



Association of Accounting Technicians of Sri Lanka

AA1 Examination - January 2018

**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 - January 2018
(AA15) 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	(4)
1.3	(4)
1.4	(2)
1.5	(3)
1.6	(1)
1.7	(4)
1.8	(4)
1.9	(2)
1.10	(1)
1.11	(3)
1.12	(3)
1.13	(1)
1.14	(2)
1.15	(4)
1.16	Office Automation System (OAS)
1.17	Tacit knowledge
1.18	Performance
1.19	Role playing
1.20	Differentiable

(Total 40 marks)

End of Section A

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

Suggested Answers to Question Two:

(a)

Difference between private limited companies and public limited companies:

Private Limited Companies	Public Limited Companies
Minimum number of shareholders is 01 and the maximum is 50	Minimum number of shareholders is 01, but the maximum is not limited (unlimited)
Minimum number of directors is 01	Minimum number of directors is 02
Cannot issue shares or other securities to the general public openly	Can issue shares and other securities to the general public openly
It is not compulsory to publish the financial statements and other annual reports	It is compulsory to publish the audited financial statements and other annual reports
Transferability of shares is restricted.	No restriction for shares transferability.
It should indicate as "Private Limited"	It should indicate as limited. If it is listed should indicate as "Public Limited Company" (PLC)

(04 marks)

(b)

(I) Effective communication is important to business organizations due to the following reasons:

- i. To exchange information / ideas among business partners / owners / managers
- ii. To create sound relationships among sellers / producers / competitors
- iii. For sales promotion
- iv. To know about legal obligations / responsibilities
- v. For advertising / marketing campaigns
- vi. To create and maintain employer-employee relationship
- vii. To maintain the relationship between the business and other external parties including the government

(04 marks)

(II) Internal communication tools in an organization:

- i. Telephone / Telephone conversations / Intercom
- ii. Internal Memorandums / Memos
- iii. Telex
- iv. Fax
- v. Letters

-
- vi. E-mails
 - vii. Intranet
 - viii. Notices / Notice Boards
 - ix. Internal Circulars

(02 marks)

(Total 10 marks)

Suggested Answers to Question Three:

(a)

Characteristics of a service:

- Non-storability** : Cannot own and store a service like a product.
- Intangibility** : Cannot hold or touch a service unlike a product.
- Inseparability** : Services cannot be separated from the service providers.
- Heterogeneity** : Service, quality of it and the way of delivery is different according to the service provider. Simply, the same service can be varied according to the service provider.
- Highly Consumable** : Services are consumed more often than products. Services tend to be decentralized and geographically dispersed.

(04 marks)

(b)

1. **Better Inventory planning and ordering.**

Proper inventory management helps to figure out exactly how much inventory the organizations needs to have on-hand. This will help prevent product shortages and allow to keep just enough inventory without having too much in the warehouse. It helps for ordering of stock at correct time.

2. **It leads to a more organized warehouse.**

A good inventory management supports an organized warehouse. If warehouse is not organized, organization will have a hard time managing your inventory. Many companies choose to optimize their warehouses by putting the highest selling products together and in easily accessible places in the warehouse. This, in turn, helps speed up the order fulfillment process and keeps customers happy.

3. **Inventory management helps to save time and money.**

Inventory management can have real time and monetary benefits. By keeping track of which products the company on-hand or ordered, the company save the effort of having to do an inventory recount to ensure your records are accurate. A good inventory management also helps to save money that could otherwise be wasted on slow-moving products.

4. **Inventory management increases efficiency and productivity of the organization.**

Through organized warehouse, it will result in efficiency and productivity of the organization inventory management devices, such as barcode scanners and inventory management software, can be used to improve efficiency and productivity. These devices will help eliminate manual processes so your employees can focus on other - more important - areas of the business.

5. **Inventory management increases customer satisfaction.**

Inventory management leads to orders being fulfilled more quickly and shipped out to customers faster. This will help to build a strong relationship with customers and keep them coming back for more.

(06 marks)

(Total 10 marks)

Suggested Answers to Question Four:

(a)

Internal and external factors that determine the rewards received by an employee:

Internal Factors	External Factors
Rewards compensation policy	Labour market conditions
Payment ability of the employer / organization	Economic conditions of the country
Relative worth of the job	Cost of living
	Government interventions
	Union Influences

(04 marks)

(b)

Steps in a grievance handling process:

- First step of a grievance handling procedure is to identify the grievance correctly. It means, there should be a proper mechanism to present the grievances of employees to the management.
- Second step is the identification of causes / reasons of the grievance. Such causes might be personal causes or organizational causes.
- In the third step, short-term solutions are provided. The purpose of providing a short-term solution is the temporary relief, and to help the grievant to reduce the level mental frustration
- In the fourth step it is essential to monitor the progress of the short-term solution provided.
- Then provide the long-term solution/s for the grievance to eradicate it, and to avoid the repetition of the same grievance again in future
- In the last step of the procedure, implement the decision to resolve the identified grievance and monitor the consequences for a reasonable period of time.

Alternative Answers

- (b) 1. Define or describe the nature of the grievance as clearly and fully as possible.
2. Collect all the facts that help to explain how, when, where, why and to whom the grievance occurred.
3. Establish tentative solutions to the grievance.
4. Collect additional information to check the validity of the tentative solution.
5. Apply the solution.
6. Follow up on the case to make sure that it has been handled satisfactory and the grievance eliminated.

Alternative Answer

- (b) 1. Acknowledge dissatisfaction.
2. Define the problem.
3. Get the facts.
4. Analysis and decide.
5. Follow up.

Alternative Answer

- (b) 1. Accepting the grievance.
2. Identifying the problem.
3. Collecting the facts.
4. Analyzing the cause of the grievance.
5. Taking the decision.
6. Implementing the decision.

(06 marks)
(Total 10 marks)

Suggested Answers to Question Five:

(a)

4Ps in the Marketing Mix (for a product):

Product	A product is an item that is produced to satisfy the needs of a certain group of customers. The product can be intangible or tangible as it can be in the form of services or goods.
Price	The price of the product is basically the amount that a customer pays for to obtain it. It is also a very important component of a marketing plan as it determines your firm's profit and survival. Adjusting the price of a product has a big impact on the entire marketing strategy as well as greatly affecting the sales and demand of the product.
Place	This is about the positioning and distributing the product to a place that is accessible to potential customers (target market). Simply, placement is the process of making the product available at the right time in the target market for target customers.
Promotion	Promotion is a very important component of marketing as it can boost brand recognition and sales. Promotion is comprised of various elements like: Advertising, sales promotions, direct marketing, public relations. On the other hand it is a communication to the customers.

(08 marks)

(b)

Benefits of marketing for non-profit organizations:

- i. Increase the brand loyalty
- ii. Publication of activities / services
- iii. Attract new members / employees
- iv. Attract potential sponsors / donors

(02 marks)

(Total 10 marks)



End of Section B

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

Suggested Answers to Question Six:

(a)

Opportunities and threats:

Opportunities:	Threats:
<ul style="list-style-type: none"> • Entering into a new market like Bangladesh itself is an opportunity • The free trade agreement to be signed by the Sri Lankan government with Bangladesh in near future • Availability of cheap labour in developing and emerging markets compared to the developed markets. • Opportunity to expand through joint ventures, mergers, acquisitions, licensing 	<ul style="list-style-type: none"> • Competition from Indian, Chinese and Bangladesh garment manufacturers • Withdrawal of the tax exemption given by the government of Bangladesh • The increased scale of globalized operating is matched by the increased level of risk changing in exchange rate and interest rate. • Managing diverse workforces, different time zones, cultural and religious differences.

(04 marks)

(b)

Political - Legal	Economic	Social - Cultural	Technological
Tax law : Withdrawal of tax exemptions, increase in corporate tax rates	Economic Development in Bangladesh is low.	Religious and cultural differences in Bangladesh - compared to Sri Lankan.	Skill level employees High literacy levels of Sri Lankan employees compared to Bangladesh employees.
Trade Regulations: Free trade agreement between Bangladesh - Sri Lanka	SAARC / SAFTA agreements	Language differences (local as well as international) Ex: Trincomalee factory might employ majority of the Tamil community.	Access to internet is high in cities in urban areas not remote areas.

Bangladesh government stability is low, corruption at the government and the public sector.	Unemployment level is high in Bangladesh.	Bangladesh attitudes towards foreginers.	Availability of advances technology facilities for support services in urban areas in Sri Lanka.
Foreign policies between countries	Nature of competition: Cost and Price cometitiveness of Bangladesh gar-ments compared to Sri Lankan garments.	Human rights violations in Bangladesh and Sri Lanka.	New manufacturing technologies introduced in the international context that saves time and money.
Legal system in Bangladesh	Monetary and Fiscal policies	Sri Lankan workforce is demanding for better work rights.	Telecommunication infrastructure.
Strength of opposition groups	Outsourcisng capability	Life style	Transportation network

(08 marks)

(c)

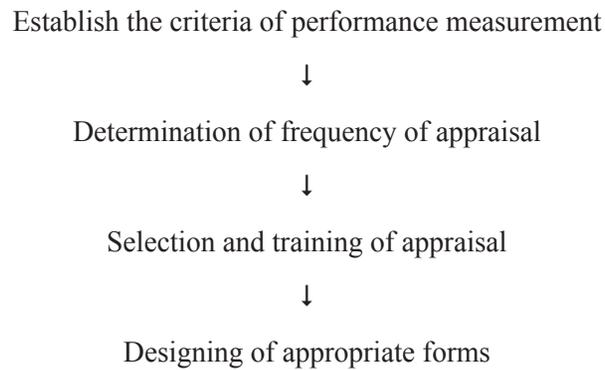
Steps to be used to strengthen the process of performance appraisal:

- i. Establish the objectives of performance evaluation
- ii. Make relevant policy decisions relating to performance evaluation / appraisals
- iii. Decide the criteria (objective criteria and subjective criteria) and standards of performance evaluation
- iv. Decide the method of performance evaluation
- v. Training of the evaluators involve in performance evaluation
- vi. Evaluation
- vii. Discussion of the results with employees
- viii. Make necessary decisions according to the performance evaluation results
- ix. Review and renewal of the evaluation system

(04 marks)

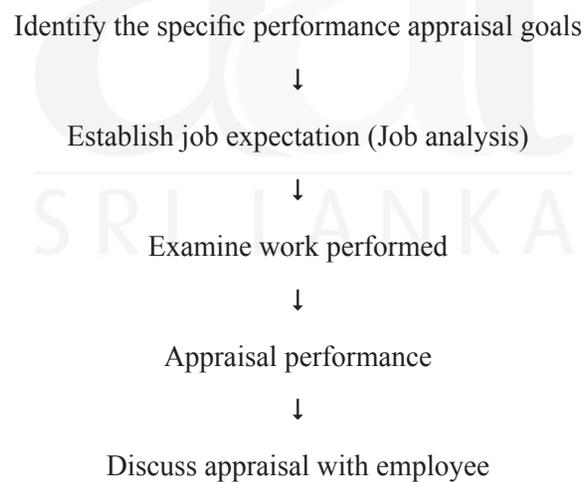
Alternative Answer

(c)



Alternative Answer

(c)



(d)

Importance of product positioning to target the customers:

As Fashion Garments (Pvt) Limited faces a huge competition. So that, product positioning helps the organization to **improve the competitive strength and the competitive position** in the market. Also, it helps to **capture a bigger market share** / a customer base. A well-positioned product is like a guide line for customers **to select and differentiate the product from other competitors**. Further, to **obtain the customer loyalty** proper positioning of the product is important. It is **easier to advertise** a positioned product, and also a strong positioning **reduces the price sensitivity** of the customers towards the price variations of the product. It helps to increase sales and customers' loyalty.

(04 Marks)

(Total 20 marks)



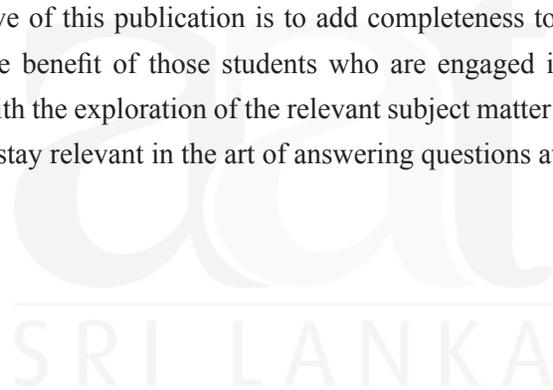
End of Section C

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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