

**MARCH 2023 PROFESSIONAL EXAMINATIONS  
BUSINESS MANAGEMENT & INFORMATION SYSTEMS (PAPER 1.2)  
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

**EXAMINER'S GENERAL COMMENTS**

It was observed that some of the candidates did not take their time to prepare adequately for the examinations. For those who seemed to have prepared, many of them did not concern themselves with some aspects of the syllabus. Therefore, their responses to the questions asked on the neglected parts of the syllabus were either porous or they could not attempt some questions at all.

**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/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**

There was a marginal improvement in the performance of candidates. The March 2023 diet recorded a 63% pass rate compared to the 54% pass rate recorded in the December 2022 examinations. Candidates performed better because some of them took their time to prepare for the examinations although the preparations were not adequate enough. Many of them however did not seem to have prepared for the examinations hence they could not attempt some questions at all or obtained very low marks with some scoring zero on some questions.

Above average performance was spread across all centres and not concentrated at any given centre or centres. We did not observe any significant strengths as far as the performance of candidates was concerned.

**NOTABLE WEAKNESSES**

Some candidates continued to spend too much time writing introductions which were not required of them and for which no marks were allocated or wasted time on portions which would earn them fewer marks and therefore could not adequately answer the questions with higher marks, thus performing badly.

## QUESTION ONE

- a) Asante, Oforiwaa and Obrafour who are well known to you and have been operating a Partnership for many years have approached you for advice regarding their decision to convert it into a Public Limited Liability Company.

**Required:**

Explain **FOUR (4)** benefits that will be enjoyed by members of the Partnership should they convert it into a Public Limited Liability Company. **(10 marks)**

- b) The government of Ghana on realising the high levels of unemployment among the youth decided to establish the National Youth Employment Programme with the sole objective of reducing this unemployment among the youth.

**Required:**

Elaborate on **FIVE (5)** factors the government should consider in deciding the appropriate structure for the operations for this organisation. **(10 marks)**

**(Total: 20 marks)**

## QUESTION TWO

- a) You are the Account Officer of Dinke Café, a company that sells cocoa drink to a wide range of consumers. The company sells a cup of cocoa drink for GH¢2, which yielded a sales output of 10 million cups for the year ending 2021. As part of a promotional package to celebrate its silver jubilee, the company reduced its price to GH¢1.50 which increased its total sales output to 15 million cups for the year ending 2022.

**Required:**

- i) Calculate the *price elasticity of demand* of Dinke Café. **(4 marks)**  
ii) Explain **THREE (3)** factors that might have determined the company's price elasticity of demand. **(6 marks)**

- b) Strategic plans set a framework and guidelines within which more detailed plans and shorter-term planning decisions can be made.

**Required:**

Explain **THREE (3)** levels of planning within an organisation. **(10 marks)**

**(Total: 20 marks)**

### QUESTION THREE

Since being employed by Barry Ltd as Executive Assistant to the Chief Executive Officer about three months ago, you have always heard employees including some middle-level Managers use 'Management' and 'Leadership' interchangeably which you think is not right.

A staff durbar is scheduled to take place in the next few days and you have decided to use the platform to educate members of staff on the two concepts as a form of orientation.

**Required:**

- a) Differentiate between '*Management*' and '*Leadership*'. (5 marks)
- b) Distinguish between '**Power**' and '*Authority*'. (5 marks)
- c) Explain **FOUR (4)** basic functions of Management. (10 marks)

(Total: 20 marks)

### QUESTION FOUR

- a) Formal Performance Appraisals can be of huge benefit to both the employer and the employee. Unfortunately, however, they are increasingly undervalued and underutilized by both parties and as a result viewed as a tradition to be performed within a specified period of time.

**Required:**

- i) Explain *Performance Appraisal*. (2 marks)
- ii) Explain **THREE (3)** benefits of performance appraisal to the employer. (4.5 marks)
- iii) Explain **THREE (3)** benefits of performance appraisal to the employee. (4.5 marks)

- b) Design of workplaces aims to improve work organisation and improve competencies of employees. Two main approaches in the design of workplaces are specialisation and alternative methods. The most popular alternative methods are job enrichment and job enlargement. The effective and efficient design of workplaces must be compatible with the organisational structure of the company and its specificity, management methods and defined objectives.

**Required:**

Explain the following:

- i) Job enlargement (3 marks)
- ii) Job enrichment (3 marks)
- c) Explain job rotation as a method of on-the-job training. (3 marks)

(Total: 20 marks)

## QUESTION FIVE

- a) One of the most important resources Management of an organisation requires in order to make meaningful decisions is credible information which has often been wrongly referred to as data.

**Required:**

- i) Distinguish between *data* and *information*. (2 marks)  
ii) Explain **FOUR (4)** essential qualities of information. (8 marks)

- b) Prekoka Beverages Ltd (PBL) was established in 2022. The company manufactures alcoholic and non-alcoholic beverages. The company uses modern automation system and a lean manufacturing system to ensure operational efficiency. The company is very optimistic about the future due to increase in disposable income of the people in the country.

The management of the company is however concerned about the government's proposal to increase regulations in the manufacturing of alcoholic beverages because of a research publication that alcoholic beverage consumption is causing health problems for consumers in the country.

The company also faces a challenge predicting its future revenue because the section of the population with the purchasing power are conscious of their consumption patterns and as a result are reluctant in purchasing sugar based beverages. Again the recent population census in Ghana indicated that female population (which normally doesn't consume alcoholic beverages) surpasses the male population.

Even though the management of PBL is confronted with the above challenges, they are optimistic about the future because there is strong economic and political stability that facilitate business growth in the country. PBL also has an efficient research and development team that can develop new products to meet the changing needs and tastes of consumers.

**Required:**

Prepare a **PEST framework** for PBL based on the above information. (10 marks)

(Total: 20 marks)

## SUGGESTED SOLUTION

### QUESTION ONE

#### a) Advantages of a Public Limited Liability Company

- The liability of members of a public limited liability company is limited. Thus, the owners are normally not personally liable for the debts and liabilities of the business apart from any personal commitments they might have made.
- A member of a public company can freely transfer his shares by trading them on the Stock Exchange without reference to other members.
- Shareholders of a public limited liability company can raise more capital by inviting the general public to subscribe for shares in the business. This option is not available to a partnership form of business. Banks and other financial institutions are also more willing to grant loans and other facilities to a public company.
- A public limited liability company can have as many members as it desires, unlike partnerships and private companies which have ceilings on their membership.

(4 points @ 2.5 marks each = 10 marks)

#### b) Factors to consider in deciding the appropriate organisation structure

**Strategy:** The strategy of an organisation refers to the course of action adopted by an organisation to achieve its objectives. The strategy pursued by the organisation will determine the structure to be adopted. If the government intends to involve the grassroots in the decisions of the NYEP then a decentralised structure will be appropriate as compared to a centralised structure.

**Size:** The size of the organisation will also influence the structure to be adopted by the NYEP. The size is also dependent on the number of employees the organisation will employ. If the organisation will employ a large number of people, then a more mechanistic structure will be appropriate. Such structure will have more specialisations, more vertical levels and more rules and regulations.

**Technology:** The term technology refers to the processes adopted by an organisation to transfer its inputs into outputs. The technology adopted by an organisation influences its structure. An organisation that applies complex technological processes will require more stringent rules and applications and for that reason a more mechanistic structure. In the case of NYEP there will not be any complexity in its technology and will therefore use the simple structure.

**Age:** The age of an organisation also determines the type of structure to be adopted. Newly formed organisations such as the NYEP will require varying structures as it migrates through birth, youth, midlife and maturity stages. At the birth stage for instance, only few people will be employed hence there will be less specialisation and a more simple structure as compared to the maturity stage where the organisation will have more employees to manage.

**Environment:** The environment of an organisation refers to the forces and institutions that affect its performance. The environment in which the organisation operates determines the type of structure to be adopted. Organisations that operate in stable environments are likely to adopt mechanistic structures which predict high level of certainty. Organisations that operate in volatile environments may adopt a more flexible structure to facilitate easy adaptation to the changes associated with such environments.

**Leadership:** The leadership of the organisation including the founders will influence the structure to be adopted. If the original founders are more innovative, then a more simple and flexible structure will be adopted. On the other hand, if the original founders are conservatives then a bureaucratic structure will be adopted.

(5 points @ 2 marks each = 10 marks)

(Total: 20 marks)

### EXAMINER'S COMMENTS

This question was generally very well answered with some candidates obtaining the maximum marks at a) and scoring good marks at b). A significant number of candidates however performed poorly at b).

### QUESTION TWO

a)

i) **Price Elasticity of Demand**

$$\text{Price elasticity of demand} = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$$

$$\text{Percentage change in quantity demanded} = \frac{15\text{million}-10\text{million}}{10\text{million}} \times 100 = 50\%$$

$$\text{Percentage change in price} = \frac{\text{GHC}1.50-2.00}{2.00} \times 100 = -25\%$$

$$\text{Price elasticity demand} = \frac{50\%}{-25\%}$$

$$\text{Price elasticity of demand} = -2.0$$

(4 marks)

ii) **Factors Determining the Café's Price Elasticity of Demand**

**Availability of substitutes:** The existence of close substitutes to the cocoa drink sold by the company could cause the changes in the shops price elasticity of demand. When other competitors sell close substitutes like coffee products, buyers would have a choice, hence reducing their dependence on the company for their breakfast meals which can then affect the company's price elasticity of demand.

**Degree of necessity:** The importance buyers attach to the breakfast meals sold by the Café can also affect the price elasticity of demand. If the kind of meals sold by the Café is considered as a basic necessity of life, then people will continue to buy from them even if they increase the price. Alternatively, if people consider the kind of breakfast sold by the Café as luxurious, then they will not buy even if the price is not increased hence affecting the price elasticity of demand.

**Consumers' income:** The disposable income of the buyers can also influence the price elasticity of demand of the company's products. If consumers earn enough income, then they would not be affected by any price increase because they can buy the company's cocoa drink no matter the increase in price. On the other hand if consumers are not earning enough income then any insignificant increase would be considered as high and affect their buying patterns.

**Adjustment period:** Certain goods have elastic demand over the long run than over the short run and as a result price adjustment may take some time before it takes effect. With reference to the cocoa drink sold by the Café, an upward price adjustment would reduce demand because people would decide not to buy the cocoa drink but rather buy other food item. This can affect the price elasticity of demand for the Café's cocoa drink.

**Scope of the market:** The price elasticity of demand for sugar and liquid –based breakfast may be low or high depending on the perception of the market and availability of other substitutes. If the market perceives sugar-based breakfast as unhealthy, then any price increase would result to low elasticity of demand. Alternatively if the market perceives sugar-based breakfast as a sign of good living then any price increase would not affect the demand for the company's cocoa drink.

**Consumer sensitivity:** The general sensitivity of consumers to price changes could influence the elasticity of demand for the Café's products.

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

**b) Levels of planning within an organisation**

**Strategic**

A strategic plan is the company's big picture. It defines the company's goals for a set period of time, whether that's one year or ten, and ensures that those goals align with the company's mission, vision, and values. Strategic planning usually involves top managers, although some smaller companies choose to bring all of their employees along when defining their mission, vision, and values.

**Tactical**

The tactical strategy describes how a company will implement its strategic plan. A tactical plan is composed of several short-term goals, typically carried out within one year, that support the strategic plan. Generally, it's the responsibility of middle

managers to set and oversee tactical strategies, like planning and executing a marketing campaign.

### **Operational**

Operational plans encompass what needs to happen continually, on a day-to-day basis, in order to execute tactical plans. Operational plans could include work schedules, policies, rules, or regulations that set standards for employees, as well as specific task assignments that relate to goals within the tactical strategy, such as a protocol for documenting and addressing work absences.

**(3 points @ 3.33 marks each = 10 marks)**

**(Total: 20 marks)**

### **EXAMINER'S COMMENTS**

Many of the candidates performed very badly at both parts of this question. Some candidates answered sub-question b) relatively well but either could not attempt a) at all or did very badly there.

### **QUESTION THREE**

- a) Management is the process of deciding what an organization wants to do, putting appropriate organizational structures in place, and taking steps to ensure that employees perform their assigned duties and responsibilities in order that organizational objectives would be achieved. Leadership on the hand is the act of influencing people to willingly act in a given manner to achieve set group objectives.

The main difference between the two is that whereas a manager's leadership of his subordinates is a function of the position he holds in an organization, a leader is given his roles by his followers and his 'authority' may be removed if the followers cease to acknowledge him.

**(5 marks)**

- b) Power refers to the ability of one person to do something or influence a person or group to act in a certain manner irrespective of the nature or amount of resistance by the persons being influenced whereas authority means the legitimate right of a person to direct or control another. Authority is exercised by a person by reason of his position in an organization or group.

Thus, whilst power denotes the capacity of a person to wield force, authority relates the right given to a person to act in a given manner which right is recognized by the people being influenced.

**(5 marks)**



c) **Functions of Management**

- **Planning** as a management function involves making decisions about organizational goals and objectives and the strategies to achieve them. Planning ranges between short-term tactical planning and long-range strategic planning.
- **Organizing** relates to the way in which management assigns tasks and resources including employees to the various departments in order that organizational goals and objectives would be achieved.
- **The directing** function of management involves leading or supervising employees of the organization to accomplish their given tasks. It relates to interpreting organizational policies and procedures and giving feedback to employees on their performance.
- **Co-ordination** refers to ensuring that the efforts and activities of individuals and departments within the organization align with each other so that they all work constructively towards the pre-determined goals and objectives of the business.
- **Controlling** as a function of management involves the periodic monitoring of the performance of individuals and departments by comparing actual performance with targets and taking corrective measures when performance falls short of targets.

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

(Total: 20 marks)

**EXAMINER'S COMMENTS**

The question was very well answered by most of the candidates. They answered both parts of the question and scored very good marks.

**QUESTION FOUR**

- a) Performance appraisal can be defined as the process of looking at the performance of an employee and assessing his/her strengths and weaknesses. The ultimate aim of appraisal is to improve upon the performance of the employee. (2 marks)

**b) Benefits of Performance Appraisal to Employer**

- Appraisal provides a formal system for assessing the performance and potential of employees with the view to identifying candidates for promotion in future.
- It also provides a means for identifying ways of improving the competencies of employees in order to raise the general level of efficiency and effectiveness of the work force.
- In large organizations, appraisal serves as a valuable system for human resource planning and ensuring that employees are ready for promotion, to fill top management vacancies when they occur.
- If it is well managed, performance appraisal can improve communication between management and employees and ultimately improve working relationships.

(Any 3 points @ 1.5 marks each = 4.5 marks)

**Benefits of Performance Appraisal to Employee**

- Performance appraisal enables the employee to receive feedback about his performance at work as well as an assessment of his efficiency.
- A formal appraisal system offers the employee the opportunity to discuss his future prospects and ambitions with his superiors.
- It can be used to identify and agree measures for further training and development aimed at improving employee competence.
- Appraisal may be used as a basis for considering pay and rewards.

(Any 3 points @ 1.5 marks each = 4.5 marks)

**b)**

- i) **Job enlargement** is the horizontal extension of jobs and involves adding to tasks at the same level of performance. Thus, it is a job design technique where a variety is added to a job in order to reduce monotony and make the job more interesting for the employee. (3 marks)
- ii) **Job enrichment** is the job design technique which seeks to vertically extend the job of the employee. Its focus is to instill a sense of achievement and provide a sense of involvement with the job and the organization. The ultimate goal of job enrichment is a feeling of personal growth and sense of responsibility for the employee. (3 marks)
- c) **Job rotation** is the process of moving an employee from one job to another at regular intervals so that he becomes familiar with the work done in each job. It is the job design technique which gives the employee a broad range of experience in the activities of the organization. It aims at preparing the employee to take up higher level positions in the future. (3 marks)

(Total: 20 marks)

**EXAMINER'S COMMENTS**

This question was generally well answered by many candidates, especially sub-question b) and c). Some of the candidates could not distinguish between employee appraisal and organizational performance and so performed abysmally at part a).

## QUESTION FIVE

- a) Data consists of raw, unprocessed facts and figures which provides very little meaning whereas information refers to the data which has been processed in such a way that renders it meaningful for decision making and planning purposes.

(2 marks)

### b) Essential Qualities of Information

- **Accuracy:** Information must be reliable in order to be useful. This means that only facts and figures which add up should be given with no errors or ambiguities, and any assumptions made clearly stated.
- **Cost effectiveness:** It is important to ensure that the cost of obtaining and using processed information does not outstrip the benefit to be derived from its use.
- **Timeliness:** This means that information should be available to the person entitled to receive and use it when it is needed. No matter how valuable it is, if the information is not received at the time it is required, it ceases to be useful to the user.
- **Completeness:** Whereas unwanted information should be eliminated at all costs, that which should be communicated should include everything relevant to the decision to be made. It should offer the recipient all he requires with nothing left out.
- **Understandable:** The user of information should easily read and understand it. Communication would be incomplete if the recipient of any information fails to comprehend it in order to be able to act in the manner desired of him.

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

### c) PEST ANALYSIS-PBL

<p><b>Political factors</b></p> <ul style="list-style-type: none"> <li>• Government proposal to increase regulations in the manufacturing of alcoholic beverages (due to the health problems associated with its consumption).</li> <li>• Strong political stability (for business growth)</li> </ul>	<p><b>Economic factors</b></p> <ul style="list-style-type: none"> <li>• Increase in disposable income (of the people)</li> <li>• Strong economic stability in the country</li> </ul>
<p><b>Socio-cultural factors</b></p> <ul style="list-style-type: none"> <li>• Reluctance of those with purchasing power to buy (due to health concerns).</li> <li>• Demographic shifts in the population indicating that there are more women than men, (most women don't consume alcoholic beverages).</li> </ul>	<p><b>Technological factors</b></p> <ul style="list-style-type: none"> <li>• Modern automation system</li> <li>• Lean manufacturing system (for operational efficiency)</li> <li>• Efficient research and development team that can quickly develop new products.</li> </ul>

**Two factors correctly identified under each environmental factor @ 1 mark= 8 marks**  
**Correct heading @ 0.5 marks=2 marks**

**(Total: 20 marks)**

### **EXAMINER'S COMMENTS**

The a) part of the question was very well answered, with most of the candidates obtaining very high marks. Indeed a few of them scored the maximum marks. Performance at the b) part of the question was however not good enough as only a few candidates attempted it and obtained marginal marks. Majority of the candidates did not seem to have read this part of the syllabus and so avoided the question.

### **CONCLUSION**

We can conclude that the above average performance of candidates was because some of them appeared to have prepared for the examinations and also attempted to study all parts of the syllabus.

We will renew our appeal for close collaboration between the Institute, private tuition providers and question setters/examiners in order to direct candidates in their preparations towards the examinations.

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 by ensuring they have covered all aspects of the syllabus.

The candidates must also be encouraged 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.