



**Association of Accounting Technicians of Sri Lanka**

**January 2017 Examination - AA1 Level**

**Questions and Suggested Answers  
(AA 15)**

**BUSINESS OPERATIONS AND MANAGEMENT  
(BOM)**

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

**AA1 Examination - January 2017**  
**(AA 15) Business Operations and Management**

**SUGGESTED ANSWERS**

**SECTION A**

Objective Test Questions (OTQs)

Twenty (20) compulsory questions

(Total 40 marks)

*Suggested Answers to Question One:*

| Question | Answer                     |
|----------|----------------------------|
| 1.1      | (3)                        |
| 1.2      | (1)                        |
| 1.3      | (3)                        |
| 1.4      | (2)                        |
| 1.5      | (3)                        |
| 1.6      | (4)                        |
| 1.7      | (2)                        |
| 1.8      | (1)                        |
| 1.9      | (3)                        |
| 1.10     | (3)                        |
| 1.11     | (1)                        |
| 1.12     | (1)                        |
| 1.13     | (2)                        |
| 1.14     | (4)                        |
| 1.15     | (4)                        |
| 1.16     | Planning                   |
| 1.17     | Economic Order Quantity    |
| 1.18     | Human Resource Management  |
| 1.19     | Data                       |
| 1.20     | Undifferentiated Marketing |

(Total 40 marks)

*End of Section A*

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

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

**(a)**

**Any four of the following can be considered as the answer.**

| <b>Partnership</b>                                 | <b>Private Limited Liability Company</b>             |
|--|--|
| Minimum 02 members and Maximum 20 members          | Minimum 01 shareholder and Maximum 50 shareholders   |
| Unlimited Liability                                | Limited Liability                                    |
| Registration is not Compulsory (condition applied) | Registration is a compulsory requirement             |
| Accounting and Auditing is not compulsory          | Accounting and Auditing is a compulsory requirement  |
| All the activities are managed by partners         | All the activities are managed by board of Directors |
| There is no share capital                          | There is a share capital                             |
| There is no legal personality                      | There is a legal personality                         |

**(04 marks)**

**(b)**

The main objective of the traders were to provide goods and services for customers at required time and required place. In other words, it is to connect time differences and geographical differences. So traders and customers both had to face difficulties. Most probably manufacturers are selecting specific places to locate their factories. Then they have to distribute the products which are manufacturing at those factories all over the world. In that process transportation is a compulsory requirement. Various kinds of transportation methods can be used for that. (E.g.: Land transportation, Sea Transportation, Air Transportation etc)

In addition to that transport of raw materials and employees also vary crucial to a business. Therefore, transportation can be identified as an important auxiliary service to carry out a business very smoothly.

**(06 marks)**

**(Total 10 marks)**

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

(a)

Any five of following can be taken as the answer

1. To control the creation and growth of records
2. To improve efficiency and productivity
3. To reduce operating cost
4. To minimize litigation risk
5. To safeguard vital information
6. To support better management decision making
7. To preserve the corporate information
8. To faster professionalism in running the business

***(05 marks)***

(b)

E-commerce can be defined as technology-mediated exchanges between parties as well as the electronically based intra or inter organizational activities that facilitate such exchanges. The range of business processes involved in the marketing, buying, selling and servicing of products and services in companies that engage in e-commerce.

We can point out the reasons why e-commerce became useful in business as follows.

**1. E-commerce influence purchase decisions**

Customers make their purchasing decisions by looking at organization and websites. If the products are available in the right time, they may purchase them without buying it physically.

**2. E-commerce is convenient**

Customers do not have to waste their time and engage to go to a shop and buy. Instead, e-commerce enables them to purchase goods within a shorter period in sitting at their homes.

**3. E-commerce offers a personalized experience**

There are many ways in which e-commerce can be used for more personal connections with customers. As an example, e-commerce site could include personal recommendations, order tracking, quick customer service or personalized rewards.

***(05 marks)***

***(Total 10 marks)***

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

(a)

1. Identifying job vacancies
2. Analyzing job requirements
3. Consideration of factors affecting to recruitment
4. Preparing Job application form
5. Selecting recruitment method
6. Implementation
7. Evaluation

***(05 marks)***

(b)

Following benefits can be attained via effective training of the employees in an organization.

**1. Improves morale of employees**

Training helps the employees to get job security and job satisfaction. More satisfied employee's morale will be increased and he will contribute more to organizational success and will be caused to lesser employee absenteeism and turnover.

**2. Less supervision**

A well trained employee will be well acquainted with the job and will need less supervision. Thus, there will be less wastage of time and efforts.

**3. Fewer accidents**

Errors are likely to occur if the employees lack knowledge and skills required for doing a particular job. The more trained an employee is the less are the chances of committing accidents in job and the more proficient the employee becomes.

**4. Chances of promotion**

Employees acquire skills and efficiency during the training. They become more eligible for promotions. They become an asset for the organization.

**5. Increase productivity**

Training, improves efficiency and productivity of employees. Well trained employees show both quality and quantity performance. There is less wastage of time, money and resources if employees are properly trained.

***(05 marks)***

***(Total 10 marks)***

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

(a)

Any four of following can be taken as the answer

1. Consumer can easily identify the products as they are distinctive
2. It gives a prestigious feeling to the consumers when they shop for branded products
3. It reduces the risk in purchasing because the consumer already knows the level of quality, features and other benefits associated with the products without even using it.
4. Help to have quick buying decisions because brand attracts consumers.
5. Companies can be charged premium prices.
6. It gives the opportunity to the company for line extension through building on the consumer's perception of the values and character represented by the brand name.
7. It helps owners to create consumer loyalty as it gives value to the consumers for what they pay for.
8. It enhances the company's value and makes a barrier to competition

***(04 marks)***

(b)

**(I) Market offering / product**

Market offering is a good, service or any other entity that is offered to satisfy customers. Demand and needs of customers are satisfied not by offering goods and services. The marketers offer combinations of several elements to satisfy customer needs. It is known as market offering. Market offerings consist of the following marketable entities.

- Goods
- Services
- Experiences
- Events
- Persons
- Places
- Properties
- Organizations
- Information
- Ideas

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**(II) Target Marketing**

Before engaging marketing campaigns and promotions business need to decide who they would like to aim their products at. This involves analyzing and segmenting the market in to different sectors. After segmentation firms can adopt one of the three strategies to choose our targets.

Thus, target marketing involves breaking a market in to segments and then concentrating our marketing efforts on one or a few key segments. No one strategy will suit all consumer groups. So being able to develop specific strategies for our target market is very important. The target market consists of a set of buyers who share common needs or characteristics that the company decides to serve.

There are three general approaches for selecting our target markets.

01. Undifferentiated marketing
02. Differentiated marketing
03. Concentrated marketing

*(06 marks)*

*(Total 10 marks)*



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***End of Section B***

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

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

- (a) Identification of strengths and weaknesses in micro environmental variables is important to a business's success. Further the opportunities and threats arise from the outside business is also very significant to the organization. In order to identify the strengths, weaknesses, opportunities and threats, a SWOT analysis can be carried out.

We can carry out a SWOT analysis to assess the impacts on operations of Mario Biscuits Ltd as follows.

| <b>Impact</b>      | <b>Favourable impact</b>   | <b>Unfavourable impact</b>   |
|--------------------|--|--|
| <b>Environment</b> | <b>STRENGTHS</b>   | <b>WEAKNESSES</b>  |
| Internal           | <ul style="list-style-type: none"> <li>• Having different flavours of biscuits</li> <li>• Well established company</li> <li>• Having machineries for production</li> <li>• Having well experienced staff</li> <li>• The company was among the top five biscuits manufacturers during last five years</li> <li>• Good reputation among customers</li> </ul> | <ul style="list-style-type: none"> <li>• Unsatisfied employees</li> <li>• Non availability of effective performance appraisal system</li> <li>• Poor reward management system</li> <li>• Non availability of promotions to employees</li> <li>• Idle resources - machines were not fully utilized</li> <li>• Fully depend on Manager - peration</li> </ul> |
|                    | <b>OPPORTUNITIES</b>   | <b>THREATS</b>   |
| External           | <ul style="list-style-type: none"> <li>• Availability of new market such as exports</li> <li>• Expand the target group other than kids considering multiple flavours, age groups especially healthy products for diabetic, cholesterol patients etc..</li> </ul>   | <ul style="list-style-type: none"> <li>• New regulations</li> <li>• Increased trade barriers</li> <li>• Market competition</li> <li>• Emergence of substitute products</li> <li>• Shifts in consumer tastes away from the firm's products</li> </ul>   |

*(08 marks)*

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(b)

- 1 Formulate and deliver the strategy aligned to the company vision / mission / goals / objectives.
- 2 Lead the production, warehouse and stores teams to maximize performance and manage resources both human and physical efficiency and optimistically.
- 3 Pursuing financial management - handling budgeting, controlling costs and keeping the organization on track financially.
- 4 Act as an intermediate - need good communication and interpersonal skills to deal with both his superiors and subordinates and disseminate information properly.
- 5 Ensure manufacturing practices for 'people safety' and 'product safety' (including hygiene) and satisfy legal and corporate requirements.
- 6 Maximize and constantly improve manufacturing performance that meets / exceeds company standards, KPI's, customer and legislative requirements.
- 7 Drive continuous improvement and identify and maximize continuous improvement opportunities.
- 8 Constantly challenge the manufacturing process and its capabilities. Develop manufacturing processes and capability to meet current and future business requirements. Identify new ideas and initiate new plans / projects to improve the operations of the business to next level.
- 9 Defend business interests by participating direct and indirect negotiation within and outside the organization.
- 10 Coach and develop the staff who are directly reporting. Monitor and improve performance through appraisal, performance management and personal development plans to ensure that their full potential is realized.
- 11 Work closely with HR in developing positive employee relations through fostering team working, communication and employee engagement.
- 12 Work closely with HR during annual pay negotiations.
- 13 Maintain and improve health and safety and food safety standards.
- 14 Work with the Technical / Sales and Marketing Teams to achieve quality standards.
- 15 Motivate employees by giving due attention to their grievances and considering their reasonable demands positively.
- 16 Deal with dispute or problems and take corrective actions.

*(08 marks)*

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(C)

**Any four of following can be taken as the answer**

1. Top management facilitation and commitment
2. Everybody should be able to understand
3. Trust and openness
4. Appraisers should be properly trained
5. Actions should be initiated based on the results of the appraisal
6. Destructive criticism should be avoided in feedback
7. Constant monitoring to ensure validity and reliability

*(04 marks)*

*(Total 20 marks)*



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*End of Section C*

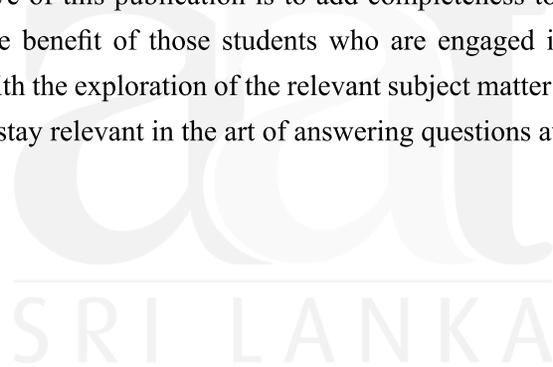
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***Notice :***

These answers compiled and issued by the Education and Training Division of AAT Sri Lanka constitute part and parcel of study material for AAT students.

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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