



Association of Accounting Technicians of Sri Lanka

AA1 Examination - January 2019

**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 2019
(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	References
1.1	2	Chapter 1 Introduction to Business operations
1.2	1	Chapter 1 Introduction to Business operations
1.3	3	Chapter 5 Business Environment
1.4	1	Chapter 4 Supportive Services of Business
1.5	3	Chapter 6 Operations Management
1.6	4	Chapter 4 Supportive Services of Business
1.7	4	Chapter 1 Introduction to Business operations
1.8	1	Chapter 2 Basic concepts of Management
1.9	3	Chapter 5 Business Environment
1.10	4	Chapter 4 Supportive Services of Business
1.11	3	Chapter 10 Information Management
1.12	2	Chapter 7 Human Resources Planning
1.13	3	Chapter 12 Business challenges in the new millennia
1.14	4	Chapter 9 Marketing Strategies
1.15	1	Chapter 7 Human Resources Planning
1.16	Globalization	Chapter 12 Business challenges in the new millennia
1.17	Insurance	Chapter 1 Introduction to Business operations
1.18	selling concept	Chapter 7 Human Resources Planning
1.19	Marketing and Sales	Chapter 5 Business Environment
1.20	General Acceptance	Chapter 1 Introduction to Business operations

(Total 40 marks)

End of Section A

Four (04) compulsory questions
(Total 40 marks)

Suggested Answers to Question Two:

(a)

Chapter 05 - Business Environment

PEST’ analysis is used to examine the environment on Political, Economical, Social and Technological factors

"PEST analysis examines the external environment and the global factors that may affect the business. It can provide information on external pressures facing business and their possible constraints on strategy."

Political – Government policies can affect businesses both directly and indirectly. The effects may be direct such as tax incentives designed to encourage R & D expenditure, or it may be indirect such as sales of car audio equipment being hit by new environment laws designed to reduce car use.

Economic – This might involve the analysis of a wide variety of economic factors and their effects on business. They might include consumer activity – their spending patterns and willingness to spend; economic variables – inflation, unemployment, state of economy, interest rates and exchange rates and the effect of changes in labour markets.

Social – Customers are the people who consume goods and services. Therefore, the factors around them are critical to business. These factors consist of the social status, culture, religion, norms and life styles. The demographic factors are the part of socio-cultural aspect of the social environment. Increasing environmental awareness, growing health consciousness, increasing the diversity of workforce and markets are the key changes taken place in society nowadays.

Technological – Business operate in a world of rapid technological change. Organizations need regularly to review the impact of new technologies upon their lives. Products can become obsolescent quickly, and production methods can become out of date. Existing methods of communication may become inefficient as ICT develops.

Political – Legal	Economic	Social - Cultural	Technological
Form of government	Economic development	Customs, norms, values	Transportation network
Political ideology	Per capita income	Language	Skill level of workforce
Tax laws	GPD trends	Demographics	Internet availability
Stability of government	Unemployment levels	Life expectations	Regulations on technology transfer
Government attitudes towards foreign companies	Membership in economic associations – Ex: WTO, EU, ASEAN	Attitude towards foreigners	Computer hacking technology
		Social institutions	New energy sources

Strength of opposition groups	Monetary and Fiscal policies	Status symbols	Patent-trademark protection
		Religious beliefs	
Trade regulations	Nature of competition	Lifestyle	Natural resource availability
Foreign policies	Outsourcing capability	Human rights	
Legal system	Global financial system	Environmentalism	Telecommunication infrastructure

(06 marks)

(b)

Chapter 03 - Business organizations
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Advantages of private limited companies

- Limited liability; hence, can attract more capital compared to partnerships
- Large scale operations will bring economies of scale
- Rights to certain tax exemptions
- Transferability of shares is restricted. Hence, can keep the ownership within the family or limited group of people

Advantages of private limited companies

- Need to undergo certain legal procedures to establish the company. More complicated than a partnership.
- Cannot issue shares to the public or through stock exchange. Hence, the capital is limited compared to a public company
- Shareholders can't easily transfer their shares when they are in need of cash.

(04 marks)

(Total 10 marks)

Suggested Answers to Question Three:

(a)

Chapter 07 - Human Resources Planning
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- (i)
- Attract and retain the number of people required with the appropriate skills, expertise, and competencies.
 - To forecast future requirements, estimate surpluses and lack of manpower.
 - Anticipate the problems of potential surpluses or deficits of people.
 - Develop a well trained and flexible work force, thus contributing to the organization's ability to adapt to an uncertain and changing environment.
 - Reduces dependence on external recruitment when key skills are in short supply by formulating retention, as well as employee development strategies.

-
- Improve the utilization of people by introducing more flexible systems of work.
 - To help in recruitment and selection.
 - To maintain output/productivity levels.

(3 marks)

(ii)

Chapter 07 - Human Resources Planning

- Hiring Freeze
- Reduction of reward expenditure
- Attrition – Voluntary departure
- Early retirements
- Lay off
- Encourage of leaves
- Formal out placement
- Termination

(02 marks)

(b) (i)

Chapter 06 - Operations Management

1. Quality can and must be managed
2. The customer defines quality, and customer satisfaction is the top goal; it is a requirement and is not negotiable
3. Management must be involved and provide leadership
4. Continuous quality improvement is the strategic goal, which requires planning and organization
5. Quality improvement is the responsibility of every employee; all employee must be trained and educated to achieve quality improvements
6. Quality problems are found in processes and problems must be prevented, not solved.
7. The quality standard is no defects
8. Quality must be measured; important requires the use of quality tools and especially statistical process control

(03 marks)

Chapter 06 - Operations Management

Time and timeliness	How long must a customer wait for the service and is it completed on time? Example is an overnight package delivered overnight?
Completeness	Is everything the customer asked for provided? Example is a mail order from a catalogue company complete when delivered?
Courtesy	How do employees treat customers? For example, are catalogue phone operators at L.L Bean nice and their voices pleasant?
Consistency	Is the same level of service provided to each customer each time? Is your newspaper delivered on time every morning?
Accessibility and convenience	How easy is to obtain the service? For example, when you call a company does the service representative answer quickly?
Accuracy	Is the service performed right every time? Is your bank or credit card statement correct every month?
Responsiveness	How well does the company react to unusual situations, which can frequently happen in a service company? Example: how well is a telephone operator at a company able to respond to a customer's questions?

(02 marks)

(Total 10 marks)

Suggested Answers to Question Four:

(a)

Chapter 09 - Marketing Strategies

To the consumers;

- Consumer can easily identify the products as they are distinctive.
- It gives a prestigious feeling to the consumers when they shop for branded products.
- It reduces the risk in purchasing because the consumer already knows the level of quality, features and other benefits associated without even using it.
- Helps to have quick buying decision because brand attracts consumers.

To the owners;

- Companies can charge premium price.
- 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.
- It helps owners to create consumer loyalty as it gives value to the consumers for what they pay for.
- It enhances the company's value and makes a barrier to competition.

To the intermediaries;

- Branded items make it easier for the suppliers to process the orders and track down problems.
- Retailers are happy to sell branded products because it makes them good sellers.

(6 marks)

(b)

Chapter 09 - Marketing Strategies
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i) **Market segmentation**

Market segmentation is dividing your market into distinct segments that have common needs or will respond similarly to a marketing action. Each segment will respond to a different marketing mix strategy, with each offering alternate growth and profit opportunities. Market segmentation enables companies to target different categories of consumers who perceive the full value of certain products and services differently from one another.

ii) **Positioning**

Positioning is how the product is designed to be perceived in the marketplace by the target market against its main competitors. In other words, it's how consumers understand the product offering and how it differs from similar, competitive offerings.

Effective positioning involves a good understanding of competing products and the benefits that are sought by your target market.

(4 marks)

(Total 10 marks)

Suggested Answers to Question Five:

Chapter 06 - Operations Management

- a) Activities in operations management (OM) include organizing work, selecting processes, arranging layouts, locating facilities, designing jobs, measuring performance, controlling quality, scheduling work, managing inventory and planning production.
- 1) The main objective of operation management is to ensure timely delivery of the products and to successfully turn the raw materials into the finished products.
 - 2) Inventory management is a major element of operation management. An organization keeps on hand meeting its operational needs. Operational management tries to keep inventory levels at optimum levels.
 - 3) Operation management is important to improve the overall productivity.
 - 4) Operation Management involves similar management for every industry or business irrespective of their nature of the operation, planning, organizing, staffing, monitoring, controlling, directing and motivating significant elements
 - 5) Operation management is the management of the various business activities that take place within an organization and contributes in making the products to align with customers' requirements.
 - 6) Under operations management, there is the optimum utilization of resources leading to enormous profit of the organization.
 - 7) Quality management is an element of operation management. A business organization produces goods and services to meet its customer's needs with good quality.

(06 marks)

(b)

(1) **Save Money**

Outsourcing is often a strategic approach to stretching strained budget. Companies that take a well-managed approach to outsourcing can gain cost savings of more than 40 -80 percent.

(2) **Focus on core competence**

By using an outsourcing strategy for non-primary functions of the business, an organization can focus on its primary function effectively. By outsourcing activities relating to information technology, managers can save the time for technology, managers can save the time for identifying and solving business problems.

(3) **Achieve flexible staffing levels**

Strategy use of an outsourcing can result in business growth without increasing overhead. Outsourcing provides a pool of qualified professionals available for unique, niche or overflow projects.

(4) **Gain access to global resources**

By outsourcing into global organizations, local organizations could gain access to global resources. Using global expertise allows an organization to gain the advantage of skilled labour, regardless of location and significantly increase the quality of its deliverables. As such, outsourcing can create opportunities for smaller businesses that might not otherwise be possible due to costs or geographical constraints.

(5) **Decrease the time to enter the market**

Outsourcing extends the traditional small business the benefit of flexibility and responsiveness, allowing smaller organizations to compete effectively against bigger firms.

(4 marks)

(Total 10 marks)

End of Section B

One (01) compulsory question
(Total 20 marks)

Suggested Answers to Question Six:

(a)

Chapter 07 - Human Resources Management

1 Unsatisfactory pay

Though Rubi has requested several times to increase her salary, it was not considered.

2 Ineffective supervisors

Rubi had some serious disagreement on numerous occasions with Shiromi about her duties and responsibilities as the project manager after the project was commenced.

3 Inter personal issues

Rubi and Shiromi disliked each other and that was evident in many staff meetings and project review meetings. Some conflicts between Rubi and Shiromi were mostly due to a personal conflict.

4 Working conditions

Rubi had some serious disagreements on many occasions with Shiromi about her duties and responsibilities as the project manager.

(06 marks)

(b)

Chapter 07 - Human Resources Management

1 Evaluate the applications

2 Employee Testing (Selection through employees

3 Conduct interviews

4 Investigate the background

5 Final decision and offering job

(05 marks)

(c)

Chapter 11 - Technological Applications in Business Operations

Data mining is a major use of data warehouse databases and the static data they contain. In data mining, the data in a data warehouse are analyzed to reveal hidden patterns and trends in historical business activity. This analysis can be used to help managers make decisions about strategic changes in business

operations to gain competitive advantages in the marketplace.

Data mining can discover new correlations, patterns and trends in vast amounts of business data (frequently several terabytes of data) stored in data warehouses. Data mining software uses advanced pattern recognition algorithms, as well as a variety of mathematical and statistical techniques, so sift through mountains of data to extract previously unknown strategic business formulation.

(3 marks)

(d)

Chapter 08 - Role of Marketing in Business Operations
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(1) **Product**

"The product strategy is one of the four tools of the marketing mixes and enables to make the exchange more valuable. The 'product' in the sense of social marketing does not only include physical offerings but also services and ideas. The aim of the sector is to ensure that the citizen gets good service and good value for money. The product policy in this sector talks about safety, credibility, security and continuity values that belong to the national interest."

(2) **Price**

The second element of the marketing mix is the price policy. Price is what is given up or scarified to obtain a product. The price is related to the achievement of marketing and government policy goals. Pricing is the key to companies' profitability and survival. But in the not-for-profit sector the pricing is a dilemma between the covering of the cost and the reaction of the people to the price rising.

(3) **Place**

Place or distributive channels are the third element of the marketing mix. In regard to intangible offerings suitable, adequate and compatible distribution and response channels have to be chosen through which information or ideas are delivered to customers. In addition, government and not-for-profit sector organisations have to ensure the accessibility of their offerings for their target segment.

(4) **Promotion**

In order to create and sustain a demand for an offering, the potential benefits have to be communicated to the clients. Communications are the process of transmitting messages with the objective of making the organizations products or services attractive to target customer.

(06 marks)

(Total 20 marks)

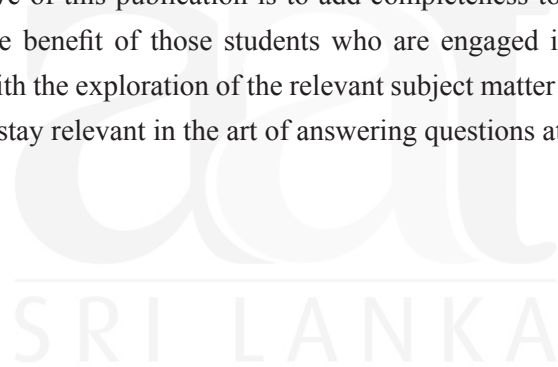
End of Section C

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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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