

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

STANDARD OF THE PAPER

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

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

PERFORMANCE OF CANDIDATES

The overall performance of candidates was very good. Of the one hundred and thirty-seven (137) candidates who wrote the Paper, one hundred and two (102) passed giving a pass rate of seventy-four (74%). This shows a significant improvement compared with the performance recorded in the November 2021 examinations of fifty-five per cent (55%) pass rate.

We hold the view that the candidates performed well because most of them took their time to prepare well for the examinations. It is also worth noting that candidates did well to study all parts of the syllabus instead of doing selective reading.

We observed that most candidates found it difficult to answer Question 5 (a) – on the BCG Matrix which suggests that candidates probably did not concern themselves with that aspect of the syllabus. This phenomenon was widespread and the Institute may liaise with the Private Tuition Providers to work on this issue.

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 collusion at any particular centre.

Some candidates spent too much time writing introductions which were not required. Others spent time on portions that earned them fewer marks and therefore could not properly answer the substantive question with higher marks, thus performing badly.

QUESTION ONE

- a) Normu Ltd develops accounting software for small and medium sized firms. The company for the past five years of its operations has operated with simple form structure with most decisions being taken by the founder. Currently, the company's market base, as well as its product range has significantly increased. The company now develops and sells accounting software to large organisations and businesses resulting in a modification of its existing simple form structure to a decentralised structure where decision making powers are assigned to branch managers.

Required:

Explain **FIVE (5)** benefits the company would derive from this new structure. **(10 marks)**

- b) Nkaagi, your long-time family friend who is an Engineer by profession, recently took over as the Chief Executive Officer of Wakawaka Investment Ltd, a company listed on the Ghana Stock Exchange. He has on several occasions complained about the many legal requirements they have had to contend with and has now approached you for advice on the benefits to be derived from converting a public limited liability company into a private limited liability company.

Required:

- i) Explain what a public limited liability company means to Nkaagi. **(4 marks)**
ii) Explain **TWO (2)** features of a private limited liability company. **(6 marks)**

(Total: 20 marks)

QUESTION TWO

Vagen Ltd, a German automobile manufacturer has completed building an assembly facility in Ghana to manufacture and sell vehicles in Ghana and in other African countries. For the company to gain a foothold in the African market, it carefully applied the penetration pricing strategy and developed a clear mission and vision statements to facilitate successful operations in this new market.

Required:

- a) Identify **FIVE (5)** benefits the company would derive from the *penetration pricing strategy*. **(5 marks)**
b) Explain the difference between the company's *mission* and *vision* statements. **(5 marks)**
c) Explain **FIVE (5)** economic factors that might have influenced the management of the company to locate the assembly facility in Ghana. **(10marks)**

(Total: 20 marks)

QUESTION THREE

- a) You are the Accounts officer for Unimech Garages, a company that provides mobile vehicle repairs for faulty vehicles on the Accra - Kumasi and Accra -Takoradi highways. The company has adopted the Just-In-Time (JIT) inventory control system for its operations. The JIT inventory control system was adopted because all repairs performed vary from vehicle to vehicle and there is no need to stock any spare parts since the repair team has no idea of the next repairs to be conducted as well as the type of spare parts they would require. Again this inventory system was implemented to prevent employees from committing the offence of selling stocked spare parts for their individual gains.

Required:

Suggest **FIVE (5)** benefits the company would derive from this inventory system.

(10 marks)

- b) In a period of financial downturn in the economy with its effect on businesses, organisations most often than not, reduce or cancel the training budget. Everest Ltd. is faced with a decision on whether to reduce or cancel its training budget.

Required:

Explain **FOUR (4)** objectives of training and development in a business organisation for which training budget should not suffer because of economic downturn. **(10 marks)**

(Total: 20 marks)

QUESTION FOUR

Seagull Ltd supplies mining equipment and devices to mining companies in Ghana. The company intends to achieve its objective of being the market leader in the industry by 2025. The company's strategy of achieving this objective is based on motivating its employees with adherence to Maslow's hierarchy of needs and implementing a consultative leadership approach.

Required:

- a) Explain **FIVE (5)** benefits the consultative leadership approach will contribute to the achievement of the company's objectives. **(10 marks)**
- b) Explain how the management of the company would apply Maslow's theory to motivate the employees. Your explanation should include **TWO (2)** strategies at each level of the hierarchy. **(10 marks)**

(Total: 20 marks)

QUESTION FIVE

- a) Bonus Oil Plantation is a listed company on the Ghana Stock Exchange. For a company with a large portfolio, it is important it assess its product lines regularly to see which products are profitable, which ones are making losses and which ones need improvement. This practice will help the company to allocate its resources accordingly in order to function more efficiently.

While there are many practices and tools available to accomplish this mission, the CEO has suggested to the Board the BCG Matrix developed by the Boston Consulting Group as a standard.

Required:

At the CEO's request, explain the concept of the BCG Matrix. **(10 marks)**

- b) You are the Chairman of a committee appointed by the Management of your company to investigate the recent hacking of the firm's computer network and consequent loss of very sensitive information, which disrupted operations for some days.

Required:

State and explain **FOUR (4)** measures which can be put in place to forestall the repetition of such an incident in the future. **(10 marks)**

(Total: 20 marks)

SOLUTION TO QUESTIONS

QUESTION ONE

a) Benefits of Decentralisation

- **Improves decision making:** Decentralisation would facilitate the improvement of decisions at the branch levels of the company. This is because most decisions would be made without being forwarded to the company's headquarters for approval.
- **Improved strategic decisions:** The adoption and practice of decentralisation by the company would make central management shift routine decisions to the lower level management to help them concentrate on the company's strategic decisions and activities.
- **Improved communication:** There would be increased operational flexibility and reduce organisational communication deadlocks between the headquarters and the branches. Managers would have the ability to take decisions at the point of occurrence without making any reference to headquarters.
- **Increased motivation:** The adoption and practice of decentralisation would increase the motivational level of branch managers and their employees because of the feeling of involvement in decisions and issues affecting them.
- **Source of training:** Decentralisation serves as a source of training for managers at the branches. This is because the spread of decision making powers to them facilitate the acquisition of skills, knowledge and abilities that they require for efficient operations.
- **Executive relief:** The adoption and practice of decentralisation would enable the company's top executives to free themselves from time consuming detailed routine work.
- **Quicker decisions:** Decentralisation allows for quicker decisions at the branch levels of the company. This is because the long durations attached to decision making would be reduced.

(Any 5 points @ 2 marks =10 marks)

b)

- i) A public limited liability company is a company formed by a large number of people, usually called shareholders with the minimum number being seven. As the name suggests, the liability of members is limited to any unpaid amount on shares issued to them. The company is normally responsible for its assets and liabilities, since it is recognized as a separate person from its owners in the eyes of the law.

The shares of the company can be freely transferred by a shareholder without the consent of other members. Unlike other forms of business units, the public limited company can invite the public to buy shares in the entity. (4 marks)

ii) Features of Private limited liability company include the following:

- **Ownership** – Shareholders of a private limited liability company range from a minimum of two to a maximum of fifty persons with the exception of banks where the maximum is ten people.
- **Legal status** – The company has a separate personality in law from those of its owners or shareholders. It can acquire and own assets, sue and be sued in its own name.
- **Transfer of shares** – The shares of a private limited company cannot be transferred by a shareholder without the express consent of other members.
- **Source of capital** – Since the company cannot invite the general public to subscribe for shares in the company, additional capital can only be raised through the contributions of the owners.
- **Privacy** – The books of accounts of the company are not open to the public for inspection nor are they required to be published in the national newspapers.

(Any 2 points @ 3 marks each = 6 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

All candidates answered this question with most of them performing very well in both a) and b). The question was generally very well answered. This reinforces our earlier belief that candidates are now paying attention to that part of the syllabus which they previously neglected to read.

QUESTION TWO

a) Benefits of the Penetration Pricing Strategy

- **Increased sales volume:** The adoption of the penetration pricing strategy would result in increased sales volume for the company. This is because the charging of lower prices for the company's vehicles would motivate the target market to increase their patronage of the vehicles.
- **Competitive advantage:** Adopting penetration pricing would enable the company to obtain adequate revenue which can result to the enhancement of the company's competitive position.
- **Product survival:** High product patronage and adequate revenue would enable the company to invest in future product modifications to meet the satisfaction of buyers.
- **Discourage competition:** The adoption and practice of penetration pricing strategy would enable the company to prevent other vehicle manufacturing companies from entering the market. This is because they can use the increased revenue to build more entry barriers for any car manufacturing company intending to enter the Ghanaian market.

- **Scale economies:** The adoption of the penetration pricing strategy would enable the company to benefit from economies of scale as a result of increased production, thus enabling it to have competitive advantage.
- **Distribution efficiency:** The large volumes of vehicles that would be distributed by the company would likely result in the achievement of distribution efficiency.

(Any 5 points @ 1 mark = 5 marks)

b) Mission and Vision Statements

The mission of a company which is usually expressed in a statement describes the basic purpose of its existence. It is a broadly framed but enduring statement of its intent. It reflects the type of products or service it seeks to manufacture, the markets to enter and the prices to charge.

The company's vision statement on the other hand refers to its strategic intent that guides how it allocates its energies and resources in achieving a desirable future.

Thus, whereas the mission indicates what the company stands for now, its vision states where it desires to be in the future.

(5 marks)

c) Economic factors that might have influenced the management of the company to locate the assembly facility in Ghana

- **General economic activities:** The general economic activities in the country might have influenced the company to build the factory in Ghana. This is because Ghana has a stable and growing economy as compared to other countries in the sub-region.
- **Income levels:** Income levels in Ghana are also growing as compared to other countries in Africa and this might have influenced the company to build its assembly plant in Ghana.
- **Inflation and deflationary levels:** The inflation rate in Ghana seems to have stabilised a bit and this might have influenced the company to establish its facility in the country.
- **Purchasing power:** The purchasing power of Ghanaians is also rising causing the company to build its facility in Ghana. High purchasing power can positively influence the purchase of vehicles.
- **Patterns of consumption:** The consumption pattern of Ghanaians is also shifting towards the purchase of new vehicles hence influencing the establishment of the facility in Ghana.
- **Changes in interest rates:** The rate of interest on loans is also declining which implies that people will be more willing and able to borrow to purchase luxury items such as cars hence the building of the facility in Ghana.

(Any 5 points @ 2 marks =10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Most of the candidates performed very well on this question, especially a). Some of them did badly in b) because instead of explaining economic factors like exchange rate, rate of inflation, and others, they rather explained the PEST factors of environment of a business.

QUESTION THREE

a) Benefits of Just -In-Time (JIT) Inventory System

- **Appropriateness:** The adoption of the JIT inventory system would ensure that the company receives and dispatches the appropriate spare parts and items as required.
- **Cost reduction:** The company would benefit from reduced inventory and set up costs. This is because spare parts would be ordered only when they are needed.
- **Service quality:** The quality of services to be delivered to customers would improve. This is because only high quality parts would be ordered to fix the problems of drivers and owners of faulty vehicles.
- **Waste control:** The adoption of the JIT system would ensure the elimination of waste and excesses in terms of inventory that are not required.
- **Eliminate customer delays:** The adoption of the system would ensure services delivered to customers would be as fast as possible, the reason being that spare parts required for operations would be available as and when they are needed.
- **Emphasis on value addition:** The company's adoption of the JIT system would ensure the elimination of non-value added activities such as the internal movement of spare parts.

(Any 5 points @ 2 marks =10 marks)

b) Objectives of Training and Development

- For the employee, training and development helps him to develop his personal and organizational skills and competencies. An important function of the human resource department is to cultivate a superior workforce so they can effectively and efficiently achieve organizational goals, thereby making the entity more competitive.
- Another objective of training and development is to help improve upon the performance deficiencies of both employees and the firm. When employee performance deficiencies which are often detected through annual appraisals are corrected through training and development, the workers become more effective.
- Training and development serve as motivation to employees. When employees are periodically trained, their morale increases and so they are prepared to put in more efforts in their work.

- Training and development sometimes serve as a public relations tool for the organization. An organization which is noted for training its employees gains recognition in the eyes of the public and so is able to attract the best employees during recruitment.
 - Another objective of training and development is to prepare employees for change. When employees are required to carry out responsibilities for which they have not been trained they often resist. Training therefore serves to eliminate this hurdle.
- (Any 4 points x@ 2.5 marks each = 10 marks)**

(Total: 20 marks)

EXAMINER'S COMMENTS

The performance of candidates on this question was a mix bag. Whilst most of the candidates did very well at b) and scored the maximum points, a lot of them also performed poorly at section a) with a few obtaining low marks.

QUESTION FOUR

a) **Benefits of Consultative Leadership Approach**

- **Acceptance of decisions:** The adoption of the consultative leadership approach would facilitate the acceptance of decisions made by the top management since employees would have contributed to it.
- **Quality decisions:** The decisions that would be made in the company would be of the highest quality because of the opinions and expertise that would be solicited from all employees who in most cases are experts in their areas of operations.
- **Reduced conflict:** The introduction of the consultative leadership approach would result in the reduction of conflicts in the company because employees' opinions would have been considered and accepted before final decisions are made and implemented by top management.
- **Improved productivity:** The adoption of the consultative approach to leadership would facilitate the company's ability to achieve its productivity targets because of the harmony in performance and decision making between management and subordinates.
- **Improved communication:** The adoption of the consultative leadership approach would enhance the communications in the company. This is because extensive, objective communication would take place between superiors and subordinates before final decisions are reached.
- **Competitive advantage:** The company would be able to achieve competitive advantage as a result of the increased productivity and operational efficiency that persist as a result of the adoption of the consultative leadership style.

(Any 5 points @ 2 marks =10 marks)

b) Application of Maslow's hierarchy of needs to motivate employees

Physiological needs

- The company can provide subsidised meals at its canteen.
- The company can motivate employees to achieve these needs by offering adequate wages and salaries.
- The company can provide clothing allowance to employees.

Safety/ Security needs

- Provision of protective gears to employees who require them.
- Establishment of security and safety committees.
- Creation of emergency exits and fire drills.
- Retirement benefits should be provided to cushion employees during pension.
- Medical services should be provided at no cost to employees during and after their service to the company.

Social/Affection needs

- Provision of recreational facilities for employees.
- Establish discipline and grievance handling procedures.
- Encourage social interaction such as get - together.
- Create teams and build team spirit among employees.

Esteem needs

- Use praise and awards when the need arises.
- The company should provide employees in top positions with reserved parking spaces, large office spaces with facilities.
- Delegate responsibilities to employees to help them exercise their capabilities.
- Provide training to employees to improve their knowledge, skills and attitudes.
- Encourage participation of employees in decision making.

Self-actualization needs

- The company should provide employees with challenging jobs.
- The company should encourage creativity among employees by providing them with opportunities that would enable them to exercise their creative talents.
- The company can invite employees to corporate functions as chairpersons.

(Any 2 points for each need (5) @ 1 mark each = 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This question was badly answered by the candidates. Instead of explaining the benefits of consultative leadership in sub-question a), candidates rather discussed the discussing the benefits of decentralization. Also they rather went about explaining Maslow's theory in sub-question b) instead of indicating how Management could use the theory to motivate employees.

QUESTION FIVE

a) The Boston Consulting Group Matrix (BCG Matrix)

The Boston Consulting Group Matrix or BCG Matrix was developed by the Boston Consulting Group, a consultancy firm in the 1970s as a planning tool that can help the management of an organisation in the allocation of resources per the performance of the company's products or services.

The BCG matrix is plotted graphically within four quadrants according to market growth and the firm's competitive position or market share. **(2 marks)**

The BCG Matrix is categorised as follows:

- **Question marks:** Question marks, also known as problem child, are products with high growth rate and low market shares. Such products may generate some revenues but may still require significant resources to move it to become a star. The company must decide whether it can keep it or not. The question mark is always placed at the top right quadrant.
- **Stars:** These are products in fast growing markets with high market shares. The organisation must continue to invest resources and protect such products from competitor aggression. Stars are placed at the top left quadrant.
- **Cash Cows:** These are products with high market shares but in a low growth market. They generate more revenues than they use and the revenues they generate are used to service all the activities of the company. The company must hold strong cash cows to preserve shares. Cash cows are placed at the bottom left of the quadrant.
- **Dogs:** These are products with a low market share in a low growth market. Dogs may be managed for their short term cash flow. Dogs must be divested, unless they have loyal customers who are glued to the product. Dogs are located at the bottom right of the quadrant.

BCG Market Growth - Share Matrix

		Market Share	
		High	Low
Market Growth	High	Star	Question mark
	Low	Cash cow	dog

(4 points @ 2 marks each= 8 marks)

b) Preventive mechanisms include the following

- **Encryption:** With this measure, any information saved or being transmitted is converted into a secret code which can be decrypted only by the recipient of such information using a special code.
- **Intrusion detection system:** This is a software which monitors systems and network resources and notifies the entity's network management personnel when it senses an intrusion so that measures can be taken to stop it.
- **Periodic audits:** It is important for the company to regularly carry out information systems audit on its database management systems to check if there is an attempted intrusion.
- **Biometric systems:** The company may install computer systems that use personal traits to detect differences by comparing them to stored data.
- **Restrictions:** The company can also restrict physical access to its servers and mainframe computers to only selected persons to prevent crimes.
- **Firewall installation:** A firewall is both software applications and hardware devices installed between an organisation's internal network and restricts access into and out of the entity's network system.

(Any 4 points x 2.5 marks each = 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This question was not well answered, especially the a) part. Instead of explaining the BCG Matrix, some candidates wrote on Product Life Cycle (PLC) whilst others talked about Ansoff Matrix.

CONCLUSION

We believe that the improvement in performance of candidates was largely due to the fact that most candidates adequately prepared for the examinations and also studied all parts of the syllabus instead of engaging in selective reading.

With the availability of study manuals and other materials and now, 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.