

**AUGUST 2022 PROFESSIONAL EXAMINATION
BUSINESS MANAGEMENT & INFORMATION SYSTEMS (PAPER 1.2)
CHIEF EXAMINER'S REPORT, QUESTIONS & MARKING SCHEME**

EXAMINER'S GENERAL COMMENTS

Whereas some candidates took their time to prepare adequately for the examination and covered all parts of the syllabus, quite a number of them seemed to have been ill-prepared and neglected some aspects of the syllabus hence they performed badly.

STANDARD OF THE PAPER

The Business Management and Information Systems paper was of standard quality. The questions indicated how many points candidates were required to explain/discuss/outline 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 within and fairly spread across the syllabus.

PERFORMANCE OF CANDIDATES

The overall performance of candidates was very good, although there was a slight dip in the performance compared to the April 2022 examinations. One hundred and thirty-one (131) candidates wrote the Paper, out of which ninety-four (94) passed, translating to a seventy-two percent (72%) pass rate. This shows a three per cent (3%) decrease compared with the performance recorded in the April 2022 examinations which recorded seventy-five per cent (75%) pass rate.

Candidates who sat for the paper performed well because most of them spent precious time to prepare well for the examinations and also did well to study all parts of the syllabus instead of doing selective reading as has been happening in previous years. Candidates whose performance fell below were either not well prepared or did not concern themselves with some aspects of the syllabus and so could not attempt questions there at all, thus scoring zero on those questions.

It was also observed that some candidates still found it extremely difficult to differentiate between the levels of strategy and the three broad generic strategies. This 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. Some candidates spent too much time writing introductions which were not required of them and for which no marks were allocated or spent much time on portions that would earn them fewer marks and therefore could not adequately answer the questions with higher marks, thus performing badly.

QUESTION ONE

- a) In 2017, some financial institutions in Ghana were placed under receivership. This was mainly due to poor corporate governance practices. Some of these practices were in clear violation of the duties and responsibilities of those charged with governance.

Required:

Explain **FIVE (5)** duties those charged with governance were expected to perform.

(10 marks)

- b) Alpha & Omega Ltd, a medium-sized company with branches throughout the country has decided to close many of its loss-making outlets after which it will centralise its operations instead of branch managers taking decisions.

Required:

- i) Define *centralisation*. **(2 marks)**

- ii) Explain **FOUR (4)** benefits Alpha & Omega will gain in centralising its operations.

(8 marks)

(Total: 20 marks)

QUESTION TWO

- a) Explain the following as they relate to a business organisation:

- i) Mission
- ii) Vision
- iii) Values
- iv) Strategy
- v) Objective

(10 marks)

- b) The outbreak of the COVID-19 pandemic resulted in most countries experiencing negative macroeconomic conditions such as *demand-pull inflation* or *cost-push inflation*. These conditions have caused governments in both developed and developing countries to implement actions to mitigate the associated effects.

Required:

- i) Explain these **TWO (2)** types of inflation. **(4 marks)**

- ii) Explain **THREE (3)** strategies the government of Ghana can implement to address these negative macroeconomic conditions. **(6 marks)**

(Total:20 marks)

QUESTION THREE

- a) Integrating the operations of an organisation is a decision that many find difficult to make as it is possible to find architectures that adapt to different requirements. Despite this, business integration is a necessity because of the success and benefits it brings to corporations and businesses.

Required:

Explain **FIVE (5)** benefits an organisation would gain from integrating all of its operations. **(10 marks)**

- b) *Leadership* and *Management* are two terms often used interchangeably by both business practitioners and academicians.

Required:

As a resource person to a group of accounting students preparing for examinations in Business Management and Information Systems, explain **FIVE (5)** ways in which the two terms differ from each other. **(10 marks)**

(Total: 20 marks)

QUESTION FOUR

- a) *Penetration pricing* and *Skimming pricing* are the two main pricing strategies used by business organisations.

Required:

- i) Differentiate between these two pricing strategies. **(4 marks)**
ii) Outline **THREE (3)** circumstances for which each of these pricing strategies will be appropriate for use by a manufacturing company. **(6 marks)**

- b) The outbreak of the COVID-19 pandemic caused many organisations to be more concerned about the health and safety of their employees.

Required:

Explain **FIVE (5)** reasons for this concern. **(10 marks)**

(Total: 20 marks)

QUESTION FIVE

- a) Quantum Manufacturing Ltd has invested GH¢1 million in information and communications technology systems to facilitate more effective operations which will result in operational improvements in their activities.

Required

Explain **FIVE (5)** of such operational improvements. **(10 marks)**

- b) Michael Porter identified *three broad generic strategies* which he asserted an organisation can utilise to gain competitive advantage over other firms.

Required:

Explain these **THREE (3)** generic strategies. **(10 marks)**

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

a) Duties of those charged with governance

- **Fiduciary duty:** This duty required the directors to exhibit trustworthiness in acting in the best interest of those whom they represented. This duty required the directors to perform their mandated duties with high levels of integrity and competence.
- **Duty of loyalty:** The duty of loyalty of a corporate director makes him/her to commit allegiance to the companies they served as directors and acknowledged to work in the best interests of those companies.
- **Duty of fair dealing:** This duty required that all transactions conducted on behalf of the companies were handled in a transparent manner. The directors were expected to open up all their dealings to considerable scrutiny.
- **Duty of care:** The duty of care required the directors to act with the highest level of cautiousness in carrying out their responsibilities. They were to apply their common sense when working on behalf of those whom they represented to avoid being accused of committing blunders.
- **Duty of supervision:** This deals with the effectiveness with which the directors were to exercise their mandated duties. Further, the duty of supervision required the directors to have absolute control and knowledge about the activities of management to prevent all fraudulent practices on the part of management.
- **Non-entrenchment of duty/Duty not to entrench:** This duty required the directors to exhibit flexibility in their activities to the best interest of the company. The duty not to entrench requires directors not to block management decisions that would advance the progress of their companies.

(Any 5 points @ 2 marks = 10 marks)

b)

i) **Centralization** refers to the extent to which large amount of authority and decision making responsibility is retained at the top of the organization. This means that top management has all the decision making power of the entity. (2 marks)

ii) **Benefits of centralization include the following:**

- Centralized decision making will likely give management move control over organizational activities so that co-ordination becomes easier.
- It is more efficient at applying standardization of products and procedures within the organization
- With centralization, senior managers at head office are able to have a complete view of the organization and therefore make more effective decisions
- A centralized structure results in the use of specialized management support teams such as information technology and business planning managers for the entire organization

- It is usually cheaper to run a centralized management structure as compared to a decentralized one as fewer top managers will be required.

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

(Total: 20 marks)

EXAMINER'S COMMENTS

All candidates answered this question with most of them performing very well in both sub-questions. A few of them however performed badly in section a) because instead of explaining the duties of directors, they rather engaged in discussing the functions of management (i.e. planning, organizing, etc). The question was generally very well answered with a few candidates scoring the maximum marks.

QUESTION TWO

a)

- i) The mission of an organization is its declaration of what it is and why it exists; that is its reason for being and the values it holds. A mission has two main parts namely the purpose for which it exists and what it does to achieve that purpose. **(2 marks)**
- ii) The vision of an organization represents a desired optimal future state of what the organization wants to achieve over a stated period of time. It relates to where the firm wants to be in the future as opposed to a mission which tells the current state of the organization. **(2 marks)**
- iii) A strategy refers to a course of action together with an indication resources required to achieve a specific company objective. In an organizational setting, strategy formulation is the responsibility of top management. **(2 marks)**
- iv) A goal is a broad aim which an organization seeks to achieve, normally expressed in a narrative form. An example of an organization goal may be to maximize shareholder wealth or be the leader in a market segment. **(2 marks)**
- v) An objective which is derived from the goals of an organization is an aim expressed in a form that can be measured. A specific time by which the objective should be achieved is usually given. **(2 marks)**

b)

ii) **Demand-pull inflation and cost-push inflation**

Demand-pull inflation refers to the increase in price levels resulting from an increase in aggregate demand. It is as a result of increase in the price levels caused by an excess of total spending beyond the country's capacity to produce. **(2 marks)**

Cost-push inflation is the increase in price levels resulting from an increase in the cost of resources such as raw materials. This increase in the cost of resources results in the increase of production cost per unit. It is the inflation caused by reduction in aggregate supply. **(2 marks)**

iii) **Measures to control inflation**

- **Interest rates:** The government through the central bank can increase interest rates. This will make the cost of borrowing from the banks expensive and unattractive to clients. This will also help reduce the money in circulation.
- **Money market operations:** This involves the buying and selling of bills by the central bank. The objective is to reduce money in circulation and reduce inflation.
- **Reduction in government expenditure:** The government can also reduce its expenditure. This is done by reducing public spending with the objective of reducing the money in circulation.

- **Exchange-rate pegging:** The government through the central bank can establish a fixed rate for all foreign currencies used for trading in the country.

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

(Total: 20 marks)

EXAMINER'S COMMENTS

Many of the candidates performed very well in this question, especially in a) and obtained very good marks there. Some candidates however did not do well in b) because although they could distinguish between demand-pull inflation and cost-push inflation, they either did not know the measures to be taken to address the problems or mixed the measures for the types of inflation.

QUESTION THREE

a) **Benefits gained from integrating all organisational operations**

- **Cost reduction:** Organisations that integrate all operations into a single system are able to reduce their operational costs. This is because costs that are incurred as a result of duplication are totally eliminated.
- **Operational efficiency:** The integration of organisational activities facilitates operational efficiency. The reason is that the functional areas with the required expertise are used to support the other functional areas where such services may be required.
- **Organisational harmony:** Integration of organisational operations also ensures peace and harmony within the organisations. In situations where all the functional areas recognise that one depends on the other for excellent performance will result in employees seeing each other as dependent on each other for their effective performance and survival.
- **Competitive advantage:** The effective integration of organisational operations will result in the achievement of competitive advantage by the organisation. The reason is that when an organisation conducts its operations better than what competitors are doing, it enables the organisation to have an edge over its rivals.
- **Better customer service:** Organisations that integrate its operations offer excellent services to their customers. With effective integration, employees are willing to go the extra mile by putting their services at the disposal of the customer whenever the need arises.
- **Organisational growth and sustainability:** The integration of operations in an organisation enables the organisation to gain all the benefits of efficient and effective performance which will result in corporate growth and sustainability.

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

b) **Differences between leadership and management**

- **Management is broader in scope:** Management is about planning, organising, directing, co-ordinating, controlling and reviewing the work process, including what individuals do. Leadership, on the other hand, is about how a person uses his/her abilities to influence others to do what is needed in the achievement of goals.
- **Management includes leadership:** Leadership is part of management. This is because management definitely embraces leadership - good management is probably impossible without appropriate leadership skills.
- **Legitimacy:** Management has more legitimacy than leadership. This is because management occupies the position it does by authority. Leadership on the hand may occupy the position it does by popularity and support from followers.
- **Goal achievement:** Management achieves set goals within the organisation by applying procedures, principles and rules. Leadership on the other achieves set goals by using persuasion and influence.

- **Organisational positions:** All persons in management positions in the organisation are leaders but not all persons in leadership positions in the organisation occupy management positions.
- **Relationship with the status quo:** Management conducts its activities by accepting and maintaining the status quo. Leadership on the other hand challenges the status quo by applying conventional wisdom to make things better to satisfy the needs of followers.
- **Contributions:** People in management positions normally use instructions in implementing organisational policies. People in leadership positions on the other hand solicit, recognise and value contributions from other people in the organisation before developing and implementing organisational policies.

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

(Total: 20 marks)

EXAMINER'S COMMENTS

The performance of candidates in this question was a mix bag. Almost all candidates did very well in a) with some scoring the maximum points. A lot of the candidates however performed very poorly in b) with a few obtaining poor marks. Only a few of the candidates could show the difference between leadership and management, which appeared worrying. Overall, candidates did fairly well in this question.

QUESTION FOUR

a)

i) **Penetration Pricing and Skimming Pricing Strategies**

Penetration pricing strategy is where the manufacturing company initially charges lower prices for its products, with the purpose of building sales volumes and increasing market shares.

Skimming pricing strategy is an approach where the manufacturing company initially charges high prices for its products with the objective of recouping its investments and then later reducing the price when competitors enter the market.

(4 marks)

ii) Circumstances for use

Penetration pricing strategy

- When the company is introducing a new product.
- When the company intends to achieve economies of scale.
- When buyers for the product are perceived to be price sensitive.
- When there is an anticipated counter introduction of competitor products.

(Any 3 points @ 1 mark each = 3 marks)

Skimming pricing strategy

- When the product is a new product in the market.
- When the product has a high sense of appeal to the upper class of society.
- When buyers are perceived not to be price sensitive.
- When there is anticipated high demand for the product.

(Any 3 points × 1 mark each = 3 marks)

b) **Concern for the health and safety of employees**

- **To sustain and increase productivity:** Organisations should be concerned about the health and safety of its employees to be able to maintain and increase its productivity levels. It is believed that it is only when employees are safe and healthy that they can produce to the best of their abilities.
- **Cost reduction:** The organisation will be able to reduce its operational expenses only if it shows concern for the health and safety of its employees. The organisation can implement preventive measures that will protect its employees from diseases and accidents which will lead to cost savings in the long term.
- **Image protection.** Organisations that are concerned about the health and safety of their employees do so in order to protect their image. This is because when employees are frequently injured or are exposed to diseases, the general public will have negative impression about the organisation.
- **Avoid litigation and fines:** Organisations are concerned about the health and safety of its employees because they want to avoid all forms of litigations and court fines that may emerge as a result of employees seeking redress from the organisation due

to injuries and accidents they sustain in course of their duties as a result of negligence on the part of those organisations.

- **Attract the best talents:** Organisations show concern for the health and safety of its employees so that they can attract the best talents in the industry. The reason is that prospective employees will like to work in organisations where they are assured of good health and safe working environment.
- **Increase employee job satisfaction:** Organisations show concern for the health and safety of their employees so that the employees can have a feeling of job satisfaction in the performance of their work activities.
- **Reduce labour turnover:** Organisations show concern for the health and safety of their employees so that they can prevent employees from quitting as a result of perceived danger of their lives by continuing to work in organisations that show no concern for their employee.

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

(Total: 20 marks)

EXAMINER'S COMMENTS

This question was generally well answered by the candidates. Most candidates answered both part of the question very well and obtained good marks. Some candidates differentiated between penetration pricing and skimming pricing but could not outline the circumstances in which each of the pricing methods could be adopted.

QUESTION FIVE

a) operational improvements from investment in information and communication technology systems

- **Improved productivity:** The investment in information and communication technology systems can result in increase in the overall organisational productivity. This is because the organisation will be able to use the ICT systems to better manage its manufacturing and operational activities.
- **Cost reduction:** The investment in information and communication technology systems can help the organisation to reduce its operational expenses by applying computers and applications to perform tasks which otherwise would have been performed by human beings at high costs.
- **Improved information management:** The investment in information and communication technology systems will enable the organisation to have better access, process, storage and distribution of information for management decision making and control.
- **Improved organisational administration:** Investment in information and communication technology systems will also result in better administrative systems and processes for the organisation. This is because with the acquisition and installation of integrative computer systems such as enterprise resource planning (ERP), the organisation will be able to automate all processes among all the functional areas and provide access to them with the press of a button.
- **Improved change management:** Investment in information and communication technology systems will result in using machines for the organisation's activities. With the use of such machines, any process of change will be quickly and effectively implemented since machines are not human beings who will resist any change to protect their personal interests.
- **Improved services to external stakeholders:** Investment in information and communication technology systems can help the organisation to offer better services to its customers, suppliers and the general public due to the availability of equipment and systems that stakeholders can use to interact with the organisation when the need arises.
- **Enhanced public image:** The investment in information and communication technology systems will project the organisation to the public as an innovative one.

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

b) **Three Generic Strategies**

- **Cost leadership strategy** seeks to achieve the position of lowest-cost producer in the industry. By producing at the lowest cost, the firm can compete on price with every other entity in the industry and earn the highest unit profits. This strategy is best pursued when the manufacturer uses high technology and enjoys economies of scale through mass production.

- **Differentiation strategy** involves raising the quality of the product, and in doing so, raising the products cost and sales price. The manufacturer endeavours to improve upon the quality of the product in order that the costumer perceives it as more valuable and so will be prepared to pay more for the superior quality. The firm therefore attempts to achieve optimal balance for the customer between quality and price.
- **Focus strategy** is based on segmenting the market and focusing on a particular market segment. The firm does not sell its products industry-wide but concentrates its marketing efforts on a particular type of buyer or geographical area so that it is able to serve a narrow strategic target more effectively and efficiently than its competitors. This strategy may be cost-focused where the firm specializes in a particular product or quality-focused where the entity competes in a market segment on the basis of product quality.

(3 strategies @ 3.33 marks each = 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This question was generally well answered, especially a), where most candidates obtained very high marks with a few scoring the maximum. Performance in b) was however disappointing. This is because instead of explaining Michael Porter's three broad generic strategies, most of the candidates rather discussed levels and types of strategy.

CONCLUSION

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

With the availability of study text and other materials and the now close collaboration between the Institute and private tuition providers. It is suggested that if candidates take their time to prepare and cover all aspects of the syllabus, their performance would significantly improve.

We would urge the ICAG College and the Private Tuition Providers to encourage their students to only enter to sit the examinations when they have adequately prepared themselves by ensuring they have covered all aspects of the syllabus.

They must also encourage the students to take advantage of the past questions and solutions as well as the Chief Examiners' Reports which are published on the Institute's

website seriously during their preparations in order to learn from their previous mistakes or those of others.

We have no doubt in our minds that when these are done, the performance of candidates in subsequent examinations would significantly improve.