

**NOVEMBER 2020 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 syllabus and fairly spread. Most of the candidates did not seem to have directed their minds to some portions of the syllabus.

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 appropriate. The questions were fairly spread across the syllabus.

PERFORMANCE OF CANDIDATES

The performance of candidates was below average, compared to the previous examinations. Although the general performance falls below expectation, some candidates did very well. We do not have evidence to suggest there was any form of copying or collusion at any centre.

QUESTION ONE

- a) Mr Steve Ansah and his wife Betty who have successfully operated SteveBetty Co. Ltd, a Private Limited Liability Company, over the last several years are considering converting it into a Public Limited Liability Company and have approached you as a Corporate Planning Analyst for your advice.

Required:

- i) Explain to them **THREE (3)** advantages associated with converting to a Public Limited Liability Company. **(6 marks)**
- ii) Explain Corporate Social Responsibility to the management of SteveBetty Co. Ltd. **(2 marks)**
- iii) State **TWO (2)** examples of socially responsible project that SteveBetty co. Ltd can engage in. **(2 marks)**
- b) The extent to which an organization is successful in pursuing its chosen strategy depends on how the strategy fits into, and is supported by, the organizational structure adopted by the firm.

Required:

- i) Describe a functional organizational structure. **(2 marks)**
- ii) Explain **FOUR (4)** factors which should be taken into account in designing an organizational structure for a company. **(8 marks)**
- (Total: 20 marks)**

QUESTION TWO

- a) The successful operations of every organisation depends on its positive relationship with stakeholders like shareholders, employees, customers, government, suppliers and the community in which it operates.

Required:

- i) Explain **the stakeholder theory**. **(3 marks)**
- ii) Outline **TWO (2)** needs of these identified stakeholders. **(12 marks)**
- b) State **FIVE (5)** types of financial remuneration packages for rewarding employees of a department. **(5 Marks)**
- (Total: 20 marks)**

QUESTION THREE

- a) Mr. Mensah, the newly appointed Managing Director of Akonu Ltd is not happy with the current corporate culture because in his view it does not support the strategic choices being pursued by the company. Mr. Mensah is determined to change the corporate culture and he intends to achieve this through investigating the cultural web of the company. He has approached you for advice in this direction.

Required:

State and explain to Mr. Mensah the **SIX (6)** key elements to be investigated to achieve this purpose. **(12 marks)**

- b) The Head of Human Resources for Heritage Services Ltd has indicated that in recent years the average productivity per worker has declined. An online survey conducted amongst workers revealed very low worker motivation. Following the outcome of the survey, the board sub-committee responsible for human resources has mandated the management to apply the Maslow hierarchy of needs model to ensure that the needs of workers are satisfied at various levels. You have been approached by the management as a consultant for advice.

Required:

Identify and explain to the company's management the various levels of needs required to meet the motivational needs of workers. **(8 marks)**

(Total: 20 marks)

QUESTION FOUR

- a) You have decided to establish a bakery as a part-time business in addition to your accounting profession due to growth in demand for bread, cakes and other flour related products.

Required:

Identify and explain the type of production process most appropriate for your business and state **FOUR (4)** advantages associated with the chosen production process. **(10 marks)**

- b) Explain **FOUR (4)** bases that could be used to segment the market for the products of the bakery? **(10 marks)**

(Total: 20 marks)

QUESTION FIVE

- a) The management of Marine Services Ltd intends to convert the existing manual accounting systems to an accounting information systems to achieve its operational efficiency.

Required:

Explain **FIVE (5)** accounting information systems that could be used to enhance the operational efficiency of Marine Services Ltd. **(10 marks)**

- b) The Ansoff Growth Matrix is a tool which is used in generating corporate level growth strategies for an organization. The use of the matrix results in four possible grand growth strategies available to an organization.

Required

Identify and explain these **FOUR (4)** grand growth strategies. **(10 marks)**

(Total: 20 marks)

SOLUTION TO QUESTIONS

QUESTION ONE

a)

i) **Advantages of a Public Limited Company**

- The liability of the owners of a public limited company is limited. This means that the company is seen in law as a separate person from its owners or shareholders. Thus, the owners are not normally liable for the debts and liabilities of the business, unless they have made some personal commitments.
- The shareholders of a public limited company can raise more capital than a private one by inviting the general public to subscribe for shares in the business. This option is not available to a private company.
- Shares in a public limited company are freely transferable. This means that shareholders can easily transfer their shares in a public company by trading them on the stock exchange.
- There is no limit to the number of shareholders a public limited company may have. Because of this, raising large additional operating capital from members is very easy.

(3 points for 2 marks each)

(6 marks)

- ii) Corporate Social Responsibility is the continuing commitment by an organization to behave ethically and in such a way that while it seeks to maximize profits, it also contributes towards improving the quality of life of its employees as well as of the community in which it operates and society in general.

(2 marks)

iii) **Examples of Social Activities A Company May Engage In**

- Provision of social amenities like potable water, building of libraries, etc
- Employment of local citizens
- Taking concrete steps to avoid environmental pollution

(Any 2 points for 1 mark each)

(2 marks)

b)

- i) Functional organizational structure is an organizational structure where employees are grouped hierarchically, managed through clear lines of authority and report ultimately to one top manager.

(2 marks)

ii) **Factors to consider in designing an organizational structure:**

• **Size of the Organization**

The size of the firm is a major determinant of the structure to adopt. If the organization is a small one consisting of only a few employees, the functional structure for example would be suitable.

• **The Chosen Strategy**

The nature of strategy being pursued by the organization will determine the structure to operate. If a company elects to pursue a non-growth strategy for

example, its structure would differ from that of another company which decides to pursue an ambitious strategy.

- **Management Style/Philosophy**

The structure adopted by an organization is largely influenced by the management style of the owner(s) or management. An autocratic leader will definitely favour a centralized structure.

- **Geographic Dispersion**

If an organization is spread over a wider geographical area, it will require a structure that will enable the management have effective control over the branches.

- **Nature of Goods/Services**

The nature of goods or services produced and supplied by the firm will be a critical factor to consider when deciding on the type of organizational structure to adopt.

(4 points for 2 marks each)

(8 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Being a compulsory question, all the candidates answered it with some scoring very good marks. It was a straightforward standard question.

QUESTION TWO

a)

- i) **The stakeholder theory** suggests that an organisation has the responsibility to maintain an equitable and a working balance among the expectations of all interested groups who affect and are affected by the activities of an organisation. The theory maintains that the objectives of an organisation should be derived by balancing the conflicting claims of the various stakeholder groups.

(3 marks)

ii) Expectations of Identified Stakeholders

Shareholders

- Shareholders expectations include the maximisation of their investments.
- Shareholders also expect the prompt and regular payments of dividends.
- Shareholders expect the continuous existence of the business to ensure the security of their investments.

(2 points for 1 mark each)

(2 marks)

Employees

- Employees expect the constant payment of salaries and other reward packages.
- Employees also expect the continuous existence of the business in order for them to be assured of job security.
- Employees expect to be treated with respect and as human beings by the organisation.

(2 points for 1 mark each)

(2 marks)

Customers

- Customers expect the organisation to provide them with the highest quality products at affordable prices.
- Customers also expect their organisations to reward them when it makes a lot of profit in the form of reduced prices and other forms of sales promotions.
- Customers also expect their organisations to provide them with safe products.

(2 points for 1 mark each)

(2 marks)

Government

- Government expects the organisation to fulfil its tax obligations.
- The government also expects the organisation to abide by all laws regulating its operations.
- The government also expects the organisation to have open communications on issues of national interest.

(2 points for 1 mark each)

(2 marks)

Suppliers

- Suppliers expect the organisation to pay promptly for goods and services supplied to it.
- They will also expect to obtain fair prices for supplies made to the organization.
- Suppliers will expect that the organization continues to exist and to maintain business relations with them.

(2 points for 1 mark each)

(2 marks)

The Community

- The community expects the organisation not to destroy the environment from where it takes its resources in the form of pollution.
- The community also expects the organisation to provide support by investing in projects that would benefit them.
- The community also expects the organisation to offer a percentage of its employment to its citizens.

(2 points for 1 mark each)

(2 marks)

b) Financial Remuneration Packages for Employees of the Marketing Department at Social Security Services (SSS)

- **Base pay:** This is a remuneration received by employees usually as a wage or salary. It is calculated per the number of hours employees spend on a job.
- **Bonus:** This is a periodic payment made to employees depending on the performance of an individual, team or the organisation as a whole. Bonus is paid to encourage individuals and teams to offer their optimum performance.
- **Merit pay:** This is a remuneration package that links employee pay increases to ratings on performance appraisal results. The main purpose of merit pay is to reward employees whose job performance cannot easily be quantified in units and is most common for white collar employees like those at SSS.
- **Gainsharing:** This is a group incentive plan that measures employees' contribution to increased productivity and effectiveness and reward them accordingly. Gainsharing facilitates the distribution of a portion of the financial gains made by the company as a result of efforts of employees.

- **Cost of living allowance (COLA):** This is a financial incentive offered to employees to cushion them against rising expenditure as a result of economic uncertainties. COLA is mostly calculated as a percentage of an employee's salary or as flat figure for all employees.
- **Stock options:** This reward package would enable employees to buy part of the company's stock holdings. The objective is to make employees part owners of the company and also encourage them to contribute their best performance to the total growth of the company.
- **Overtime:** This is additional money paid to employees for extra hours worked over the set number of mandatory working hours.
- **Child care voucher:** This is additional money paid to employees with children. The objective is to help those employees pay for any additional support given to their children while they are at work.
- **Paid or subsidized vacation:** This is an amount of money paid to employees to enable them go on holidays.
- **Medical care:** The company may also pay the medical expenses of employees and in some instances those of their children and immediate dependents in the event of sickness.

(5 points for 1 marks each)

(5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Most candidates who answered this question performed very poorly. It appears to be the case that majority of them did not read that portion of the syllabus.

QUESTION THREE

a)

An approach to analysing corporate culture has been suggested by Johnson and Scholes. They have suggested that there is a **cultural web** within every organization, which is responsible for the prevailing culture, which they call the 'paradigm' of the organization.

The culture web consists of six inter - related elements of culture within an organization.

- **Routines and rituals.** Routines are "the ways things are done around here". Individuals get used to established ways of doing things, and behave towards each other and towards 'outsiders' in a particular way. Rituals are special events in the 'life' of the organization, which are an expression of what is considered important.
- **Stories and myths.** Stories and myths are used to describe the history of an organization, and to suggest the importance of certain individuals or event. They are passed by word of mouth. They help to create an impression of how the organization got to where it is, and it can be difficult to challenge established myth and consider a need for a change of direction in the future.

- **Symbols.** Symbols can become a representation of the nature of the organization. Examples of symbols might be a company car or helicopter, an office or building, a logo or a style of language and the common words and phrases ('jargon') that employees use.
- **Power structure.** The individuals who are in a position of power influence organization. In many business organizations, power is obtained from management position. However, power can also come from personal influence or experience and expertise. The most powerful group within an organization are most closely associated with the core beliefs and assumptions in its culture.
- **Organization structure.** The culture of an organization is affected by its organization and management structure. Organization structure indicates the important relationships and so emphasizes who and what is the most important parts of it. Hierarchical and bureaucratic organizations might find it particularly difficult to adapt to change.
- **Control systems.** Performance measurement and reward systems within an organization establish the views about what is important and what is not so important. Individuals will focus on performance that earns rewards.

Together, the culture web consist of the assumptions that are 'taken for granted' within the organization as being correct, and also the physical manifestation of the culture.

(6 points well explained @ 2 marks each = 12 marks)

b)

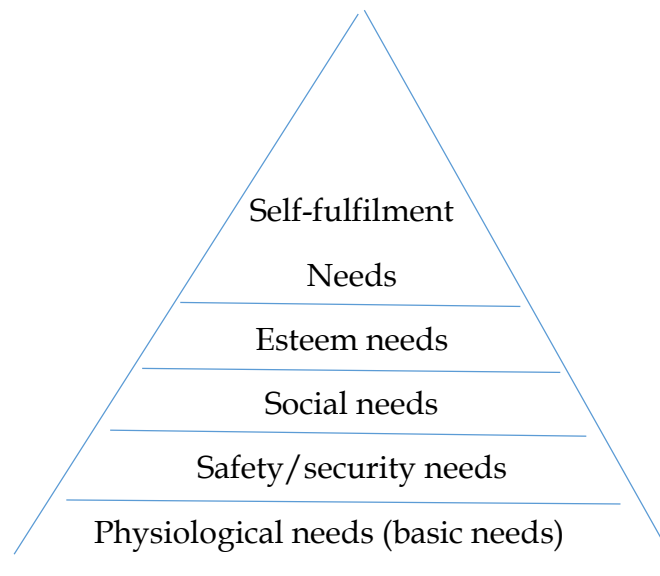
Maslow hierarchy of needs

In the 1950s, US psychologist Abraham Maslow developed a theory of the motivation of individuals at work. He argued that individuals have seven in-built needs, and his theory is concerned with the motivating power of each of these needs. Two needs are needs of a 'higher order' that must be met before the other five needs can be satisfied. These higher order needs are:

- A need for freedom of inquiry and expression: social condition must allow free speech and encourage justice, honesty and fairness
- A need for knowledge and understanding: a need to explore and experiment.

The other five needs can be arranged in a hierarchy of five levels. The need at a lower level is dominant until it has been satisfied. When the need at one level has been satisfied – and only then – the need at the next level becomes dominant.

The hierarchy of needs (the five levels of need) is usually drawn as a pyramid



Physiological needs (basic needs)

These are the needs for food, shelter, clothing and everything else that we need to stay alive. These needs can be satisfied by money.

Safety needs or security needs

Safety needs are the needs for security in work. Individuals want to feel safe against the risk of unemployment, and they want protection against the consequences of illness or having to retire. People also want fair treatment at work. These needs can be satisfied by employment legislation and the employer's arrangements for a pension scheme for its employees and for the treatment of its employees who are affected by illness or injury.

Social needs

Social needs are the needs to interact with other people, and to be part of a group. At work, social needs can be met by working with other people. However, the way in which work is organised has an important effect on whether the social needs of employees are fully met.

Esteem needs (or ego needs)

Esteem needs are the needs for the esteem of other people, and to feel good about one's own value or importance. Esteem needs can be met by promotion and by the status of the job. However, promotion only offers short-term esteem. In the longer term, individuals get esteem from their work by having some say in how their work is organised.

Self-fulfilment needs (self-actualisation needs)

These are the needs to achieve something worthwhile in life. This need is never fully satisfied. An individual at this level in the hierarchy needs continuing success and achievements.

The significant of Maslow's ideas is that it suggests an approach that management should take to improving the motivation of the employees. Management must

make sure that lower-level needs are satisfied before they try to motivate employees with initiatives aimed at the satisfaction of higher-level needs.

(Any 4 points well explained @ 2 marks each = 8 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 pass mark.

QUESTION FOUR

a) Production Process for the Bakery

The production process appropriate for the bakery would be the batch production process. The batch production process involves the making of a large number of identical items (like bread, cake and other flour related products).

(2 marks)

Advantages of Batch Production Process

- Division of labour. Batch production process facilitates division of labour. This is because employees have the opportunity to specialise in the baking of bread or cake.
- Less expensive. The batch production process is less expensive to operate. The reason is that there is less variety and once employees are equipped with basic skills of their operations, they can improve upon such skills through continuous performance on the same repetitive task over a long period of time.
- Speed of work. There is high speed of work in a batch production process. The reason is that batch production process involves monotonous job performance. This facilitates the development speedy work process measures by employees.
- Flexibility. There is high flexibility of operations especially with the rotation of employees. Employees can easily be rotated between jobs as a result of low skills required to be able perform other tasks.
- Increased output. Batch production process is credited with high level of productivity as a result of economies of scale. There is greater scope of standardisation due to the similarity of products manufactured (in this case the production of bread and cakes) hence increasing production output.
- Quality products. The products that are manufactured in a batch production process are of very high quality. This is because both employees and the company benefit from a learning curve experience.

(4 points for 2 marks = 8 marks)

(8 marks)

b) Bases of Market Segmentation for the Bakery

- **Geographic.** This is where the bakery would segment its target market along regions, cities and towns and climatic conditions. Geographic segmentation would enable the bakery to know and understand the purchasing trends of a particular geographic area and produce to meet their demands.
- **Demographic.** This segmentation is based on variables like gender, age, family size, income levels, education, occupation and family life cycle. Demographic

segmentation would enable the bakery to offer products that are needed by a particular age grouping.

- **Psychographic.** This segmentation is based on such variables as lifestyle, attitudes, values and norms. Psychographic segmentation would help the management of the bakery to know the motive behind customers' purchase of its products.
- **Behavioural.** This is where the bakery would segment the market based on variables such as consumer behaviour or how a product is used. This can be heavy, medium and light users. The management of the bakery would be able to identify those buyers who buy in large quantities so as to offer them some incentive packages.

(4 points @ 2.5 marks = 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The question, although a straightforward one, it was not well answered by majority of the candidates, especially the section a).

QUESTION FIVE

a) Accounting Information Systems for Marine Services Ltd

- Order processing. This application records and processes customer orders and produces data for inventory control and accounts receivables.
- Inventory control. This is an application that processes data reflecting changes in inventory as well as shipping and re-order information.
- Accounts receivable. This application records the amount owed by customers and produces invoices and monthly information for them. It also provides monthly accounting transactions for customers.
- Accounts payable. This application captures all purchases made by a company and also the amounts owed to suppliers and provide periodic statements for the appropriate users.
- Payroll administration. This application facilitates the recording of employees' outputs and other financial benefits and provides periodic pay slips to them. It also provides periodic reports for appropriate users.
- General ledger. This application software facilitates the consolidation of all financial data from other accounting systems and produces periodic financial statements to appropriate users.

(Any 5 points for 2 marks each = 10 marks)

b) The four grand growth strategies based on Ansoff Growth Matrix.

• **Market Penetration (existing markets and existing products)**

If a business is attempting to grow within its current product and market arena, it will then be pursuing a strategy of market penetration. Market penetration strategies simply seek to increase market share. This strategy can have one of two broad objectives: firstly, to seek assertively to increase market share; and secondly,

more defensively, to hang on to existing customers by concentrating, specializing and consolidating.

- **Product Development (existing markets and new products)**

Product development strategy involves selling new/additional products to current/existing customers. Whereas market development requires marketing and selling skills, product development requires technical and research and development skills and competences in order for the company to be able to introduced new products.

- **Market Development (new markets and existing products)**

A third strategy is to grow by finding new customers or markets for the firm's current products. This is a strategy of market development, and it can be pursued in a variety of ways. A firm can franchise its operations and grow geographically, or it can find new uses for its products. If the organization's aspirations outstrip the opportunities in existing markets, it is natural to look for opportunities to exploit the current products in other markets.

- **Diversification (new markets and new products)**

Diversification involves directions of development, which take the organization away from its existing markets and its existing products at the same time. Diversification can be divided into two broad categories, namely: Related (or concentric) diversification; and Unrelated (or Conglomerate) diversification. The related diversification can further be divided into horizontal and vertical integration and vertical integration can further be broken down into forward and backward integration.

(4 points for 2.5 marks = 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This was a good question but rather surprisingly, only few candidates out of the many who answered it performed fairly.

CONCLUSION

We believe that the above-average performance of candidates could have been enhanced if candidates took time to prepare well for the examinations. They did not seem to have read certain parts of the syllabus.

We would repeat our appeal for close collaboration between the Institute and the private tuition providers in order to guide candidates in their studies towards the examinations.