

**NOVEMBER 2019 PROFESSIONAL EXAMINATIONS
BUSINESS MANAGEMENT & INFORMATION SYSTEMS (PAPER 1.2)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

EXAMINER'S GENERAL COMMENTS

The overall performance of candidates was generally below expectation, given that the questions were within the scope of the syllabus and were equally spread over same. Most of the candidates did not seem to have prepared well for the examinations.

STANDARD OF THE PAPER

The Business Management and Information Systems paper was of standard quality. The marks allocated followed the weightings in the syllabus.

There were neither grammatical errors nor typing or other errors in the questions. There were also no ambiguities in the questions and none of the questions was 'too loaded'. The marks allocated to questions were just right. The questions were fairly spread across the syllabus.

PERFORMANCE OF CANDIDATES

The performance of candidates was generally below expectation given that the questions were well within the syllabus and straightforward. In the circumstance, the 53% pass mark recorded does not seem good enough. One hundred and forty-three (143) out of the total of two hundred and sixty-eight (269) candidates passed the examination.

Although the general performance falls below expectation, some candidates at some centres did better. We do not have evidence to suggest there was any form of copying or collusion at any centre.

The not-too-good performance can largely be attributed to inadequate preparation on the part of candidates. There appears to be a disconnection between the private study centres and the Institute regarding the preparations required of candidates.

QUESTION ONE

- a) Kofi Stone, Ama Black and Adwoa Sika who were your students at the Ultimate Business School have decided to venture into business after their National Service which ends in the next three months. They have approached you for your advice on the type(s) of business (es) which they should invest in, considering the country's economic environment.

Required:

Explain **THREE (3)** business types available to them. **(6 marks)**

- b) Explain **TWO (2)** characteristics of a Private Limited Liability Company. **(4 marks)**

- c) At the last Management meeting of Cool Hearts Ltd, which is a fast moving consumer product firm with outlets throughout the country, it came out that sales and other targets were being missed as a result of the failure of top managers to involve subordinates in decision making. You have just joined the company as an Organizational Analyst and have decided to submit a proposed solution to the problem to your Board at its next meeting to be held in two weeks' time.

Required:

Explain the following:

- i) Centralization **(2 marks)**
ii) Decentralization **(2 marks)**
iii) **THREE (3)** advantages Cool Hearts Ltd would gain from decentralizing its operations.

(6 marks)

(Total: 20 marks)

QUESTION TWO

- a) It is universally accepted that leadership is a vital factor that influences an organization's success. However, it is very difficult to lay down general rules for effective leadership to fit all situations.

Required:

- i) Explain the term Leadership. **(2 marks)**
ii) Explain the following Theories of Leadership:

- Trait
- Style
- Contingency **(9 marks)**

- b) Explain the following in relation to the motivation of employees:

- i) Extrinsic rewards
ii) Intrinsic rewards **(4 marks)**

c) Outline the stages of group development. (5 marks)

(Total: 20 marks)

QUESTION THREE

a) Hard Leather Limited is a footwear manufacturing company with a wide range of products for middle and upper classes.

Required:

Write a mission statement for the company. (5 marks)

b) Explain **FOUR (4)** reasons for developing a mission statement for the company. (10 marks)

c) The marketing department performs several functions that enables an organization to gain competitive advantage.

Required:

Explain **FIVE (5)** of these functions. (5 marks)

(Total: 20 marks)

QUESTION FOUR

a) For an organization's information system to provide relevant and targeted information, there should be different categories of information systems. Although there are different information systems depending on the size and nature of an organization, there are some basic and common information systems types available to organizations.

Required:

List and explain **FOUR (4)** different types of information systems an organization requires to function effectively. (10 marks)

b) The macro-environment contains several conditions and factors that systematically present opportunities or pose threats to organisations in their effort to gain competitive advantage. The factors in the macro-environment for the purpose of effective analysis are grouped using PEST-model which represents *political, economic, socio-cultural and technological factors*. Understanding of these factors will influence the kind of strategies business organisations would formulate.

Required:

State and explain **FIVE (5)** economic factors which determine the nature of opportunities or threats that organisations may face. (10 marks)

(Total: 20 marks)

QUESTION FIVE

The layout of an operation or process means how resources are positioned relative to each other, how various tasks are allocated to these resources, and the general appearance of the resources. Together these three decisions will dictate the pattern and nature of how transformed resources progress through the operation or process. If the layout proves wrong, it can lead to over-long or confused flow patterns, customer queues in an organization, long process times, inflexible operations, unpredictable flow, high costs and a poor response for whoever is within the operation, whether they are customers or staff.

Required:

- a) Explain **FOUR (4)** factors an organization should consider in such a layout. **(10 marks)**
- b) Explain the following methods of plant layout in an organization:
- i) Fixed-position
 - ii) Process
 - iii) Product

(10 marks)

(Total: 20 marks)

SOLUTION TO QUESTIONS

QUESTION ONE

a) **Sole Proprietorship**

This form of business is owned and operated by an individual, usually with assistance from family members. The owner raises the capital alone and enjoys all proceeds alone. In essence he is the same as the business, bearing all risks and debts of the organization. **(2 marks)**

Partnership

A Partnership is a type of business which is owned and managed by two or more persons and who, like a sole proprietorship business, are not separate from the business. They contribute to the capital for the business and bear the risks and debts of the business collectively. **(2 marks)**

Limited Liability Company

A Limited Liability Company is one which has a separate legal personality from its owners who are usually referred to as shareholders. The owners cannot normally be held liable for the debts and liabilities of the business unless they have personally undertaken to do so. **(2 marks)**

b) **Characteristics of a Private Limited Liability Company:**

Number of Shareholders

- The law limits the number of shareholders of a private limited liability company to fifty (50). If at any time the number of shareholders exceed this number, the company and those shareholders who will be aware of this fact will be liable to a fine.

Raising of Capital

- Capital for setting up and running the business is raised through the contributions of members. The company is not permitted by law to request the general public to subscribe for shares and thereby contribute to its capital.

Transfer of Shares

- Shares in a private limited company cannot be traded on the stock exchange. If a shareholder in a private limited company desires to transfer his shares, he can only do so with the consent of other shareholders, which is very rare.

Directors as Shareholders

- In most cases, the directors of a private limited company hold a substantial portion of the company's shares, as opposed to directors of a public limited company who may not be shareholders.

(2 points for 2 marks each= 4 marks)

b)

i) **Centralization** refers to the situation where the mandate to make decisions in an organization is retained at top management level. Managers at the lower levels of the organization are not allowed to participate in the decision making process.

(2 marks)

ii) **Decentralization** describes the situation where the authority to make specific decisions in an organization is not retained at the top management level but diffused down to the lower levels in the hierarchy of the organization.

(2 marks)

iii) **Advantages of decentralization**

- Decentralization serves as a form of training for lower level managers and thus prepares them well enough for taking up higher positions.
- Decentralization results in better decisions as some technical decisions can better be made by managers who, although at the lower level, are the experts in those fields.
- When lower level managers are permitted to make routine decisions, top managers are then released to concentrate on making strategic decisions, leading to efficiency.
- When lower level managers are involved in decision making, they feel belonged, get motivated and are thus more likely to perform to the best of the capacities.
- Labour turnover tends to be lower when junior managers are involved in decision making within the organization as their morale increases, thus leading to savings in recruitment costs, etc.

(3 points for 2 marks each= 6 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Almost all the candidates answered this question with some scoring very good marks. It was a straightforward standard question.

QUESTION TWO

- a) **Leadership** can be defined as the ability to influence the behavior of others. It refers to the capacity of the leader to exert influence within a working group in order that the group may achieve group tasks or objectives. Followers perform willingly to the best of their abilities without any form of coercion by the leader. **(2 marks)**
- b)
- i) The *Trait theory of leadership* assumes that an effective leader possesses some innate characteristics. These qualities include intelligence, initiative, self-assurance, courage and decisiveness, among others. Thus, the crux of this theory is that any person without these qualities cannot be an effective leader. A major criticism of the theory is that it ignores the situation in which leadership is exercised. **(3 marks)**
- ii) *Style theory of leadership* concentrates on the behavior or style of the leader rather than his personal attributes. That is, it concentrates on how the leader manages his followers. The assumption underlying this theory is that the employee will work harder for managers who employ a particular style than they will for those managers who use other styles. **(3 marks)**
- iii) *The Contingency theory of leadership* takes the view that leadership effectiveness depends on a range of factors, particularly the task to be accomplished, the work group and the position of the leader within the work group. Proponents of this theory believe that group performance depends on the manager adopting a style appropriate to the situation in which he finds himself. **(3 marks)**
- c)
- i) *Extrinsic rewards* are those which are external or separate from the job itself and depend on the decision of others. Examples of extrinsic rewards are salary, benefits and working conditions which are usually beyond the control of workers and are determined by managers. **(2 marks)**
- ii) *Intrinsic rewards* relate to the concept of job satisfaction and include satisfaction associated with the successful accomplishment of a particular task or status associated with a certain job or position. Intrinsic rewards are therefore psychological rather than material. **(2 marks)**
- d) *Stages in group development are:*
- Forming
 - Storming
 - Norming
 - Performing

(4 points for 4 marks)

(1 mark for Professional Presentation)

(Total: 20 marks)

EXAMINER'S COMMENTS

This question was a straightforward and clearly stated one. Most candidates answered it and many of them did quite well.

QUESTION THREE

a) Mission Statement of Hard Leather Limited

The mission of Hard Leather Ltd is to offer customers the best quality shoes they can find anywhere. We provide all customers both at the high and low end markets with the highest level of satisfaction through the offering of high quality shoes at affordable prices.

OR

Hard Leather Ltd offers a line of contemporary shoes for all classes of customers who want to remain differentiated in their sphere of life. Our shoes are offered to the urban, metropolitan and distinguished people who want to remain a step ahead.

OR

Hard Leather Ltd provides high quality shoes at affordable prices to people in the middle and upper classes who appreciate well-crafted and differentiated dress shoes.

(5 marks)

b) Reasons for Developing a Mission Statement for Hard Leather Limited

- **Formulation of plans:** A mission statement would facilitate the formulation of the company's plans. A mission statement would serve as guideposts that would direct how the company's plans should be formulated in order to achieve its objectives.
- **Evaluation and screening:** A mission statement would act as a benchmark by which the company's plans are judged. The company would use the mission statement to assess whether its activities are in line with its ethical values, beliefs and general performance.
- **Strategy implementation:** The mission statement would affect the implementation of the planned strategies of Hard Leather Ltd. This is because the mission statement will determine how the company conducts its business.
- **Unanimity of purpose:** A mission statement would ensure unanimity of purpose within the company. The development of a mission statement will direct all employees towards the achievement of a single established purpose.
- **Translation of objectives:** A mission statement would facilitate the translation of objectives into work structure. This is because it is the mission statement that would determine the assignment of work responsibilities to individuals within the company.

- **Allocation of resources:** A mission statement would provide the basis and a standard for disbursing the company's resources.

(Any 4 points explained × 2.5 marks = 10 marks)

c) Functions performed by Marketing Department

- **Policy formulation:** The Marketing department is responsible for developing a policy framework that would direct the company's marketing activities. The successful implementation of a marketing policy would facilitate the enhancement of the company's competitive position.
- **Consumer demand anticipation:** The department would anticipate consumer demands and develop the services that will meet those demands. The successful provision of consumer demands would result to high customer retention and widening of the of the company's market shares.
- **Research:** The department would conduct research to be able to know the company's position in terms of its market share and also identify the buying trends of the target market.
- **Budgeting:** The Marketing department in collaboration with the finance department would prepare the budget for the department in terms of sales and other activities. Such a function is to ensure financial discipline in the disbursement of funds.
- **New services development:** It would be the responsibility of the Marketing department in collaboration with Production and Research departments to develop new services that would be acceptable to target markets. Such a move would ensure attraction and retention of buyers and to facilitate the expansion of the company's customer base.
- **Setting prices:** The Marketing department in collaboration with the finance department would perform the function of setting prices for the company's services.
- **Distribution channels:** It would be the function of the new Marketing department to establish channels of distribution. Such channels would facilitate the delivery of the company's services to clients.
- **Risk assessment.** The new Marketing department would conduct risk assessment of the company's offer to be able to identify the extent to which such offer is threatened externally. Such initiative would strategically cushion the company against unforeseen contingencies.

(Any 5 points for 5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This was a good question which most of the candidates answered. Unfortunately, only about one-third of those who answered it obtained the half mark.

QUESTION FOUR

a) Types of information systems may include the following:

- **Executive Support Systems (ESS)** - An Executive Support System (ESS) pools data from internal and external sources and makes information available to senior managers in an easy-to-use form. ESS help senior managers make strategic, unstructured decisions. An ESS also provide senior managers with easy access to key internal and external information. It is a flexible system which summarises and tracks strategically critical information, possibly drawn from internal MIS and DSS, but also including data from external sources eg competitors, legislation, and external databases such as Reuters.
- **Management Information Systems (MIS)** - Management Information Systems (MIS) convert data from mainly internal sources into information (eg summary reports, exception reports). This information enables managers to make timely and effective decisions for planning, directing and controlling the activities for which they are responsible. An MIS provides regular reports and (usually) on-line access to the organisation's current and historical performance.
- **Decision-Support Systems (DSS)** - combine data and analytical models or data analysis tools to support semi-structured and unstructured decision making. The DSS has analytical capabilities, is user-friendly and flexible and supports the decision maker. An example of a DSS is the spreadsheet.
- **Expert systems** - An expert system is a computer program that captures human expertise in a limited domain of knowledge. An expert system can make decisions and is used in specific applications such as medical diagnosis and credit approval in banking. It has a database of facts and rules and an inferencing engine to process the rules and establish which ones apply. It can then suggest a decision.
- **Knowledge Work Systems (KWS)** - Knowledge Work Systems (KWS) are information systems that facilitate the creation and integration of new knowledge into an organisation. Knowledge Workers are people whose jobs consist of primarily creating new information and knowledge. They are often members of a profession such as doctors, engineers, lawyers and scientists.
- **Office Automation Systems (OAS)** - Office Automation Systems (OAS) are computer systems designed to increase the productivity of data and information workers. OAS support the major activities performed in a typical office such as document management, facilitating communication and managing data. Examples include:
 - ✓ Word processing, desktop publishing, and digital filing systems
 - ✓ E-mail, voice mail, videoconferencing, groupware, intranets, schedulers
 - ✓ Spreadsheets, desktop databases.
- **Transaction Processing Systems (TPS)** - A Transaction Processing System (TPS) performs and records routine transactions. Transaction processing systems are used at operational level for routine processing of data items and transactions. They

provide the raw material for management information systems. Examples include inventory systems and order processing systems.

(Any 4 points well explained @ 2.5 marks each = 10 marks)

b) The economic factors include the following variables:

- **Economic growth rate** – the growth rate of an economy is measured by Gross Domestic Product (GDP) and it is the basic indicator of the general health of the economy. The increase in the GDP rate from year to year means that economic activities are expanding, and more money is being spent in an economy. This presents an opportunity for organisations to expand their business and make more profit. The reverse holds where economic growth is in decline the goods and services produced in an economy reduces largely due to reduced spending by various units including government, private sector and consumption by households. This situation is usually referred to as recession.
- **Inflation** – this refers to the general increase in the prices of goods and services. Some level of inflation is required in an economy to generate necessary demand for goods and services. Inflation becomes a threat where the rate becomes too high. What is high is relative but here in Ghana, Bank of Ghana charged with price stability has set the right inflation range at 8% +/-2% (i.e. 6% - 10%). This means inflation beyond 10% will be considered a threat to businesses since it negatively affects the purchasing power.
- **Interest rate** – this is the price or cost paid for borrowed funds/monies and it is part of cost of doing business. When interest rates are generally high the interest cost paid on debt capital becomes high and since the interest cost is fixed companies with low profits will significantly be affected negatively.
- **Fiscal policy** – this refers to the use by government of taxation and expenditure to regulate economic growth. Generally, when taxes are increased, and government expenditure reduced at the same time to balance the budget businesses get reduced cash flow for further business and goods and services of the organisation demand drops since government is one of the buyers in the economy. However, when taxes are reduced, and government increase expenditure this free up the cash flow and increase demand for goods and services of the business respectively and that is a good opportunity.
- **Budget deficit** – when government expenditure exceeds revenue it results in budget deficit which must be financed. Budget deficit is financed through borrowing from capital market (both domestic and foreign) and from central bank where money is printed for government. Borrowing from domestic capital market increases interest rates and thereby crowds out the private sector and central bank financing may fuel inflation since increase in money supply is not backed by real productivity.

(Any 5 points well explained @ 2 marks each=10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The question was not properly answered, especially the section (b). Instead of using the economic factors in the PEST-model to answer the question, most candidates were talking about Porter's Forces Model.

Most of the few candidates who attempted the question performed abysmally with some scoring zero.

QUESTION FIVE

a) The following are the factors to consider in developing a good layout in an organisation:

- **Inherent safety** – This is the prerequisite for any layout in any type of operation. All processes that might constitute any physical or other danger to either staff or customers should not be accessible to the unauthorized. Fire exits should be clearly marked with uninhibited access. Pathways should be clearly defined and not cluttered. All signage should be clear and unambiguous.
- **Security** – Similar to safety in some ways, facilities and layouts should ensure that anyone with malicious intent cannot gain access to staff, customers or property.
- **Length of flow** – The flow of materials, information or customers should be channelled by the layout so as to be appropriate for the objectives of the operation. In many operations this means minimizing the distance travelled by transformed resources. However, this is not always the case. In supermarkets, for example, layout objectives can include encouraging customers to 'flow' in particular ways that maximize sales.
- **Minimize delays** – Delays can, of course, be caused by over-long routes through the layout, as described above, but inconvenient placing of facilities, or insufficient capacity allocated to parts of the layout (that is, a bottleneck, see previous chapter), may also cause them.
- **Reduce work-in-progress** – Excessive work-in-progress can be caused by bottlenecks, but the layout of a process may be used deliberately to limit the ability of items to accumulate.
- **Clarity of flow** – All flow of materials and customers should be well signposted, clear and evident to staff and customers alike. For example, hospital processes often rely on signposted routes with different coloured lines painted on the floor to indicate the routes to various departments.
- **Staff conditions** – Layouts should be arranged so that staff are located away from noisy or unpleasant parts of the operation. The layout should provide for a well-ventilated, well-lit and, where possible, pleasant working environment.
- **Communication** – Communication between staff can be particularly important for some types of operation, such as those in creative industries. The layouts of some operations are deliberately designed to promote the kind of chance meetings between staff that can lead to the formulation of creative ideas.
- **Management co-ordination** – Supervision and communication should be assisted by the relative location of staff, the use of communication devices and information points.
- **Accessibility** – All machines, plant or equipment should be accessible to a degree that is sufficient for proper inspection, cleaning and maintenance.
- **Use of space** – All layouts should achieve an appropriate use of the total space available in the operation (including height as well as floor space). This usually means minimizing the space used for a particular purpose, but sometimes can mean

achieving an impression of spacious luxury, as in the entrance lobby of a high-class hotel.

- **Use of capital** – Capital investment should be minimized (consistent with other objectives) when finalizing layout.
- **Long-term flexibility** – Layouts need to be changed periodically as the needs of the operation change. A good layout will have been devised with the possible future needs of the operation in mind.
- **Image** – The layout of an operation can help to shape the image of an organization, both in its customer markets and in the labour market from which it recruits. The appearance of a layout can be used as a deliberate attempt to establish a company's brand.

(Any 4 points well explained @ 2.5 marks each = 10 marks)

b) The layouts are explained as follows:

Fixed-position layout

In a fixed-position layout, the product stays in a fixed position. Its component parts are produced in remote workstations and brought to the production area for final assembly. Increasingly, self-managed teams are using fixed-position layouts. Different teams assemble each component part and then send the parts to the final assembly team, which makes the final product. A fixed-position layout is commonly used for products such as jet airliners, mainframe computers, and gas turbines – products that are complex and difficult to assemble or so large that moving them from one workstation to another would be difficult. Even companies that specialize in office architecture have rethought their workspaces.

(2 marks)

For example:

- Motorway construction– the product is too large to move.
- Open-heart surgery – patients are too delicate to move.
- High-class service restaurant – customers would object to being moved to where food is prepared.
- Shipbuilding – the product is too large to move.
- Mainframe computer maintenance – the product is too big and probably also too delicate to move, and the customer might object to bringing it in for repair.

(Any 1 example for 1 mark)

Process/Functional layout

In Process layout, similar resources or processes are located together. This may be because it is convenient to group them together, or that the utilization of transforming resources is improved. It means that when products, information or customers flow through the operation, they will take a route from activity to activity according to their needs. Different products or customers will have different needs and therefore take different routes. Usually this makes the flow pattern in the operation very complex.

(2 marks)

Examples of functional layouts include:

- **Hospital** – some processes (for example, X-ray machines and laboratories) are required by several types of patient; some processes (for example, general wards) can achieve high staff and bed utilization.
- **Machining the parts which go into aircraft engines** – some processes (for example, heat treatment) need specialist support (heat and fume extraction); some processes (for example, machining centres) require the same technical support from specialist setter-operators; some processes (for example, grinding machines) get high machine utilization as all parts which need grinding pass through a single grinding section.
- **Supermarket** – some products, such as tinned goods, are convenient to restock if grouped together. Some areas, such as those holding frozen vegetables, need the common technology of freezer cabinets. Others, such as the areas holding fresh vegetables, might be together because, that way, they can be made to look attractive to customers (see the opening 'Operations in practice' case).

(Any 1 example for 1 mark)

Line (Product) layout

Line layout involves locating the transforming resources entirely for the convenience of the transformed resources. Each product, piece of information or customer follows a prearranged route in which the sequence of activities that are required matches the sequence in which the processes have been located. The transformed resources 'flow' along a 'line' of processes according to their 'product' needs. This is why this type of layout is sometimes called flow or product layout. Flow is clear, predictable and therefore relatively easy to control. Usually, it is the standardized requirements of the product or service that lead to operations choosing line layouts.

(2 marks)

Examples of line layout include:

- **Automobile assembly** – almost all variants of the same model require the same sequence of processes.
- **Mass-immunization programme** – all customers require the same sequence of clerical, medical and counselling activities.
- **Self-service cafeteria** – generally the sequence of customer requirements (starter, main course, dessert and drink) is common to all customers, but layout also helps control customer flow.

(Any 1 example for 1 mark)

(1 mark for Professional Presentation)

(Total: 20 marks)

EXAMINER'S COMMENTS

This was a good question but rather surprisingly, only a few candidates answered it and almost all of them did perform very badly,

CONCLUSION

We believe that the unimpressive performance of candidates was largely due to the fact that most candidates did not take time to prepare well for the examinations.

We would repeat our appeal for close collaboration between the Institute and the private tuition providers in order to guide them and candidates in their studies towards the examinations. It is our hope that the new Study Texts would be made available to candidates early enough to enable them have adequate preparation before the next examinations.