhat unfavourable for the tea industry due to the fact that the Rupee is depreciated against US Dollars.
4. Cost of production is high due to high cost of labour, packaging, transport, freight, electricity and technological investments.

**Socio - Cultural Environment**

1. Demand for tea is high in home country. Therefore the trend is positive.
2. Additionally, new habit in consuming "Green Tea" among young generation could be identified as a new trend. Therefore the trend is positive.
3. In addition, there is a trend on consuming flavoured tea in Sri Lankan market, such as cinnamon flavoured tea, ginger tea and organic tea. Therefore the trend is positive.

**Technological Environment**

Improved technologies on commercial cultivation especially application of fertilizer, crop management, irrigation systems, optimum input applications, pest and disease control, post-harvest management, well equipped machinery for processing, quality packaging and improved transportation methods are practiced.

*(10 marks)*

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***Suggested Answers to Question Four:***

**(a)**

1. Services are intangible
2. Service output is variable
3. Services have higher customer contact
4. Services are perishable
5. Service and service deliverables are inseparable
6. Services tend to be decentralized and geographically dispersed
7. Services are consumed more often than products
8. Services can be easily emulated

**(b)**

1. **Service concept** - define the target customer, desired customer experiences, how the service different from others and how it compete in the market place.
2. **Service package** - Create to meet all the customer needs.
3. **Performance specification** - Outlines the expectations and requirement for general and specific customers.
4. **Design specification** - Describe that the service has sufficient details for the desired service experiences to be replicated for different individuals at numerous locations.
5. **Delivery specification** - Outlines the steps required in the work process, including the work, schedule deliverables and the location at which work to be performed.
6. Service delivery

***(10 marks)***

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***Suggested Answers to Question Five:***

**(a)**

- To help the organization reach its goals
- To ensure effective utilization and maximum development of human resources
- To ensure due respect for human beings
- To identify and satisfy the needs of individuals
- To ensure reconciliation of individual goals with those of the organization
- To achieve and maintain high morale among employees
- To provide the organization with well-trained and well-motivated employees
- To develop and maintain a quality of work life
- To develop overall personality of each employee in its multidimensional aspect

**(b)**

- To provide suitable training for all new members of staff
- To enable ongoing training needs to be identified
- To improve the contribution to the business from a new member of staff makes as soon as possible
- To initiate the progress for a probationary period
- To eliminate fear and build up confidence in the employee
- To enhance the productivity and the quality of the productivity
- To build on sense of belongingness and loyalty
- Feeling of job satisfaction and security
- Employee can obtain a macro picture of the organization

***(10 marks)***

***End of Section B***

**One (01) compulsory question**  
**(Total 20 marks)**

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***Suggested Answers to Question Six:***

**(a)**

**1. On the job training:**

On-the-job training gives employees motivation to start the job. Some reports indicate that people learn more efficiently if they learn hands-on, rather than listening to an instructor.

*For example : cashier could be trained on the job by an experienced cashier and newly recruited sales assistant could be trained while they are engaged in doing the job.*

**2. Coaching / Mentoring:**

This gives employees a chance to receive training one-on-one from an experienced professional. This usually takes place to expand on what trainees have already learned.

*For example : the existing sales staff members could be given training on customer care by a professional in the industry in order to obtain a better service to grow sales.*

**3. Role Playing:**

This allows employees to act out issues that could occur in the workplace. Key skills often touched upon are negotiating and team work.

*For example : senior staff could show experience they had with customer by way of a role play and also show how to deal with such customers to both existing and new staff members.*

**4. Outdoor Training:**

The usual purpose is to build teamwork skills.

*For example : LILI can organise outbound training activities in order to encourage team building and relationships among different departments of LILI.*

**5. Films and Videos:**

To be effective, training films and videos should be geared towards a specific objective. Only if they are produced effectively, will they keep the trainees' attention. They are also effective in stimulating discussion on specific issues after the film or video is finished.

*For example : videos relating to manufacturing and retail could be shown to employees in order to gain better exposure for their jobs.*

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6. **Technology based learning:**

The forms of training with technology are almost unlimited. A trainer also gets more of the Learner's involvement than in any other environment and trainees have the benefit of learning at their pace.

Common methods of learning via technology include;

- Basic PC-based programs
- Interactive multimedia - using a PC-based CD-ROM
- Interactive video - using a computer in conjunction with a VCR
- Web-based training programs

7. **Simulators:**

Most simulators are very experience but for certain jobs. Antronauts also train extensively using simulators to imitate the challenges and micro-gravity experienced on a space mission. The millitary also uses video games to train soldiers.

8. **Lectures:**

Lecturers usually take place in a classroom-format. It seems the only advantage to lecture is the ability to provide a huge amount of information to a lot of people in a short amount of time.

9. **Group Discussions and Tutorials:**

These most likely take place in a classroom where a group of people discusses issues. A better form of training than lectures, it allows all trainees to discuss issues concerning the new program. It also enables every attendance to voice different ideas and bounce them off one another.

(b)

1. **Analyze customer needs**

It should analyze in terms of lot size, waiting and delivery time, service convenience, product variety which are expected by the customers. India being a developing country; most of the customers will buy most necessary stationaries at a moderated or reasonable price levels. Additionally, India has low income earners as well. Hence, **LILI** could pay attention on both middle class and low income earners needs in order to capture the mass market. Apart from that in order to cater for high income earners; they could have a separate range of stationeries with brands and other special features and qualities.

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2. **Establishing channel objectives**

The objectives should be stated in terms of targeted service output levels. Channel design must take into account the strengths and weaknesses of different types of intermediaries. The objective of **LILI** is to expand their business and gain profits out of new investments.

3. **Identifying major channel alternatives**

A channel alternative is described by several elements such as;

The level of the channel, the types of available business intermediaries, the number of intermediaries needed and the terms and responsibilities of each channel member. Evaluating major channel alternatives after determining channel alternatives, each alternative should be evaluated based on appropriate economic and control or adoptive criteria.

4. **Evaluating major channel alternatives**

All alternative channels should be analyzed by using economic and controlled criteria.

5. **Selecting channel members**

Based on the results of the evaluation of channel alternatives, markers can select most appropriate channel members. After appointing channel members, they can involve with some channel management decisions such as training, motivating and evaluating channel members. Finally, they can decide whether channel arrangement should be modified. The channel decision is to use market intermediaries in order to enter into the Indian market. The respective duties and responsibilities of each supplier and distributor have to be clearly defined in this circumstance by **LILI**.

(c)

1. Local papers
2. Newsletter
3. Local radio
4. Local billboards and signal
5. Television
6. Website
7. Facebook

*(20 marks)*

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*End of Section C*

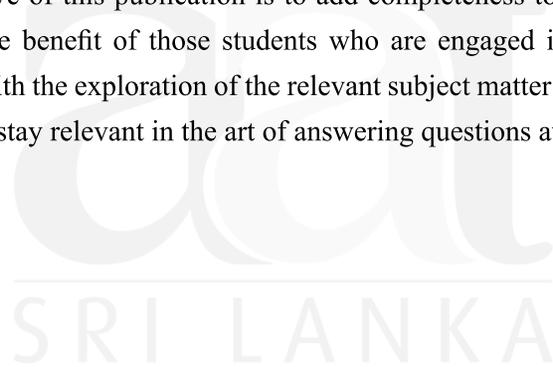
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These should be understood as Suggested Answers to question set at AAT Examinations and should not be construed as the “Only” answers, or, for that matter even as “Model Answers”.

The fundamental objective of this publication is to add completeness to its series of study texts, designs especially for the benefit of those students who are engaged in self-studies. These are intended to assist them with the exploration of the relevant subject matter and further enhance their understanding as well as stay relevant in the art of answering questions at examination level.



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