



**Association of Accounting Technicians of Sri Lanka**

**Level II Examination – January 2025**

**Suggested Answers**

**(204) BUSINESS MANAGEMENT (BMA)**

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THE ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

**Level II Examination –January 2025**

**(204) BUSINESS MANAGEMENT**

**SUGGESTED ANSWERS**

(Total 25 marks)

**SECTION - A**

*Suggested Answers to Question One:*

1.1 (3)

1.2 (2)

1.3 (4)

1.4 (2)

1.5 (1)



*(02 marks each, 10 marks)*

1.6 Positioning

1.7 Integration

1.8 Product

1.9 Market Share

1.10 Accessible

*(01 mark each, 05 marks)*

**1.11 Identifying any two of the below would permit full marks**

- Easy to Recognize
- Consistent Quality and experience
- Reliable Products or Services
- Relevance
- Clarity
- Differential
- Patience

**(02 marks)**

**1.12 Identifying any two of the below would permit full marks**

- Computer Aided Designing (CAD)
- Computer Aided Manufacturing (CAM)
- Computer Integrated Manufacturing (CIM)
- Artificial Intelligence (AI)
- Machine Learning (ML)
- Blockchain
- Robotic Process Automation
- Automated inventory Management System
- Conveyor Belt Systems
- Manufacturing Automation Systems (MAS)

**(02 marks)**

**1.13 Identifying any two of the below would permit full marks**

- Lifetime employment
- Seniority based advancement
- Company loyalty / Companysim
- Continuous improvement (Kaizen Approach)
- Increasing Value Added

- Growing with the company
- Customer Satisfaction
- Shop Floor Priority
- Bottom Up Approach
- Continuous Challenge
- Process Oriented

**(02 marks)**

**1.14 Identifying any two of the below would permit full marks**

- Dependency on Technology or Platform
- Skills and Training requirements
- Security and privacy issues
- High competition results in higher costs
- Complaints and negative feedback can be visible
- Time consuming

**(02 marks)**

**1.15 Identifying any two of the below would permit full marks**

- Attract and retain talent
- Motivate employees
- Enhance job satisfaction
- Foster loyalty
- Comply with legal requirements
- Ensure equity
- Control employment cost

**(02 marks)**

**(02 marks each, 10 marks)**

**(Total 25 marks)**

**End of Section A**

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

***Chapter 10 – Human Resource Management  
Chapter 05 – Leadership & Motivation  
Chapter 06 – Organizational Structure & Design***

**(a) Mentioning 04 challenges provided below adequately covers the requirements for achieving a score of 02 marks.**

- Talent Shortage
- Increased Training Costs
- Decreased Innovation
- Lower Employee Morale
- Poor economies which exhaust the improvement
- The variety of management
- Globalization
- Ethics, Social responsibilities and the relationship with good governance
- Importance of quality
- Shifting towards service economies
- Information Technology
- The varieties of Labour Force
- Changes in laws

***(02 marks)***

**(b)**

The **Equity Theory of Motivation**, developed by John Stacey Adams, emphasizes the role of fairness in motivating employees. The theory suggests that employees compare their inputs (such as effort, skills, and experience) and outputs (such as salary, recognition, and benefits) with those of their peers. If they perceive an imbalance, it can lead to dissatisfaction and reduced motivation.

To apply this theory effectively in the workplace, organizations should ensure **transparent communication**, where employees clearly understand how their rewards and recognition are determined.

A **fair compensation system** must be established, aligning salaries with industry standards and employee contributions.

Moreover, **workloads should be equitably distributed**, ensuring fairness in task assignments. **Regular recognition and rewards** should be provided to employees for their contributions, helping to maintain morale. Additionally, **career development opportunities** should be offered, enabling employees to grow professionally and reducing the perception of inequality within the organization.

*(04 marks)*

**(c) Do not agree**

The bureaucratic management style, characterized by strict rules, hierarchical structure, and a focus on organization rather than individuality, may not necessarily be the most suitable management approach for a modern IT firm.

Drawbacks of Bureaucratic Management in Modern IT Firms can be explained as follows:

- **Innovation Suppression:** Strict hierarchical structures and excessive regulations can discourage creativity, making it difficult for IT companies to develop cutting-edge solutions.
- **Slow Decision-Making:** Rigid processes and multiple approval layers delay responses to

market trends, which can hinder competitiveness in fast-paced industries.

- **Communication Barriers:** Hierarchical layers in bureaucratic management can limit the free flow of information, leading to inefficiencies and misalignment between departments.
- **Lack of Flexibility:** Bureaucratic structures are resistant to change, making it challenging to adopt new technologies and agile work methodologies.
- **Reduced Employee Engagement:** Employees may feel disengaged due to micromanagement, excessive formalities, and a lack of autonomy in decision-making.
- **Talent Retention Issues:** IT professionals often prefer dynamic and flexible workplaces; thus, bureaucratic environments may struggle to retain top talent.

(04 marks)  
(Total 10 marks)

### *Suggested Answers to Question Three:*

#### **Chapter 03 – Organizational Planning**

(a)

Explaining three reasons provided below adequately covers the requirements for achieving a score of 06 marks.

- **Provides Clear Direction:** Organizational planning defines goals and aligns business activities to ensure a structured path towards achieving objectives. Without proper planning, efforts can become disorganized, leading to inefficiencies.
- **Efficient Resource Utilization:** Planning ensures that resources such as manpower, finances, and materials are allocated optimally, reducing wastage and maximizing output.
- **Anticipates Future Needs:** A proactive planning approach helps businesses forecast potential market changes, risks, and opportunities, allowing them to implement preventive measures.
- **Improves Decision-Making:** Managers rely on well-structured plans to make informed decisions, ensuring that choices align with the organization's strategic vision.

- **Enhances Control Mechanisms:** Planning sets benchmarks and key performance indicators that help track progress, measure success, and make necessary adjustments to stay on course. **(06 marks)**

**(b)**

**Stating four barriers provided below adequately covers the requirements for achieving a score of 04 marks.**

1. Fear and Uncertainty
2. Lack of Clear Objectives: Difficulty setting well-defined goals leads to vague strategies.
3. Resource Constraints: Limited budget, personnel, and technology can restrict effective planning.
4. Inadequate Information: Insufficient data on markets, customers, or competitors hinders planning
5. Resistance to Change: Employee or management reluctance can slow down new initiatives.
6. Rapid Market Changes: Frequent shifts in consumer preferences or technology can outdate plans quickly
7. Poor Communication: Miscommunication between teams can lead to poorly aligned strategies.
8. Lack of commitment to the planning process
9. Inferior information (Facts that are out of date, of poor quality, or of insufficient quantity)
10. Concentrating only on the controllable variables

**(04 marks)**  
**(Total 10 marks)**



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

### ***Chapter 04 – Organizational Structure & Design***

(a)

Explaining two importances provided below adequately covers the requirements for achieving a score of 04 marks.

1. **Specialization:** In organizing, each work is divided into smaller jobs and one individual is assigned to do only one job according to his/her qualification and expertise. Such division of work leads to specialization.
2. **Efficiency:** Organizing streamlines processes and structures, aligning resources and activities to maximize efficiency and reduce redundancy.
3. **Clarity in Roles:** It establishes clear roles and responsibilities for employees, which helps avoid confusion and overlap, ensuring that everyone knows their specific duties.
4. **Effective Resource Allocation:** Organizing ensures that resources such as manpower, materials, and finances are allocated effectively, making the best use of available assets.
5. **Enhanced Communication:** Proper organization facilitates better communication within the organization by defining official channels and networks, which improves coordination and information flow.
6. **Adaptability:** Effective organization allows a business to adapt more quickly to changes in the market or industry by having flexible structures that can be adjusted as needed. This responsiveness is critical for staying competitive
7. **Effective Administration:** Planning ensures effective administration by setting clear objectives, optimizing resources, enhancing coordination, and improving decision-making. It streamlines operations, minimizes risks, promotes accountability, and enables adaptability, ensuring efficiency and goal achievement while preventing chaos and inefficiencies in organizational management.
8. **Development of Personnel :** Planning facilitates personnel development by identifying skill gaps, setting training goals, and providing career growth opportunities. It ensures continuous learning, enhances efficiency, and prepares employees for leadership roles, fostering overall workforce competence.

9. **Expansion and Growth:** Planning drives expansion and growth by setting strategic goals, allocating resources effectively, identifying market opportunities, and mitigating risks. It enables businesses to scale operations, enter new markets, and sustain long-term profitability and competitiveness.

*(04 marks)*

**(b)**

**Explaining two barriers provided below adequately covers the requirements for achieving a score of 04 marks.**

- a. **Lack of Trust:** Managers may hesitate to delegate tasks if they lack trust in their team's skills and abilities. This can lead to micromanagement, where managers feel compelled to oversee or redo work themselves.
- b. **Fear of Losing Control:** Some managers fear that by delegating, they will lose control over the project or task, leading to reluctance in passing on significant responsibilities.
- c. **Inadequate Training:** Employees may not have the necessary skills or knowledge to take on delegated tasks. Without proper training, delegation can result in errors and inefficiencies.
- d. **Unclear Instructions or Goals:** If the goals and expectations of the delegated task are not clearly communicated, it can lead to confusion and improper execution, making delegation ineffective.
- e. **Absence of Controls:** Without proper monitoring and evaluation systems, delegation becomes ineffective. Lack of controls leads to mismanagement, errors, and inefficiencies, as managers cannot track progress, ensure accountability, or correct deviations in delegated tasks.
- f. **Conservative and Cautious Temperament of Manager:** Managers who are overly cautious or resistant to change hesitate to delegate, fearing mistakes or loss of control. This limits employee growth, slows decision-making, and results in excessive workload concentration at the managerial level.
- g. **Desire to Dominate Subordinates:** A manager who seeks to maintain authority and control over subordinates resists delegation. This restricts employee autonomy, lowers morale,

reduces efficiency, and hampers overall organizational productivity and leadership development.

(04 marks)

(c)

Listing two advantages provided below adequately covers the requirements for achieving a score of 02 marks.

1. Enhanced Communication
2. Flexibility
3. Increased Motivation
4. Skill Development of employees
5. Better Coordination and Control
6. Adaptability to dynamic environment
7. Effective utilization of resources
8. Enhanced Collaboration / Development of team work
9. Excellence in inter disciplinary specialization
10. Effective Delegation of authority

(02 marks)

(Total 10 marks)

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

<p><b><i>Chapter 06 – Communication</i></b> <b><i>Chapter 10 – Human Resource Management</i></b></p>
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(a)

Explaining two reasons provided below adequately covers the requirements for achieving a score of 04 marks.

1. **Facilitates Decision Making:** Effective communication provides essential information for informed decision-making throughout the organization.
2. **Enhances Efficiency:** Clear communication reduces misunderstandings and errors, improving productivity and operational efficiency.

3. **Builds and Maintains Relationships:** Good communication is crucial for building trust and maintaining relationships with internal and external stakeholders.
4. **Supports Change Management:** Communication is key to successfully managing organizational changes, helping to align and motivate employees.
5. **Promotes Organizational Culture and Engagement:** Regular communication fosters a positive work environment, enhances employee engagement, and promotes a culture of openness.
6. **Facilitate Effectiveness in Control process:** In an organizational context, communication facilitates control by conveying policies, setting performance standards, monitoring progress, and providing feedback. It ensures alignment with goals, enables corrective actions, and maintains accountability for efficiency and effectiveness.
7. **Improve Motivation :** Communication improves motivation in an organization by fostering transparency, recognizing achievements, providing constructive feedback, and encouraging employee participation. Open dialogue builds trust, enhances engagement, and ensures employees feel valued, leading to higher productivity and job satisfaction.

*(04 marks)*

**(b) Stating two advantages provided below adequately covers the requirements for achieving a score of 02 marks.**

1. Faster Dissemination (Speed, Quick and Fast)
2. Enhances Employee Relationships
3. Boosts Morale
4. Encourages Innovation and Creativity
5. Less Costly
6. Improve Motivation
7. Quick Feedback
8. Enhance Employee Engagement
9. Build Interpersonal relationships
10. Covers entire organization

*(02 marks)*

**(C) Explaining two innovations provided below adequately covers the requirements for achieving a score of 04 marks.**

**1. Artificial Intelligence and Automation:** AI is used to automate routine HR tasks, improving efficiency and freeing up time for strategic activities.

**2. Remote Working Technologies:** New technologies support effective communication and collaboration for remote workforces facilitating work from home arrangements.

**3. Employee Wellness Programs:** Innovative wellness programs focus on mental and physical health to boost productivity and employee satisfaction.

**4. Data Analytics in HR:** Utilizing data analytics for insightful decision-making about employee performance, engagement, and retention.

**5. Personalized Employee Learning and Development:** Customized learning programs cater to individual career goals and preferences, enhancing personal and professional growth.

**6. Employer Branding:** Modern employer branding uses social media and transparency to attract talent, enhance retention, and strengthen workplace reputation in competitive markets.

**7. Employee Outsourcing:** Technology-driven outsourcing enables businesses to access global talent, reduce costs, and enhance flexibility through remote work and AI-based workforce management.

**8. Promote Work-Life Balance:** Hybrid work, mental health support, and digital wellness tools help employees maintain work-life balance, improving productivity, engagement, and overall well-being.

**(04 marks)**

**(Total 10 marks)**

## *Suggested Answers to Question Six:*

*Chapter 12 – Strategic Management*  
*Chapter 11 – Change Management*

(a)

Explaining two roles of strategy mentioned below adequately covers the requirements for achieving a score of 04 marks.

1. **Guiding the Transition:** Provides a clear roadmap for moving from traditional software to AI, detailing necessary steps and timelines.
2. **Aligning Organizational Structure:** Adjusts the company structure to support AI initiatives, creating relevant roles and modifying departments.
3. **Market Positioning:** Defines how the company will present its AI solutions in the market, targeting specific customer segments with a unique value proposition.
4. **Resource Allocation:** Directs where and how resources, including finances and talent, should be invested to develop and implement AI technologies efficiently.
5. **Competitive Advantage:** By implementing AI, the company gains a competitive edge, differentiating itself from others in the market, attracting customers seeking cutting-edge technology and innovative solutions, thus positioning itself as a market leader.
6. **Setting Goals:** The strategy outlines specific goals, such as developing AI-based products, achieving a set revenue target, or gaining market share, which guide the company's actions and performance metrics during the transition.
7. **Improve Efficiency:** Adopting AI technology improves operational efficiency by automating processes, reducing manual effort, and enabling quicker decision-making, which enhances productivity and minimizes resource wastage in the long run.
8. **Ensuring Stability:** The strategy ensures stability by carefully managing the transition from traditional software to AI solutions. It helps mitigate risks, secure investments, and adapt the organization to maintain steady growth during the shift.

*(04 marks)*

**(b) Stating two characteristics mentioned below adequately covers the requirements for achieving a score of 02 marks.**

1. Clear and Concise
2. Aligned with Objectives
3. Flexible
4. Measurable
5. Novelty
6. Secretly Devised
7. Intelligent
8. Deceptive
9. Cost Effective

**(02 marks)**

**(c) Explaining any two forces of changes mentioned below adequately covers the requirements for achieving a score of 04 marks.**

Change within organizations can be driven by both internal and external forces, each of which has distinct impacts on how the organization functions and adapts.

#### **Internal Forces of Change**

Internal forces originate from within the organization and often relate to elements under the control of the organization itself.

1. **Leadership Changes:** New leadership can redefine organizational priorities and approaches
2. **Organizational Restructuring:** Mergers, acquisitions, or organizational changes can alter roles and processes
3. **Employee Dynamics:** Shifts in employee morale or workforce capabilities can impact efficiency and culture

## External Forces of Change

External forces are those that occur outside of the organization and are not directly controlled by it.

1. **Technological Advancements:** The need to adopt new technologies like AI to stay competitive.
2. **Market Trends:** Adjustments required by shifts in consumer preferences or economic conditions.
3. **Regulatory Changes:** New laws and regulations can necessitate operational changes, like compliance with data protection laws.



*(04 marks)*  
*(Total 10 marks)*

***End of Section B***



***Suggested Answers to Question Seven:***

**(a)**

***Chapter 05 – Leadership & Motivation***

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**Explaining three ways mentioned below adequately covers the requirements for achieving a score of 06 marks.**

1. **Encouraging Open Communication:** Dynamic leaders promote open communication, building trust and encouraging idea sharing.
2. **Empowering Employees:** By empowering employees to make decisions, leaders inspire confidence and creativity.
3. **Facilitating Teamwork:** These leaders break down silos and promote cross-functional teamwork, harnessing diverse perspectives for innovative problem-solving.
4. **Providing Continuous Learning:** Investment in continuous learning ensures employees stay current and motivated to innovate.
5. **Leading by Example:** By actively participating in innovation, leaders inspire their teams to embrace collaborative and creative approaches.
6. **Encouraging Innovation:** Dynamic leaders enhance creativity and innovation, allowing diverse perspectives to shape solutions.
7. **Increased Productivity:** Dynamic and Collaborative leaders who set clear goals and provide necessary resources and support can drive their teams to achieve remarkable results. Employee happiness and job satisfaction, boosted by collaborative workplace culture, directly contribute to higher productivity.
8. **Improved Problem Solving:** Collaborative leadership enhances a team's problem-solving abilities. With diverse perspectives and open communication, teams can tackle complex challenges more effectively.
9. **Mentoring:** Helping others develop the skills they need to implement business strategies.
10. **Overcome Complexities and Ambiguities:** Dynamic leadership emphasizes on growth, resilience and versatility which can help organizations succeed in a volatile, uncertain,

complex, ambiguous and ever changing world.

- 11. Emotional Intelligence:** Having a high degree of emotional intelligence which enable them to understand and empathize with others.

**(06 marks)**

**(b)**

**Chapter 09 – Marketing Management**

**Explaining three reasons mentioned below adequately covers the requirements for achieving a score of 06 marks.**

1. **Differentiation and Recognition:** Branding sets a company apart from competitors, making it easily recognizable.
2. **Customer Loyalty:** Consistent branding builds trust and loyalty among customers, encouraging repeat business.
3. **Market Positioning:** Effective branding communicates a company's values and attracts the target audience.
4. **Emotional Connection:** Strong brands create emotional connections, fostering customer loyalty and advocacy
5. **Advertising Support:** A unified brand identity enhances the effectiveness of advertising efforts, boosting sales and visibility
6. **Increase Business Value:** Strong brand increases the business value by giving company more leverage in the industry. This will result in increase of more investment opportunities.
7. **Creates Trust with the Marketplace:** A well-established brand will help the company to build trust with potential clients and customers.

**(06 marks)**

**(c)**

**Chapter 10 – Human Resource Management**

**Stating four reasons mentioned below adequately covers the requirements for achieving a score of 04 marks.**

1. **Rapid Integration:** Quickly acclimates new hires to the organizational culture and their roles.

2. Increased Productivity: Equips new employees with the necessary skills to begin contributing effectively
3. Enhanced Employee Retention: A positive induction experience can increase long-term employee retention
4. Reduced Anxiety: Alleviates new job anxiety by providing clear information and support
5. Consistent Information: Ensures all new hires receive uniform information about company policies and procedures.
6. Fulfills the training required for new recruits
7. Builds on a sense of belongingness and loyalty.
8. Enhances job satisfaction and Security.

*(04 marks)*

**(d)**

***Chapter 12 – Strategic Management***

A position audit is a critical activity in the strategic planning process of an organization because it provides a comprehensive assessment of where the organization currently stands in relation to its internal capabilities and external environment. Here's how it supports strategic planning

- **Assessment of Current Capabilities:** Evaluate the organization's resources and competencies, identifying strengths to leverage and weaknesses to address
- **Understanding of Market Position:** Analyzes market share and competitive advantages, crucial for tailoring strategies to the market environment.
- **Alignment with Goals:** Ensures the organization's current state aligns with its strategic goals, highlighting areas needing adjustment
- **Risk Identification:** Identifies potential internal and external risks, allowing for proactive strategy adjustments.
- **Basis for Strategy Development:** Provides essential insights that inform the development of effective strategic initiatives.

*(04 marks)*

(e)

**Chapter 08 – Operations Management**

Stating five principles mentioned below adequately covers the requirements for achieving a score of 04 marks.

1. **Customer Focus:** Prioritize meeting and exceeding customer expectations.
2. **Total Employee Involvement:** Engage all employees in working towards common goals, ensuring they feel empowered and part of the process.
3. **Process Approach:** View the organization as a collection of interrelated processes, focusing on how these processes affect outcomes.
4. **Integrated System:** Emphasize the interconnections between different functional areas, focusing on horizontal processes that cross these vertical structures.
5. **Strategic and Systematic Approach:** Integrate quality management into the strategic planning process, treating it as a core component.
6. **Continuous Improvement:** Commit to ongoing improvements in processes and systems, striving for better efficiency and effectiveness
7. **Fact-Based Decision Making:** Base decisions on data analysis to improve accuracy, achieve consensus, and facilitate prediction based on historical data.
8. **Communication**

**(05 marks)**  
**(Total 25 marks)**

**End of Section C**

***Notice:***

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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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