

**MAY 2016 PROFESSIONAL EXAMINATION
BUSINESS MANAGEMENT & INFORMATION SYSTEMS (1.2)
EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

EXAMINER'S REPORT

EXAMINER'S GENERAL COMMENTS

The Business Management and Information Systems paper was of standard quality. The questions indicated how many points candidates were required to explain/discuss for the marks allocated. It was a good paper and the questions were fairly spread across the syllabus and the marks allocated also followed the weightings in the syllabus.

PERFORMANCE OF THE CANDIDATES

The performance of candidates was generally very good. Indeed, it compared favourably with the November 2015 performance. Of the 523 candidates who wrote the Paper, 408 of them passed, giving a 78% pass rate, as against the 59% pass rate recorded in the previous examinations. The high pass rate was due to the availability of reading materials and appropriate tutorials. The Institute should therefore replicate the School in all the Regions.

Unlike in previous years when high performers tended to be concentrated in Accra, the trend has changed with high performers being spread across other centers. We are unable to identify any signs of copying at any of the examination centers.

BUSINESS MGT & INFORMATION SYSTEMS QUESTIONS

QUESTION ONE

- a) Your organization has outsourced most of its functions to adjust to modern trends in organizational management. Identify **FIVE** benefits that may accrue to your organization from this arrangement. **(10 marks)**
- b) Grassroots Limited is operating as a medium-sized company in Accra but has now decided to expand to all the regional capitals, and has therefore decided to decentralize its operations. State **FIVE** reasons for the decision to decentralize its operations. **(10 marks)**

(Total: 20 marks)

QUESTION TWO

- a) One of the common threads many successful firms share is that they have a workable mission statement. Explain **FIVE** reasons a mission statement may contribute to a firm's success. **(10 marks)**
- b) You have recently been appointed to manage a project which is failing because the previous manager did not outline any clear objectives for the project. Identify **FIVE** characteristics of project objectives. **(10 marks)**

(Total: 20 marks)

QUESTION THREE

- a) Distinguish between *formal* and *informal* organizations. **(5 marks)**
- b) One of your colleagues is reluctant in joining a formal group that has been established in your company. Explain **FIVE** benefits that may accrue to him/her if he/she joins the group. **(15 marks)**

(Total: 20 marks)

QUESTION FOUR

- a) There have been many instances where accountants have found themselves in conflict with human resource managers over investing huge financial resources in the training and development of employees. Some accountants consider such investment as wasting of resources.
State **FIVE** benefits of training and development of employees to an organization. **(10 marks)**
- b) State **FIVE** reasons you believe it would be in the interest of every organization to remunerate its employees well. **(10 marks)**

(Total: 20 marks)

QUESTION FIVE

- a) A manufacturing company has decided to reduce its prices. Identify **FIVE** reasons that might have caused the company to take this decision. **(10 marks)**
- b) Your company has recently witnessed a drop in the number of its customers. Suggest **FIVE** strategies that can be put in place to reverse this trend. **(10 marks)**

(Total: 20 marks)

QUESTION SIX

- a) Total quality management has gained attention in both manufacturing and service firms as a way of improving on the firms operations, yet its implementation has met a lot of resistance from employees. You are required to:
- i) Explain *total quality management*. **(2 marks)**
 - ii) Suggest **FOUR** guidelines that can be adopted to reduce such resistance. **(10 marks)**
- b) i) Explain *just-in-time inventory control*.
ii) State **FOUR** advantages of its use in a manufacturing company. **(8 marks)**

(Total: 20 marks)

QUESTION SEVEN

- a) You work as an accounts officer in a supermarket in Accra. The supermarket has recently witnessed a dramatic growth in its customer base. Management has therefore decided to install a *Transaction Processing System (TPS)* to cater for this growth. State **FIVE** advantages that would accrue to the firm with this decision. **(10 marks)**
- b) Your company's computer network was recently hacked into by fraudsters, stealing sensitive information. This has affected the credibility of the company. State **FIVE** measures that can be put in place to prevent a repetition of such an incident in the future. **(10 marks)**

(Total: 20 marks)

FINAL SCHEME OF BUSINESS MGT & INFORMATION SYSTEMS

QUESTION ONE

(a) Benefits of outsourcing

- i) **Emphasis on core competences:** An organization that outsources some of its activities, especially non-core ones will be able to emphasize its core competences on core functions by not concentrating its efforts on routine areas (that can be outsourced).
- ii) **Accessing top expertise:** By outsourcing, the firm will have the benefit of having access to top talents and state of the art technology without having to own it.
- iii) **Growth:** The firm can grow more rapidly because it will improve efficient resource allocation within the firm.
- iv) **Risk sharing:** By outsourcing certain parts of the business, the company will be able to shift certain responsibilities to the outsourced vendor and with their expertise, they will be able to plan risk mitigating factors better.
- v) **Reduction in recruitment costs:** Outsourcing saves the firm from recruiting people in-house, hence recruitment and operational costs can be minimized.
- vi) **Increased efficiency:** When a company outsources some of its activities, it is able to share the work load of its employees with the outsourced company. This will facilitate the development of internal staff and also help them to operate efficiently.
- vii) **Continuous operations:** When certain operations are outsourced, it enables the firm to have continuous operation of the business especially where the outsourced company is operating in a different time zone.
- viii) **Flexibility:** Outsourcing certain activities of the firm can lead to financial flexibility especially during periods of uncertainty in demand.
- ix) **Cost saving:** Outsourcing some of the firm's activities to companies in countries with lower labour cost helps the company to save costs and gain competitive advantage.

Any 5 x 2 marks = 10 marks

(b) Reasons for decentralization

- i) **To improve local decision making:** An organization may decide to decentralize its activities if it desires to improve decision making at the branch or local levels. The emphasis may be on the fact that local managers are in close touch with the day-to-day operations and can make more informed and speedier decisions.
- ii) **Concentrate on strategic decisions:** An organization may decentralize its activities if it intends to relieve central management from divisional activities to enable them concentrate on more strategic decisions affecting the organization.
- iii) **To improve communications:** By decentralizing its activities the organization reduces response time with communication flow at the local level so that actions be taken more swiftly.
- iv) **To motivate branch managers:** An organization that decides to decentralize its activities may do so with the aim of motivating managers at the divisional and branch levels to feel that they are part of the decision making machinery in the organization hence increasing their motivation.
- v) **To develop skills:** An organization may decentralize its activities if it intends to develop managerial ability at the divisional or lower levels because managers at the lower level will have the opportunity to make challenging decisions that previously may be made by those at headquarters.
- vi) **To increase competitiveness:** An organization may use decentralization as a strategy to increase its competitiveness especially if it is serving a diversified and wider market.
- vii) **To allow participation:** Organizations may use decentralization as a way to allow employees to be involved in decisions that affect them and their work.

Any 5 x 2 marks = 10 marks

Grand total = 20 marks

EXAMINER'S COMMENT

Almost all the candidates answered this question and about half of them obtained very good marks.

QUESTION TWO

(a) Reasons for a mission statement

- i) **Provides Focus:** A mission statements provides the organization with a focus for strategic decision. Successful companies use the mission statement to remind their employees about the direction of the firm.
- ii) **Basis for decision making:** A clear mission statement outlines the borders which will enable the firm to delegate activities to employees because all the decisions will be made within the framework of the mission statement.
- iii) **Guidance for behavior:** A mission statement helps to create a work environment where there is a sense of common purpose for all employees.
- iv) **Informs the public:** Mission statements communicate the nature of the organization to outsiders. Mission statements communicate the goals of the organization and its importance to the outside world.
- v) The mission statement also enables the communication of company culture throughout the whole organization.
- vi) The mission statement stimulates debate as to how the mission can be realized.

Any 5 x 2 marks = 10 marks

(b) Characteristics of project objectives

- i) **Specific:** An objective should focus on a specific issue and not on wide ranging issues that are ambiguous.
- ii) **Measurable:** The objective must a have a basis of measurement to ensure consistency. This will enable the organization to determine whether it is making progress or not.
- iii) **Achievable/Attainable:** The organization must ensure that the targets set are within its means.
- iv) **Realistic.** The objective set must be realistic in terms of comparison within and outside the organization.
- v) **Time bound:** The objective must have a deadline within which the target set is achieved.

Any 5 x 2 marks = 10 marks

Grand total = 20 marks

EXAMINER'S COMMENT

Almost all the candidates attempted this question and many of them performed very well.

QUESTION THREE

(a) Distinguish between formal and informal organizations

A formal organization is any organization that has rules and procedures governing the way work is divided and carried out and how tasks are grouped into departments.

An informal organization on the other hand refers to the social structure that governs how employees work together in an organization.

Difference: Whilst formal organizations emphasize on clear definition of authority and job responsibility, informal organizations emphasize on social relationships like friendships and alliances. **5 marks**

(b) Benefits of groups

- i) **Security:** When he/she joins the group the level of insecurity that is associated with being alone will be reduced because of the support from group members.
- ii) **Enhanced Status:** If he/she becomes a member, the recognition and respect given to the group members will also be extended to him/her.
- iii) **Self Esteem:** As a member of a group he/she will enjoy some sense of feelings or self-worth from the group.
- iv) **Power:** There is power in numbers, and what cannot be achieved individually can be achieved by the group.
- v) **Knowledge acquisition:** When an individual joins a group he/she will have the benefit of gaining knowledge from the more experienced members of the group.
- vi) **Enhanced negotiation position:** The individual by becoming a member of a group will enhance his/her negotiation position because the impact of group decisions carries more weight than individual decisions.
- vii) **Friendship:** It is a mechanism of satisfying the individuals' needs for friendship and social intercourse.
- viii) Groups serve as an opportunity to find the individuals identity and for leadership.

Any 5 x 3 marks = 15 marks

Grand total = 20 marks

EXAMINER'S COMMENT

Many candidates answered this question with quite a number of the scoring very high marks.

QUESTION FOUR

a) Reasons/Benefits of training and development.

- i) **High Quality Staff:** Investing resources in training and development activities enables the organization to increase the competence and skill levels of the employees, which will help them to undertake their tasks more effectively and efficiently.
- ii) **Increased Commitment:** When employees realize that the organization invests resources in their training and development, it increases their commitment and also helps them to identify with the objectives of the organization.
- iii) **Provide for Succession:** Investment in training and development of employees will enable the firm to identify those employee who possess talents and prepare them to take up positions in the firm when the need arises.
- iv) **Prepare for change:** Training and development activities also help prepare employees to manage change by increasing their understanding for change and provides them with knowledge and skills they need to adjust to the new situation.
- v) **Improved performance:** When employees are taken through training and development activities, it enables them to acquire additional skills and knowledge that will help improve upon their efficiency in their day-to-day performance.
- vi) **Increased productivity:** Training and development activities help to enhance individual, team and corporate performance in terms of output, quality and the overall organizational productivity.
- vii) **Operational Flexibility:** Investment in training and development activities help to improve operational flexibility by extending the range of skills possessed by employees that can help them to work in various levels and aspects within the organization.
- viii) **Gaining competitive advantage:** Investing in employee training and development activities facilitates the acquisition of new skills which enables the employees to improve upon their productivity leading to competitive advantage.
- ix) **Customer Service:** Acquiring knowledge and skills will help the employees to serve customers better and increase their retention.

Any 5 x 2 marks = 10 marks

b) Reasons for remunerating employees well.

- i) **To increase productivity:** When the organization remunerates its employees well, they will have the desire to give the best of their efforts resulting in increased productivity of the organization.
- ii) **Attract talents:** When an organization is noted for remunerating its employees well, it helps in attracting highly talented people to work in that organization.

- iii) **Cost Control:** Remunerating employees well will help the organization to control its operational cost because of the high retention rate of the workforce.
- iv) **To motivate employees:** When employees are remunerated adequately, it signals to them some sense of fairness which will increase their motivational level to increase commitment and productivity.
- v) **Reduces Trade Union Agitations:** When employees are adequately remunerated, it reduces the agitations of trade union in the organization.
- vi) **Provide economic security:** When employees are adequately remunerated, it helps them to gain economic security because they make savings and also invest part of their salaries to cater for them during retirement.

Any 5 x 2 marks = 10 marks

Grand total = 20 marks

EXAMINER'S COMMENT

Most candidates attempted this question and scored good marks.

QUESTION FIVE

a) Reasons for reducing prices.

- i) **Competitive reasons:** The firm may decide to reduce its prices as a response to price reduction by competitors.
- ii) **Excess production:** When a company produces in excess of demand, there is the likelihood that prices of the products will be reduced in order to clear the excess products.
- iii) **Falling brand share:** A company may also reduce prices if the brand power is declining. It must reduce the price to be able to exit the market.
- iv) **Bankruptcy:** If a company is nearing bankruptcy, it may be forced to slash its prices in order to increase sales and increase revenue which will facilitate its liquidity status in order to avoid the bankruptcy.
- v) **Low quality:** When the perceived quality of the company's product reduces as a result of the introduction of a more superior product, it may be forced to reduce its prices.

- vi) **Seasonal strategy:** A company may decide to reduce its prices during certain seasons like Christmas to be able to increase its sales volume and revenue and at the same time reward customers.
- vii) **Technological Changes:** When a competing firm introduces a more technologically advanced product than what the manufacturing company is offering currently, it will have to reduce its prices to be able to sell the obsolete products.
- viii) **Economic recession:** When the economy in which the company is operating declines in terms of disposable income and purchasing power, the company will have to reduce its price in order to encourage consumers to buy.
- ix) **Drop in raw material prices:** When the cost of raw materials used to produce the company's products reduce, the company may also decide to reduce its prices to retain its customers.

Any 5 x 2 marks = 10 marks

b) Strategies for retaining Customers

- i) **Maintaining quality standards:** A company can retain its customers by maintaining the perceived quality standards of its products or services.
- ii) **Improved customer care:** A company can also retain its customers if proper customer care strategies are put in place by treating customers well to keep them satisfied.
- iii) **Accept complaints:** The company must also view customer complaints as a gift and put in place strategies solve the problems of dissatisfied customers in order to prevent them from switching to competing brands.
- iv) **Improving communications:** A company can also retain its customers by implementing modern communication technologies like blogs that will establish a constant link between the company and its customers.
- v) **Improving service delivery:** The company can also retain its customers by using automation tools that will improve service delivery processes to customers.
- vi) **Feedback systems:** The company can also use feedback systems to trend customer responses periodically in order to determine which areas of service delivery have improved and which areas have suffered and will require improvement.
- vii) **Price cuts:** A company can also retain its customers by periodically reducing its prices and offering loyalty packages to demonstrate to customers how valuable they are.

- viii) **Non-conventional services:** The company can retain its customers by sending them greeting cards, anniversary messages, invitation to special events and also offering complementary products and services to customers.
- ix) **Prompt after sales services:** By providing prompt after sales services to customers, the company will win their loyalty and so retain them.

Any 5 x 2 marks = 10 marks
Grand total = 20 marks

EXAMINER'S COMMENT

Many candidates answered this question and did fairly well.

QUESTION SIX

a) i Total Quality Management

Total Quality management (TQM) is a management philosophy that emphasizes managing the whole organization in order for it to continuously excel in all dimensions of products and services that are important to the customer.

OR

Total quality management (TQM) is a philosophy involving all employees in an organization in a continual effort to improve quality and achieve customer satisfaction.

2 marks

a) ii Guidelines for implementing TQM

- i) Management must demonstrate top down commitment and involvement approach to get all employees participating in the implementation of TQM.
- ii) **Training:** Management must provide appropriate training, resources and human resource back-up to facilitate the smooth implementation of TQM.
- iii) **Measurement factors:** Management must determine critical measurement factors that can be used to track the progress of TQM.
- iv) **Cost of Quality:** Management must identify the costs of quality and routes to improvement to enhance the successful implementation of TQM.
- v) **Team work:** Management must institute and emphasize on teamwork to ensure successful implementation of TQM.

- vi) **Time Span:** Management must allow time to see progress of the implementation process and reward contributions for its success.
- vii) Management must also spread stories about the successful implementation of TQM to serve as a motivator to employees.

Any 4 x 2 marks = 8 marks
Subtotal = 10 marks

(b)i Just In Time(JIT)

Just-In-Time (JIT) refers to an inventory control system that schedules materials to arrive just when they are required for use.

OR

JIT refers to the production system in which processing and movement of materials and goods occur just as they are needed, usually in small batches.

2 marks

(b)ii. Advantages of JIT

- i) **Lowers Cost:** The use of JIT systems lowers the cost of investment required in all forms of inventory control.
- ii) **Space Savings:** JIT systems facilitate the saving of space that will be used to keep stock for long periods of time before they are used.
- iii) **Customer Satisfaction:** There is greater customer satisfaction resulting from higher quality and better state of parts and products for manufacturing.
- iv) **Avoids waste:** JIT Systems helps the company to reduce waste and inefficiency because materials are requested and delivered per usage.
- v) **Quick response:** The flexibility of JIT and the ability to supply materials in small batches enables companies to respond more quickly to market changes.
- vi) **Reduces obsolescence:** JIT reduces inventory obsolescence of materials because of reduced inventory.

Any 4 x 2 marks = 8 marks
Subtotal = 10 marks
Grand total = 20 marks

EXAMINER'S COMMENTS

Most candidates avoided this question and those who answered it scored very low marks.

QUESTION SEVEN

a) Advantages of Transaction Processing System (TPS)

- i) **Time saving:** TPS can process large volumes of data within a short period of time.
- ii) **Operational efficiency:** TPS will facilitate the smooth operations of the supermarket and will provide the base for other internal information systems.
- iii) **Database stability:** TPS facilitates database stability in the sense that in the event of network failure, the information will be stored in the database and the transaction will continue when service is restored.
- iv) **Activity tracking:** TPS assists information system managers and staff to keep track of all activities and transactions of the company such as sales and receipts.
- v) **Access to a wider market:** TPS will enable the supermarket to access potential customers to buy the goods when linked to the internet.
- vi) **Time sharing:** TPS facilitates the sharing of the system and its properties among multiple users working on the same transaction at the same time.
- vii) **Back-up:** TPS provides the basic building blocks for other systems in that it has a backup in case of system failure.

Any 5 x 2 marks = 10 marks

b) Prevention Mechanisms

- i) **User authentication:** This is the process that enables the system to ensure and confirm that the person trying to access the system has the right to do so by requesting certain information before the system opens up. It may request a user name and a password.
- ii) **Encryption:** With this any information that is saved or being transmitted is converted from plain code into cipher text or a secret code that can be decrypted using a special code by the recipient of such information.
- iii) **Restrictions:** The company can also restrict physical access to its servers and mainframe computers by some people in order to prevent crimes.
- iv) **Regular audits:** The company must regularly conduct information systems audit on its database management systems to check whether there is an attempted intrusion.
- v) **Biometric Systems:** The company can also install computer systems that use a person's traits to detect differences by comparing it to stored data.
- vi) The public key infrastructure (PKI) is a means which enables the firm's users of unsecured public network such as an internet to securely and privately exchange

data through the use of a private and public cryptographic key pair that is obtained and shared through a trusted partner.

vii) **Intrusion Detection System:** This is a software that monitors systems and network resources and notifies the company's network security personnel when it senses a possible intrusion in order to put in preventive measures

Any 5 x 2 marks = 10 marks

Grand total = 20 marks

EXAMINER'S COMMENT

About half of the candidates attempted this question with some of them scoring good marks.