

**NOVEMBER 2021 PROFESSIONAL EXAMINATION
BUSINESS MANAGEMENT & INFORMATION SYSTEMS (PAPER 1.2)
CHIEF EXAMINER'S REPORT, QUESTIONS & MARKING SCHEME**

STANDARD OF THE PAPER

The Business Management and Information Systems paper was of standard quality. The question did indicate how many points candidates were required to explain/discuss for the allocated marks, thus making it easy for the candidates to tackle questions in the order they believed would inure to their advantage.

The amount of work required by candidates to earn marks allocated to each question was commensurate with the needed effort. No question was either too loaded or sub-standard. There were no grammatical errors in the questions and no ambiguities either. The questions were fairly spread across the syllabus.

PERFORMANCE OF CANDIDATES

The overall performance of candidates was slightly above average. However, 55.17% of candidates passed the paper, which is a significant dip compared with the performance recorded in the May 2021 examinations of 75.66%.

We attribute the relatively low performance of candidates to the fact that most of them did not seem to have prepared well for the examinations. They engaged in selective learning of some portions of the syllabus whilst completely neglecting to read other sections.

In this circumstance, they performed very abysmally in those sections, with some scoring zero marks in some cases. High and low performers were spread across all centres and not concentrated at any given centre or centres. We did not observe any sign of copying or any form of collaboration at any particular centre.

QUESTION ONE

- a) Investing in Human Resource Planning is one of the most important decisions a company can make. After all, a company is only as good as its employees, and a high level of employee engagement can be essential for its success. If a company has the best employees and best practices in place, it can differentiate between sluggishness and productivity, leading to profitability.

Required:

- i) What is Human Resource Planning? **(2 marks)**
ii) Explain **FOUR (4)** activities involved in human resource planning. **(8 marks)**
- b) Two organisations operate in your locality, one operates as profit-oriented and the other as non-profit-oriented. They all have varying purposes.

Required:

You are required to categorise the following purposes under the two types of organisations.

- i) To expand product range to include children's clothing.
ii) To expand social protection interventions to include girls between the ages of 15-18 years.
iii) To ensure that visitors to public parks pay an entry fee of GH¢1.00 for its maintenance.
iv) To create high quality, high demand products to maximise shareholder value.
v) To provide excellent client services to enhance public goodwill, which will in turn, attract more government funding.
vi) To increase after-tax profits to attract more investors to invest in the organisation.
vii) Provide customers with the opportunity to benefit from the company's profits by offering periodic prizes for the purchases they make.
viii) Increase annual dividends by 3% of the current amount paid;
ix) Install vending machines at strategic points to sell non-alcoholic beverages to visitors;
x) Market facility on the internet to attract global patronage.

(10 marks)

(Total: 20 marks)

QUESTION TWO

- a) Every product is said to go through a life cycle which has been classified into four stages. Therefore, in an attempt to reap the maximum benefits from a product or service, the marketer periodically determines the stage of the product/service in the life cycle to devise the appropriate strategies in that direction.

Required:

Explain **FOUR (4)** stages of a product life cycle.

(10 marks)

- b) You have been invited as the Chief Operating Officer of Your Trusted Associates, a reputable Accounting and Management Consulting firm, to deliver the keynote address at a graduation ceremony for newly qualified Accountants.

Required:

In your address differentiate between a “*business code of ethics*” and a “*professional code of ethics*” for Professional Accountants. (5 marks)

- c) Although a professional code of ethics does not clearly define 'public interest', an Accountant would be deemed to be acting in the public interest when he takes certain actions to perform his duties.

Required:

Outline **FOUR (4)** of such actions. (5 marks)

(Total: 20 marks)

QUESTION THREE

- a) An organisation is described as an open system because it impacts and is also impacted by two sets of environments. It imports raw materials from the environment, transforms them into goods and services and then exports them back into the environment for the satisfaction of customers' needs.

Required:

Explain **FIVE (5)** elements of the external environment of a business organisation.

(15 marks)

- b) Explain the following applications of information technology in business organisations:
- i) Transaction processing system. (2.5 marks)
 - ii) Decision Support system. (2.5 marks)

(Total: 20 marks)

QUESTION FOUR

- a) Strategic Planning Process is important for the strategic management of companies. Organisations from both the private and public sectors are increasingly embracing the practice of strategic planning in anticipation that it will translate into improved performance. It is practised widely, formally and informally.

Required:

Explain the strategic planning process.

(14 marks)

- b) You were employed by a large manufacturing company as a Corporate Services Executive about a month ago and have on a number of occasions heard the Production Manager indicate that informal groups were the reason for low productivity in the organisation and must not be entertained.

You disagree with him and have decided to educate him on the benefits of informal groups to a business organisation.

Required:

Explain **THREE (3)** benefits of an informal group to an organisation. **(6 marks)**

(Total: 20 marks)

QUESTION FIVE

- a) Organisations that intend to remain focused on the achievement of their objectives develop and apply different business models to guide them in their operations. One of such models is the Ansoff Growth Matrix.

Required:

Explain the Ansoff Growth matrix with emphasis on its components. **(10 marks)**

- b) Organisational knowledge is the sum of all knowledge contained within an organisation that can provide business value. Organisational knowledge is composed of *explicit knowledge* and *tacit knowledge*.

Required:

Differentiate between *explicit knowledge* and *tacit knowledge*. **(5 marks)**

- c) Business promotion is meant to raise the customer's awareness of the existence of a product or service. To achieve this objective, organisations employ different media to promote their business. Kofi Kodua wants your advice on promotion strategy because he is about to launch a new product called "*One Corner*", used as a detergent.

Required:

Advise Kofi Kodua on **TWO (2)** effective promotion tools to raise customers' consciousness about the new product. **(5 marks)**

(Total: 20 marks)

SOLUTION TO QUESTIONS

QUESTION ONE

a)

i) Human Resource Planning is the strategy for the acquisition, utilisation, improvement and retention of the human capital of a business organisation. It aims at reducing the effects of uncertainty in the external environment and helping in shaping the human resource policies of the entity. **(2 marks)**

ii) **Activities in Human Resource Planning**

- One of the main activities of human resource planning is the alignment of the organisation's objectives with its human resource needs. The manager thus will have to determine the structure which would enable the business to attain its goals and objectives.
- Another activity is for the human resource manager to carry out a human resource audit of the entity to find out the available human resource in terms of quantity, skills, experience, etc.
- A further activity is for the manager to determine the gross human capital requirement for the period under consideration. Based on information obtained from the audit, the manager would then know what level of the human resource exists and what would be required in future.
- The manager then determines the net human resource requirement for the period under review by finding the difference between the human resource audit and the gross estimates.
- Another activity in human resource planning is the preparation of plans to enable the organisation to meet its human resource needs. The plan will clearly state what needs to be achieved during training, recruitment, selection and career development.

(Any 4 points @ 2 marks each = 8 marks)

b) **Categorisation of organisational purposes**

| Non- profit-organisation | Profit oriented organisation |
|--|---|
| To expand our social protection interventions to include girls between the ages of 15-18 years. | To expand our product range to include children's clothing |
| To ensure that visitors to public parks pay an entry fee of GH¢1.00 for its maintenance. | To create high quality, high demand products to maximise shareholder value. |
| To provide excellent client services to enhance public goodwill, will in turn attract more government funding. | To increase after-tax profits to attract more investors to invest in the organisation. |
| Install vending machines at strategic points to sell non-alcoholic beverages to visitors. | Provide customers with the opportunity to benefit from the company's profits by offering periodic prizes for the purchases they make. |

| | |
|--|---|
| Market our facility on the internet to attract global patronage. | Increase annual dividends by 3 per cent of the current amount paid. |
|--|---|

(1 mark each for any correct categorisation: 10×1 mark =10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

All candidates answered this question with most of them performing badly at a) because instead of explaining the process of determining the number and skills of employees required to achieve the objectives of an organisation, they rather explained other activities of the human resource department.

The b) was quite well answered, with most candidates scoring very high marks. This indicates that candidates are now paying attention to that part of the syllabus they previously neglected to read.

QUESTION TWO

a) Stages of the Product Life Cycle

Introduction stage – the product or service offers something new to customers. Since consumers do not know much about the product or service, advertising costs are likely to be high to raise their awareness. Although there may not be competing products, sales are usually low at this stage, hence very low or no profits.

Growth stage – at this stage, total sales demand for the product or service grows faster. As a result, new entrants are attracted into the market expecting high demand and profits. At the early stage of this phase, existing producers in the market begin to earn some profits.

Maturity stage – total annual sales remain relatively stable during this stage, with prices and profits stabilising. Since there no longer exist an opportunity for growth, companies then embark on differentiation strategies to distinguish their products from those of competitors in order to improve their sales volumes and profits.

Decline stage – total customer demand for the product starts to fall at this stage, with a consequent fall in profits, forcing less profitable competitors to leave the market. Eventually, it becomes impossible to produce and sell the product at a profit, so those remaining in the market discontinue its production.

(4 points x 2.5 marks each = 10 marks)

b) A *business code of ethics* refers to a statement of the ethical state of a company. It is about how the organisation expects its workers to behave to uphold the

organisation's ethical values. On the other hand, a *professional code of ethics* for accountants is a statement which details how all professional accountants are expected to behave in the performance of their duties. (5 marks)

c) Situations in which an Accountant would be deemed to be acting in the public interest:

- Detecting and reporting any misdemeanour
- Ensuring the public is not misled by any statement or action of a person or entity
- Protecting public health and safety
- Exposing misuse of public funds
- Exposing a conflict of interest situation involving persons of influence

(Any 4 points @ 1.25 mark each = 5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Most candidates performed very well on this question, especially at (a). Although the performance at sections (b) and (c) was not as with section (a), candidates obtained fairly good marks there.

QUESTION THREE

a) An organisation's external environment consists of the aggregate of conditions and forces that affect the strategic options of an organisation and are usually outside its control. Therefore, the organisation must endeavour to adapt to these forces if it desires to survive in the competitive market.

Elements of the external environment

Political/Legal factors – an organisation's political/legal climate consists of local and state laws on taxation, employment, exchange rates, and foreign trade regulations. Where these are favourable, it impacts positively on the entity's operations and vice versa.

Economic factors – the operations of a business organisation are influenced by the strength and stability of the national economy. Some economic variables which may have a bearing on an organisation are interest rates, levels of employment, rate of inflation, income levels of consumers, the strength of the country's currency against major trading currencies.

Socio-Cultural factors refer to the customs and values of the society in which the business operates, such as lifestyle changes, age distribution, life expectancy, and consumer behaviour. In deciding on the strategies to pursue, the organisation must constantly pay attention to these factors since they influence its activities.

Technological factors – technological factors include the availability or state of technology. These affect a business organisation because a firm with the resources and ability to adopt new and improved technology will be more competitive. Technological factors that influence business operations include new patents, speed of change and adoption of new technology, and level of spending on research and development.

Globalisation – to the extent that the world has become a global village, the operations of a business organisation in one country tend to be affected by conditions prevailing in other countries. These, therefore, have profound implications for every business entity in the conduct of its activities.

(5 points @ 3 marks each = 15 marks)

b)

- i) **Transaction processing systems (TPS):** This refers to any information system that supports the monitoring, collection, storage and processing of data from an organisation's primary business transactions, each of which generates data. A transaction processing system is used to collect and process daily transactions of an organisation. TPS serves as an input for an organisation's customer relationship management, business intelligence and knowledge management. **(2.5 marks)**
- ii) **Decision support system (DSS):** A decision support system is an information system that aids managers to make decisions based on built-in models. The objective of a decision support system is to support managers in their work with reference to all decisions at the management level. **(2.5 marks)**

(Total: 20 marks)

EXAMINER'S COMMENTS

The performance of candidates on this question was a mixed bag because whilst some did very well with a few obtaining the maximum marks at a) some performed poorly.

The majority of the candidates refrained from answering section b) and performed very poorly. This seems to lend credence to the fact that many candidates still do not pay much attention to the Information Systems part of the syllabus.

QUESTION FOUR

a) Strategic planning process

- The first step in the strategic planning process is to determine the mission and objectives of the entity. That is, the reason for the company's existence and what function it seeks to perform in society.
- Internal assessment is the review of the organisation's existing structures, skills, resources, and processes.
- The next stage in the process is an analysis of the factors prevailing in the firm's external environment that might influence its operations.
- Corporate appraisal involves the process whereby the internal and external environments of the entity are combined to assess its strengths and weaknesses and the opportunities and threats confronting it.
- The next stage is to choose from among the favourable strategies available to the organisation for its implementation.
- At the implementation stage, the strategy deemed to be in the firm's best interest is implemented.
- During the implementation of a chosen strategy, it will be necessary to periodically review it according to the changes that might occur in the environment to identify and solve any implementation challenges.

(7 points x 2 marks each = 14 marks)

b) Benefits of Informal Groups to Organisations

- When a worker joins a group, he feels secured due to the support he gets from other members and is thus likely to work harder than before.
- An individual who joins a group experiences enhanced status as the respect given to the group is extended to him.
- Members of a group have the benefit of acquiring knowledge and skills from the more experienced members of the group.
- Groups are a mechanism for satisfying the employee's needs for friendship and social intercourse, leading to higher performance.

(3 points x 2 marks each = 6 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This question was badly answered by candidates because instead of explaining the strategic planning process, most of them went about writing on the role of strategic planning in an organisation. Some candidates also confused the question with the levels of planning and in the process, scored either very low marks or, in some cases, zero.

The b) part of this question was generally well answered.

QUESTION FIVE

a) **Ansoff Growth Matrix**

The Ansoff Growth Matrix is a strategic planning tool developed by Igor Ansoff, and it provides a framework to help managers and accountants to devise strategies for future growth. It is based on markets and products to show organisations' possible options to fill the planning gap. He categorised them into four possible combinations. **(2 marks)**

Components of Ansoff Growth Matrix

Market penetration. This is where existing products are sold to existing markets. Market penetration means taking advantage of opportunities to increase market share.

Market development. This is where existing products are sold to new markets. It is often found when a regional business wishes to expand or if new markets are emerging because of changes in consumer habits. It can also occur when a new use is discovered for an existing product.

Product development. This is the selling of new products to existing markets. With this strategy, an organisation develops new products to appeal to its existing markets. This may be a simple product refinement.

Diversification. This is the selling of new products to new markets. With this strategy, the organisation will have to develop new products that will be suitable for new markets. It is a risky strategy but also has considerable gains. In addition, it is sometimes introduced so that the company does not become too dependent on its existing strategic business units (SBUs).

(4 points well explained @ 2 marks each = 8 marks)

b) **Explicit Knowledge and Tacit Knowledge**

Explicit knowledge refers to more objective, rational and technical expertise. Explicit knowledge has been codified or documented in a form that can be distributed or transferred to others or transferred into a process.

On the other hand, Tacit knowledge refers to the cumulative store of subjective or experiential learning. Tacit knowledge is imprecise and cannot be visibly identified, formalised or codified. **(5 marks)**

Examples of explicit knowledge in organisations:

- Corporate policies
- Working guides
- Corporate reports
- Corporate strategies
- Corporate procedures
- Corporate goals

- IT infrastructure of the company
- Core competencies

Examples of tacit knowledge in organisations:

- Experiences
- Insights
- Expertise
- Know-how
- Trade secrets
- Skillset
- Understanding
- Learning
- Organisational culture and values

c) **Effective promotional tools**

Advertising

Publicity

Public relations

Social media

Advertising

Advertising is defined as any form of paid communication or promotion for a product, service or idea. Advertisement is not only used by companies but in many cases by the museum, government and charitable organisations. However, the treatment meted out to advertising defers from an organisation to an organisation. Advertising development involves a decision across five M's (Mission, Money, Message, Media and Measurement).

Mission looks at setting objectives for advertising. The objectives could be to inform, persuade, remind or reinforce. The objective has to follow the marketing strategy set by the company.

Money or budget decision for advertising should look at the stage of the product life cycle, market share and consumer base, competition, advertising frequency and product substitutability.

Message development is divided into four steps; message generation, message evaluation and selection, message execution, and social responsibility review.

Once the message is decided the next step is finalising the media for delivering the message. The choice depends on the reach of media frequency of transmission and potential impact on the customer. This choice of media types is made from newspaper, television, direct mail, radio, magazine, and the internet. After which timing of the broadcast of the message is essential to grab the target audience's attention.

Checking on the effectiveness of communication is essential to a company's strategy. There are two types of research communication effect research and sales effect research.

Sales Promotion

Promotion is an incentive tool used to drive up short term sales. Promotion can be launched directed at consumers or trade. The focus of advertising is to create a reason for purchase. The focus of promotion is to create an incentive to buy. Consumer incentives could be samples, coupons, free trial and demonstration. Trade incentive could be price off, free goods and allowances. Sales force incentive could be convention, trade shows, competition among sales people.

Sales promotion activity can have many objectives, such as grabbing the attention of new customers, rewarding the existing customer, and increasing the consumption of occasional users. However, sales promotion is usually targeted at the fence sitters and brand switchers.

Sales promotional activity for the product is selected looking at the overall marketing objective of the company. The final selection of the consumer promotional tools needs to consider the target audience, budget, competitive response and each tool's purpose.

Sales promotion activity should under-go pretest before implementation. Once the activity is launched, it should be controlled as to remain within the budget. An evaluation program is a must after implementation of the promotional scheme.

Public Relations

Companies cannot survive in isolation. They need to interact with customers, employees and different stakeholders constantly. The public relation office does this servicing of relation. The primary function of the public relations office is to handle press releases, support product publicity, create and maintain the corporate image, handle matters with lawmakers, guide management with respect to public issues.

Companies are looking at ways to converge with functions of marketing and public relation in marketing public relation. The direct responsibility of marketing public relation (MPR) is to support corporate and product branding activities.

MPR is an efficient tool in building awareness by generating stories in media. Once the story is in circulation, MPR can establish credibility and create a sense of enigma among salespeople and dealers to boost enthusiasm. MPR is a much more cost-effective tool than other promotional activities.

Direct Marketing

The communication established through a direct channel without using any intermediaries is referred to as direct marketing. Direct marketing can be used to deliver a message or service. Direct marketing has shown tremendous growth in recent years. The internet has played a major part in this growth story. Direct marketing saves time, makes an experience personal and pleasant. Direct marketing reduces costs for companies. Face to face selling, direct mail, catalogue marketing, telemarketing, TV and kiosks are media for direct marketing.

Advertisement, Promotional activity, Public relation and direct marketing play an essential role in helping companies reaches their marketing goals.

(Any 2 points @ 2.5 marks each = 5 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This question was not well answered. Instead of explaining the Ansoff Growth Matrix, many candidates wrote about the Boston Consulting Group (BCG) Matrix.

The performance at b) and c) was also not very encouraging, with only a few candidates obtaining the pass marks there.

CONCLUSION

We believe that the deterioration in the performance of candidates was because most of them did not adequately prepare for the examination.

With the availability of study manual and other materials and the close collaboration between the Institute, private tuition providers and question setters/examiners, it is our opinion that if candidates took their time to prepare and cover all aspects of the syllabus, their performance would significantly improve.