



Association of Accounting Technicians of Sri Lanka

July 2018 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 2018
(AA15) 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	(3)
1.3	(2)
1.4	(3)
1.5	(2)
1.6	(4)
1.7	(4)
1.8	(1)
1.9	(2)
1.10	(3)
1.11	(4)
1.12	(2)
1.13	(4)
1.14	(3)
1.15	(4)
1.16	Transaction Processing System (TPS)
1.17	Enterprise Resource Planning (ERP)
1.18	Technology development
1.19	Job rotation
1.20	Differentiated marketing

(Total 40 marks)

End of Section A

Four (04) compulsory questions
(Total 40 marks)

Suggested Answers to Question Two:

(a) Advantages of a sole proprietorship:

- Ability to develop the business on personal commitment
- Ability to take the whole profit
- Speed decision making
- Easiness in controlling
- Easy to start and low startup cost
- Easy to dissolve
- Considerable freedom from government regulations

Disadvantages of a sole proprietorship:

- Unlimited liability
- No legal personality
- Unsuccessful individual decisions
- Limited financial sources
- Difficulty of finding suitable employees

(05 marks)

(b) Services that a business organization could obtain from banks and financial institutions:

- Accept deposits (savings / fixed deposits)
- Credit facilities (loans / mortgages)
- Trade financing (export & import trade financing)
- Facility of Letter of Credit (LC)
- Current account facilities
- Safety deposit boxes
- Consultation services
- Bank guarantees
- Purchase and sale of foreign exchange
- Various services for international trade
- Issue travellers cheques
- Automated banking services

(05 marks)

(Total 10 marks)

Suggested Answers to Question Three:

(a) **Importance of quality management to a business:**

Proper quality management helps business organizations to achieve greater consistency in the activities involved in providing products or services. Also, it reduces expensive mistakes, and increase efficiency by improving the use of resources. Quality management facilitates smooth operations, create a healthy workplace, increase employee loyalty and the customer loyalty, thus better business.

1. **Meeting customers' expectations:**

Customers expect to consume quality products. If businesses do not meet their expectations, they will leave the business organization. Quality is critical to satisfy customers and retain their loyalty. So, they continue to buy in the future.

2. **Increasing revenue and profitability:**

Quality products make an important contribution to long term revenue and profitability. Poor quality increases costs.

3. **Quality management ensures superior quality product and services:**

Quality of a product can be measured in terms of performance, reliability and durability. Quality is a crucial parameter which differentiates an organization from its competitors.

4. **It helps to reduce waste and inventory:**

Quality management helps to reduce waste. If the company has maintained an effective quality management, number of damaged or wasted items will reduce from the production.

5. **Managing a reputation:**

Quality influences business organization's reputation. A strong reputation for quality can be an important differentiator in markets that are very competitive. Poor quality that result in product recall campaign can create negative publicity and damage reputation.

6. **Enhancing productivity:**

Quality management identifies areas for improvements in internal processes. This can impact productivity by eliminating unnecessary tasks or improving existing ones.

(06 marks)

(b) **Dimensions of quality of manufactured products:**

- | | |
|---------------|---------------------|
| • Features | • Credibility |
| • Conformance | • Durability |
| • Safety | • Aesthetics |
| • Performance | • Other perceptions |

(04 marks)

(Total 10 marks)

Suggested Answers to Question Four:

(a) **Importance of Human Resource Management (HRM) for an organization:**

Human Resource (employees) is the most important resource in any business organization. Managing a business organization is nothing but managing employees at work is a very difficult task. HRM is all about generating, retaining and developing employees effectively and efficiently to achieve organizational targets. Hence, to get the right person for the right position at the right time HRM is important. Similarly, to assess the performance of employees, to reward them accordingly, and to conduct training and development initiatives HRM is important. Further, to create a safer workplace through health and safety management, for grievances resolution HRM is important. In summary, HRM policies and practices in a business organization are utmost important to use human power suitably, as it concerns about the people dimension of management.

1. **It is required for recruitment of staff:**

HRM helps to hire the right people for the right job at the right time. Recruitment of new employees can contribute to the longevity of any business.

2. **Establishing relationship between employees:**

Human Resource Management helps to maintain the relationship with employees in a harmonized work environment. It also focuses on strengthening the relationship among employees.

3. **Ensuring the safety of employees:**

It is extremely important for all organizations to pay special attention towards workplace safety. Human Resource Management supports to take necessary measures in order to create a safe working environment for the employees.

4. **Offering benefits and compensation to the employees:**

Benefits and the compensation that should be given to the employees are handled by the specialists in the HR Department. It can be decided through HRM. It helps to retain the employees in the organization.

5. **Training and Development:**

All the employees within an organization should be provided with proper training. The Human Resource Department is responsible for offering proper training and development for all the employees to achieve organizational goals.

6. **Employee's Satisfaction:**

Human Resource Management helps the organization to achieve high performance, morale and satisfaction levels through the workplace by creating ways to strengthen the employer-employee relationship.

7. **Ensuring legal compliance:**

There are laws on staff management enforced by the government which must be properly complied with to ensure the suitable working environment, conditions and facilities. Human

Resource Management must ensure the compliance with those legal requirements.

8. **Increasing quality of work life:**

This refers to giving an opportunity for employees to present their ideas and suggestions with regard to decisions that have an impact on the employees. HRM helps to improve the quality of work life.

9. **It helps to meet organizational objectives:**

HRM helps to meet its goals in the future by providing competent and well-motivated employees.

(06 marks)

(b) **Steps in the training process:**

- i. Identify training needs
- ii. Establish training objectives
- iii. Select the method of training
- iv. Prepare the training plan
- v. Implement the training plan (conduct the training program)
- vi. Evaluate the effectiveness of the training program

(04 marks)

(Total 10 marks)

Suggested Answers to Question Five:

(a) **Importance of Marketing for a business organization:**

The business success lies in its marketing efforts. Most aspects of today's business depend on successful marketing. The overall marketing mix covers production, pricing, distribution, advertising, public relations, promotions and sales. Marketing is a process by which a product or service is introduced and promoted to potential customers. It is important to identify the customer and also the potential customers of the business properly. Any marketing effort starts from the customer's point of view; from a customer need. For right pricing, to select the most appropriate distribution channel, to select the most appropriate promotion mechanism marketing practices are important. In conclusion, to earn profits by satisfying the needs of the customers in the target market marketing is a must.

1. **It helps to know about customers expectations:**

Attracting and maintaining customers with high customer satisfaction is one of the main aims of marketing that is highly crucial for business success.

2. **It helps to identify target market for the business:**

Marketing is all about the correct messaging to identify which market to offer. Without marketing, the organization is not able to find out the target customers.

3. **It creates a powerful brand:**

Marketing has built trust overtime with the brand. Through powerful brand, customer can easily identify the products as they are distinctive.

4. **It helps to achieve organizational objectives:**

If customers are satisfied with the product, it will result in increase of revenue. As a result it will lead to achieving of the organizational objectives.

5. **It helps to achieve competitive advantages:**

Marketing management helps to identify what activities should be perform better than other competing organizations and the competitive advantages over other organization.

(06 marks)

(b) **Characteristics of a successful brand:**

- Attributes
- Benefits
- Value
- Personality
- Culture
- User

(04 marks)

(Total 10 marks)

End of Section B

One (01) compulsory question
(Total 20 marks)

Suggested Answers to Question Six:

(a) Ways in which globalization has positively impacted on Bert & Sons Limited:

This business has already received ISO certification for its operations. It is a positive effect of globalization. The company operations are in line with international standards. Also, company plans to import an energy-efficient oven from a supplier in Singapore. Further, Company plans to immediately develop an attractive web site with online purchasing facilities and a 24 hours call Centre. This ICT development and e-business operation itself is a part of globalization, which has positively impacted on this business.

1. Expanding the operation:

The company has an opportunity to expand its business and operations islandwide through home delivery services. The company is able to import an energy efficient oven from a supplier in Singapore.

2. Ability to obtain advanced technology:

The company has expanded the services through online and hotline services.

3. Obtained international quality standard:

Due to the globalization the company was able to obtain the international quality standards. The company has received ISO certification.

4. Free Trade:

International competition has been introduced for new services and product offerings.

(06 marks)

(b) Marketing Mix of Bert & Sons Ltd:

- Product mix - fresh quality bakery products
- Price mix - an affordable price; which is from the customer's point of view
- Place mix / Distribution mix - island wide distribution through 50 outlets located across the island, and home delivery services of its products through online & hotline services
- Promotion mix - advertising [through an attractive web site]

(06 marks)

(c) **Advantages and disadvantages of Business Process Outsourcing (BPO):**

Advantages of BPO	Disadvantages of BPO
Improved efficiency of the process	Problems relating to secret information - Data privacy breaches
It saves time for employees/managers to focus on core/main business activities	Under estimation of day-to-day operational cost
Ability to invest resources in core business functions / options	High dependency on service providers

(04 marks)

(d) **Stakeholders of Bert & Sons Ltd:**

- Owners
- Managers
- Competitors (International Fast Foods Chain)
- Suppliers (Farmers and Registered Suppliers)
- Employees

(04 marks)

(Total 20 marks)

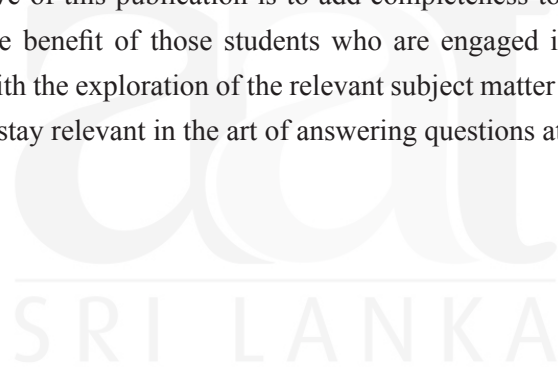
End of Section C

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