

JULY 2024 PROFESSIONAL EXAMINATIONS
BUSINESS MANAGEMENT & INFORMATION SYSTEMS (PAPER 1.2)
CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME

EXAMINER'S GENERAL COMMENTS

We observed that some of the candidates did not prepare adequately for the examinations and that 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 up to standard. Question setters indicated how many points candidates were required to explain/state 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, neither were there any grammatical errors in the questions which were within and fairly spread across the syllabus.

PERFORMANCE OF CANDIDATES

There was an improvement in the performance of candidates. We recorded a 72% pass rate compared to the 63% pass rate recorded in the March 2024 examinations. Of the one hundred and thirty-four (134) candidates who wrote the Paper, ninety-six (96) of them passed indicating a seventy-four per cent (72%) pass rate.

This shows nine per cent (9%) appreciation in performance when compared with the performance recorded in the previous examinations.

We hold the view that the candidates performed better because some of them took their time to prepare for the examinations although the preparations were not adequate. 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.

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

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) Ali Baba opted for a *sole proprietorship* among the various business entity types to sell clothing and bags to help finance her professional accounting education.

Required:

Elaborate on **FIVE (5)** reasons which might have influenced her decision to choose this type of business entity. **(10 marks)**

- b) Boketey Ltd is operating as a medium-sized company in Accra but has now decided to expand to all the regional capitals, and has therefore decided to decentralise its operations.

Required:

State **FIVE (5)** reasons for the decision to decentralise its operations. **(10 marks)**

(Total: 20 marks)

QUESTION TWO

- a) The strategic management process is sometimes described as having three stages: strategy analysis, strategy formulation and strategy implementation. However, Mintzberg argued that the process of strategy analysis, formulation and implementation does not provide a realistic description of strategic management. He argued that the strategies implemented by an entity are a combination of deliberate and emergent strategies.

Required:

- i) Describe the three stages of strategic management process. **(6 marks)**
ii) Explain the difference between a *deliberate strategy* and an *emergent strategy*. State an example of an emergent strategy. **(6 marks)**

- b) Many countries in Europe currently have an ageing population. At some time in the fairly near future, there will be about twice as many individuals who are past the normal age for retirement as there are individuals between 18 and 65 years of age. Mr Agyengo, the CEO of Hantz Electronics is worried that his company with 4,000 staff strength, has an aging population.

Required:

Describe the possible consequences of an ageing population to Hantz Electronics.

(8 marks)

(Total: 20 marks)

QUESTION THREE

- a) The *Maslow's Hierarchy of Needs* is the most popular motivational theory applied by business practitioners to motivate their employees.

Required:

State **TWO (2)** measures which can be used to motivate employees at each level of the Hierarchy. **(10 marks)**

- b) A group is defined as two or more individuals, who have come together to achieve a particular objective. People join groups for a number of reasons. They might be looking for affiliation, a fulfilment of social needs.

Required:

- i) Distinguish between *formal groups* and *informal groups*. **(4 marks)**
ii) Explain **FOUR (4)** benefits that may accrue to an individual for joining a formal group. **(6 marks)**

(Total: 20 marks)

QUESTION FOUR

- a) The layout of an operation is concerned with the physical location of its transforming resources. It concerns the decision to put all the facilities, machines, equipment and staff into the operation. After the process type has been selected, the basic layout type needs to be selected.

Required:

Explain the following with a suitable example each:

- i) Fixed-position layout. **(4 marks)**
ii) Process layout. **(3 marks)**
iii) Product layout. **(3 marks)**

- b) Hakeem Ltd is engaged in the business of manufacturing a wide range of children clothing since the past six years. The Company has built a reputation for good quality products of latest designs and its brand name is very popular in the middle class segment of the market. The company strongly believes in a policy of giving “value for the customer’s money”. Currently, Hakeem Ltd markets its products through a widely dispersed network of independent retailers who sell the company’s brands along with the products of other manufacturers.

Hakeem Ltd is considering a proposal of forward integration and establishing its own chain of retail outlets for sale of its products. Hakeem Ltd would however, continue to sell its products through the network of existing retailers also.

Required:

Explain **FOUR (4)** factors which Hakeem Ltd should examine while evaluating the proposal for establishing its own network of retail outlets. **(10 marks)**

(Total: 20 marks)

QUESTION FIVE

- a) You work as an accounts officer in a supermarket in Accra. The supermarket has recently witnessed a dramatic growth in its customer base. Management has therefore decided to install a Transaction Processing System (TPS) to cater for this growth.

Required:

State **FIVE (5)** advantages that would accrue to the supermarket with this decision.

(10 marks)

- b) Mamaga Group is the largest supermarket group in the country. In spite of a decline in total consumer spending in the national economy last year, spending in the supermarket sector as a whole increased, and Mamaga Group also increased its market share. It now has over 20% of the market for food-and-drink shopping in the country. It is also enjoying strong growth in the sale of non-food products such as clothing (it has its own brand of fashion clothes) and domestic electrical goods.

Mamaga Group has just announced record annual profits, and investors expect the growth in profitability to continue, in spite of signs of weakness in the national economy. Rival supermarket groups have been attempting to regain lost market share. Two rival groups merged a year ago. Another competitor was acquired a few years ago by a major US supermarket group and is pursuing an aggressive competitive strategy. Mamaga Group's success is due partly to its reputation for low prices and reasonable quality products, and its efficient in-store service.

The group continues to acquire land and to purchase retail property with the intention of building more out-of-town stores and smaller in-town convenience stores. It does not have any business operations outside the country. There is some concern about the possibility of government action to prevent the group from exploiting its 'near-monopoly' position in the market.

Required:

- i) What is the purpose of *SWOT analysis*? **(2 marks)**
- ii) Using the information provided, carry out a SWOT analysis for Mamaga Group. **(8 marks)**

(Total: 20 marks)

SUGGESTED SOLUTIONS

QUESTION ONE

a) **Reasons for choosing sole proprietorship business entity**

- **Minimal capital.** Ali Baba chose sole proprietorship because this type of business entity does not require any huge capital to start operations.
- **Easy formation.** She chose sole proprietorship because this type of business entity can be established with the minimum of formalities because there are few legal procedures and regulations involved in the starting-up process.
- **Autonomy.** Operating a sole proprietorship business would grant her the freedom and independence in her operations. She would not need to consult any one before taking decisions.
- **Profit disbursement.** She would have access to the profits generated in business alone. This is because the business belongs to only the owner hence profits also belongs only to the owner.
- **Flexibility in operations.** She can have flexibility in operations. In case of changes in market demands she can easily adapt to such changes without any difficulties because there is no delay in decisions regarding her business operations.
- **Excellent customer care.** She would be able to provide excellent customer care. The reason is that she would have personal closeness and relationship with customers which will help her in solving customer problems as quickly as they come to her attention.

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

b) **Reasons for decentralisation**

- **To improve local decision making:** An organisation may decide to decentralise its activities if it desires to improve decision making at the branch or local levels. The emphasis may be on the fact that local managers are in close touch with the day-to-day operations and can make more informed and speedier decisions.
- **Concentrate on strategic decisions:** An organisation may decentralise its activities if it intends to relieve central management from divisional activities to enable them concentrate on more strategic decisions affecting the organisation.
- **To improve communications:** By decentralising its activities the organisation reduces response time with communication flow at the local level so that actions be taken more swiftly.
- **To motivate branch managers:** An organisation that decides to decentralise its activities may do so with the aim of motivating managers at the divisional and branch levels to feel that they are part of the decision making machinery in the organisation hence increasing their motivation.
- **To develop skills:** An organisation may decentralise its activities if it intends to develop managerial ability at the divisional or lower levels because managers at

the lower level will have the opportunity to make challenging decisions that previously may be made by those at headquarters.

- **To increase competitiveness:** An organisation may use decentralisation as a strategy to increase its competitiveness especially if it is serving a diversified and wider market.
- **To allow participation:** Organisations may use decentralisation as a way to allow employees to be involved in decisions that affect them and their work.

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

(Total: 20 marks)

EXAMINER'S COMMENTS

This question was very well answered by most candidates with many of them scoring very good marks and a few obtaining the maximum marks.

QUESTION TWO

a)

Strategy analysis is the process of assessing the strategic situation (perhaps using techniques such as SWOT analysis) and identifying different alternative strategies that might be chosen to pursue the entity's objectives. The preferred strategy is then selected. **(2 marks)**

Strategy formulation is the process of developing plans and establishing targets for achieving the selected strategy. **(2 marks)**

Strategy implementation is putting the strategic plans into operation, and monitoring actual progress by comparing actual achievements against the targets. **(2 marks)**

Mintzberg argued that some strategic plans might be developed and implemented in this rational way. These are deliberate strategies.

More usually, planned strategies often do not go according to plan, because unexpected developments occur that alter the situation. As a result, some of the planned strategies might be abandoned, and new strategies selected in response to the new circumstances. **(3 marks)**

A strategy adopted in order to take advantage of an unexpected opportunity is an emergent strategy. Mintzberg argued that the strategies of entities are a combination of deliberate and emergent strategies.

Example of emergent strategy – A company rapidly expands its product lines in response to customer demand. **(3 marks)**

b) The company might eventually be affected by an ageing population in any of the following ways.

- It might need to persuade some employees reaching retirement age to continue in work past their retirement age.
- Unless the need for labour is reduced (for example by technological developments), the company might need to consider attracting employees from other countries or it might need to consider re-locating operations in another country where a problem of an ageing population does not exist.
- As the population gets older, the demand for goods and services will change. (For example, the demand for running shoes might fall and the demand for golf clubs increase). The company might need to adapt its products or services to meet this changing demand.
- The company might also need to consider the effects of an ageing population on its employees. It seems likely that employees in the future will be required to pay more in taxes to support the cost (state pension costs and medical costs) of the retired population. This is likely to affect employee attitudes to issues such as wage and salary levels.

(8 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This question was generally not well answered by most candidates, especially part (b). Whereas many could answer part (a) well, most did badly at (b) or refrained from answering it and in the process scored poor marks there.

QUESTION THREE

a) **Using Maslow's hierarchy of needs to motivate employees**

Physiological needs: The manager can motivate employees by implementing the under measures below:

- Paying adequate wages and salaries.
- Providing subsidised canteen services.
- Providing clothing allowance.
- Providing rent allowance and accommodation for employees.
- Providing medical care during and after employment.

(Any two points @ 1 mark = 2 marks)

Security needs: The manager can motivate employees by implementing the measures below:

- Providing insurance cover for employees.
- Providing retirement benefits and unemployment compensation.
- Providing consistent supervisory treatment and fair grievance procedure.
- Providing job security and job continuity.
- Providing security guards at the workplace and residences of employees.
- Provision of protective gears.
- Establishment of security and safety committees.
- Creation of emergency exits and fire drills.

(Any two points @ 1 mark = 2 marks)

Social needs: The manager can motivate employees by implementing the measures below:

- Providing coffee breaks.
- Providing periodic and annual get-togethers for employees.
- Providing lunch facilities and offering recreational activities.
- Creating teams and build team spirit among employees.

(Any two points @ 1 mark = 2 marks)

Ego/Esteem: The manager can motivate employees by implementing the measures below:

- Providing deserving employee with symbols of status that fulfill their ego needs.
- Providing job titles to employees.
- Providing privileged parking for managers and executives,
- Providing promotions to deserving employees.
- Providing spacious offices and company vehicles to deserving managers and executives.
- Providing merit awards, praise and recognition to deserving employees.
- Providing opportunities for training and development to improve knowledge, skills and abilities.

(Any two points @ 1 mark = 2 marks)

Self-Actualisation: The manager can motivate employees by implementing the measures below:

- Inviting managers to act as guest speakers during organisational programmes and activities.
- Providing managers, the opportunity to share their personal life stories with other employees.
- Providing challenging jobs for managers.
- Encourage creativity among managers.

(Any two points @ 1 mark = 2 marks)

b)

i) **Formal and informal groups**

A *formal group* is any organisation that has rules and procedures governing the way work is divided and carried out and how tasks are grouped into departments. An *informal group* on the other hand refers to the social structure that governs how employees work together in an organisation.

Difference: Whilst formal groups emphasise on clear definition of authority and job responsibility, informal groups emphasise on social relationships like friendships and alliances.

(4 marks)

ii) **Benefits of groups**

- **Security:** When he/she joins the group the level of insecurity that is associated with being alone will be reduced because of the support from group members.
- **Enhanced Status:** If he/she becomes a member, the recognition and respect given to the group members will also be extended to him/her.
- **Self Esteem:** As a member of a group he/she will enjoy some sense of feelings or self-worth from the group.
- **Power:** There is power in numbers, and what cannot be achieved individually can be achieved by the group.
- **Knowledge acquisition:** When an individual joins a group he/she will have the benefit of gaining knowledge from the more experienced members of the group.
- **Enhanced negotiation position:** The individual by becoming a member of a group will enhance his/her negotiation position because the impact of group decisions carries more weight than individual decisions.
- **Friendship:** It is a mechanism of satisfying the individuals' needs for friendship and social intercourse.
- Groups serve as an opportunity to find the individuals identity and for leadership.

(Any 4 points @ 11/2 marks each = 6 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Most candidates answered the part (a) very well and scored very good marks. However, part (b) was badly answered. Generally, candidates scored fairly good marks.

QUESTION FOUR

a) The basic layout type is the general form of the arrangement of the facilities of the operation.

i) **Fixed -position layout:** Fixed-position layout is the type of layout where the product being manufactured remains fixed at a given place and materials, people and equipment in the transformation process are transported to it. This is so because the product or the recipient of the service is too large to be moved conveniently, or it might be too delicate to move, or it could even object to being moved. For example:

- Monitoring construction- The product is too large to move.
- Open- heart surgery- Patients are too delicate to move.

(4 marks)

ii) **Process layout:** Process layout is so called because the needs and convenience of the transforming resources which constitute the processes in the operation dominate the layout decision. In process layout, similar processes (or processes with similar needs) are located together. The reason is that it is convenient for the operation to group them together, or that the utilisation of transforming resources is improved. This means that when products, information or customers flow through the operation they will take a route from process to process according to their needs.

Different products or customers will have different needs and therefore take different routes through the operation. Examples include:

- Hospital- Some processes (e.g. X- ray machines and laboratories) are required by several types of patients.
- Supermarket- Some processes, such as the area of holding tinned vegetables, are convenient to restock if grouped together. Some, such as the area holding frozen meat and / or fish, need the common technology of freezer cabinets.

(3 marks)

iii) **Product layout:** Product layout (sometimes called line-flow layout) refers to the type of layout in which workstations or departments are arranged in a linear path. Here, the customer or product flows in a smooth, continuous flow. Resources are arranged around the customer's or product's route, rather than shared across many of them.

The key feature of this layout type is that resources are placed to maximise product flow. Each product or service will follow a path which is pre-determined by the product's processing requirements. Most traditional product lines in factories follow this layout. Examples include:

- Vehicle assembly- Almost all variants of the same model require the same sequence of processes.

- Self- Service Cafeteria- Generally the sequence of customers' requirements is common to all customers, but layout also helps control customers flow.

(3 marks)

b) Hakeem Ltd should consider the following factors while evaluating the decision to establish its own network of retail outlets:

- Examine the existing network of retailers of Hakeem Ltd to ascertain the extent to which they have advantages of location of their shops in important shopping centres.
- Compare the capital expenditure involved in the establishment of retail stores and their recurring operating expenses and inventory carrying costs with the costs incurred under the existing set-up.
- Estimate the envisaged number of its own retail stores to be established to cater to the requirements of the target segment of the market.
- Determine the ability of Hakeem Ltd to mobilise sufficient financial resources required to establish and operate the business of retail marketing of its products
- Examine whether sufficiently experienced and trained staff at various levels would be available to manage and operate the retail outlets.
- Ascertain the profit margins currently earned by the independent retailers on the Company's products and the impact of the self-owned retail outlets on the company's profitability.
- Consider the impact of the decision to establish own retail outlets on the Company's future relationships with the independent retailers.
- Examine the need to revise the terms and conditions relating to sales to be offered to the independent retail outlets.
- Enquire into the business policies of competitors who have their own retail network and whether Hakeem Ltd would be able to enjoy a competitive advantage over the independent retailers.
- Examine the extent to which the availability of more reliable information of future market and fashions trends would be an advantage after the company establishes its own retail outlets.
- Analysis of the industry growth expected and the market share to be captured, carry out a viability study of the share of market available
- Analyse the value addition by gaining ownership of retail outlets; evaluate the possibility of brand dilution in independent retail houses.

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

(Total: 20 marks)

EXAMINER'S COMMENTS

Most of the candidates did very badly on this question because they did not seem to have studied that part of the syllabus.

QUESTION FIVE

a) Advantages of Transaction Processing System (TPS)

- **Time saving:** TPS can process large volumes of data within a short period of time.
- **Operational efficiency:** TPS will facilitate the smooth operations of the supermarket and will provide the base for other internal information systems.
- **Database stability:** TPS facilitates database stability in the sense that in the event of network failure, the information will be stored in the database and the transaction will continue when service is restored.
- **Activity tracking:** TPS assists information system managers and staff to keep track of all activities and transactions of the company such as sales and receipts.
- **Access to a wider market:** TPS will enable the supermarket to access potential customers to buy the goods when linked to the internet.
- **Time sharing:** TPS facilitates the sharing of the system and its properties among multiple users working on the same transaction at the same time.
- **Back-up:** TPS provides the basic building blocks for other systems in that it has a backup in case of system failure.

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

- b) The purpose of SWOT analysis is to carry out an analysis of the strategic position of an entity, through an assessment of its internal strengths and weaknesses, and the threats and opportunities in its environment. It can be used as a basis for developing strategies for dealing with risks or exploiting opportunities and strengths.

However, it is not a tool for evaluating and prioritising strengths, opportunities, weaknesses and threats.

(2 marks)

<p>Strengths</p> <ul style="list-style-type: none"> • Profitability • Growth in non-food business • Large and increasing market share • Reputation for low prices and reasonable quality • Reputation for good service 	<p>Weaknesses</p> <ul style="list-style-type: none"> • No weaknesses are apparent in the information provided.
<p>Opportunities</p> <ul style="list-style-type: none"> • Continuing growth in the size of the market • Further out-of-town and in-town expansion 	<p>Threats</p> <ul style="list-style-type: none"> • High investor expectations about future performance • Activities of competitors • Possibility of government action against monopoly position

(8 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Performance on this question was not good enough as most of the candidates obtained very low marks.

CONCLUSION

We can attribute the improved performance to the fact that some of the candidates prepared for the examinations and also attempted to study all parts of the syllabus.

RECOMMENDATIONS

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 themselves 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.