

JULY 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 only a few of the candidates took time to prepare adequately for the examinations and that majority 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, as always, was of standard quality. Question setters 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, 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 69% pass rate compared to the 63% pass rate recorded in the March 2023 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. The handwriting of some candidates were so ineligible that it made the marking of their scripts very difficult as examiners had to spend too much time on them. Also the pens used by some candidates were so light, making reading of their scripts a little bit difficult.

QUESTION ONE

- a) The basis for assessing excellent company performance is gradually moving away from profitability to how ethical the company operates and treats its stakeholders.

Required:

Outline **TWO (2)** ethical obligations of a company towards the following stakeholders.

- i) Employees (2 marks)
- ii) Customers (2 marks)
- iii) Shareholders (2 marks)
- iv) Suppliers (2 marks)
- v) Community (2 marks)

- b) Your childhood friend who knows nothing about business operations has decided to establish a form of business organisation with funds bequeathed to him by his late uncle. While you believe a limited liability company is most suitable, he prefers either a sole proprietorship or partnership.

Required:

Explain to your friend **FIVE (5)** reasons a Partnership form of business would not be a good idea. (10 marks)

(Total: 20 marks)

QUESTION TWO

- a) During the period between September and December 2022, there was a situation of constant price level changes in Ghana. Observers and experts of Economics attributed the situation to market failures which can be *demand-side market failure or supply-side market failure*.

Required:

Elaborate on the two types of failures stated above. (5 marks)

- b) Positioning is an activity business organisations use to create a mental image of their products in the minds of their target markets.

Required:

Outline **FIVE (5)** benefits associated with positioning in an organisation. (5 marks)

- c) The management of National Gas Ltd categorises its plans into three, namely *strategic, business and operational*. The categorisation is done to enhance operational efficiency of the company.

Required:

Describe the three categories of the company's plans. (10 marks)

(Total: 20 marks)

QUESTION THREE

- a) Leadership is undoubtedly an essential complement of position authority. This means that no matter the amount of authority a person wields by reason of the position he holds in an organisation, if he does not possess and demonstrate effective leadership qualities, he is bound to fail in the management of subordinates.

Required:

- i) In reference to the above statement, explain *leadership*. (2 marks)
ii) Explain **FOUR (4)** sources of a leader's power. (8 marks)

- b) A major consideration for managers and supervisors today is the problem of getting employees motivated by the introduction of new methods, having come to the realisation that the use of extrinsic factors like wages and salaries, bonuses, commissions and other conditions of work do not motivate individuals whose lower level needs have been largely satisfied.

Required:

- i) In reference to the above statement, explain the term *motivation*. (2 marks)
ii) Outline **FOUR (4)** measures which a manager can adopt in his attempt to motivate employees rather than the use of extrinsic rewards. (8 marks)

(Total: 20 marks)

QUESTION FOUR

- a) Sections 10 and 11 of the Labour Act 2003, Act 651 explicitly states the *rights and duties of employers and employees* to facilitate a harmonious working relationship between the two parties.

Required:

State **FIVE (5)** duties of both the employers and employees as stated in the Labour Act. (10 marks)

- b) Product layout is a production layout used for manufacturers who produce large volumes of goods to ensure smooth rapid flow of production.

Required:

Highlight **FIVE (5)** advantages of a product layout. (10 marks)

(Total: 20 marks)

QUESTION FIVE

- a) The company in which you work as Clients' Services Manager has recently registered a steep growth in its customer base. To cater for this level of growth and future occurrences, you have decided to recommend to management to consider the acquisition and installation of a Transaction Processing System (TPS).

Required:

Write a letter to management on your recommendation by:

- i) Explaining a *Transaction Processing System*. (2 marks)
 - ii) Explaining **FOUR (4)** characteristics of a Transaction Processing System. (8 marks)
- b) A Threat which is an element of SWOT can be described as a factor or situation in a firm's external environment that can be an obstacle to the efficient operations of the organisation.

Required:

In reference to the statement above, explain **FIVE (5)** factors which can pose a threat to the successful operations of a business organisation. (10 marks)

(Total: 20 marks)

SOLUTION TO QUESTIONS

QUESTION ONE

a) Ethical behaviour of a manufacturing company to stakeholders

i) **Employees**

- Avoid unnecessary redundancies.
- Avoid outsourcing jobs if it can be done internally.
- There should be truth and honesty in advertised jobs.
- Remuneration should be reasonable, paid on time and understandable to the employee.
- Avoid all unapproved deductions in salaries.
- Provide safe and healthy working conditions.
- Avoid using technology to illegally spy on employees.

(Any two points outlined × 1 mark=2 marks)

ii) **Customers**

- Provide quality goods and services to buyers.
- Avoid deceptive pricing practices to entice buyers.
- Avoid all forms of dishonest advertisements to deceive customers.
- Provide equal treatment to all customers in all dealings.
- Avoid all forms of baiting and switching practices.

(Any two points outlined × 1 mark=2 marks)

iii) **Shareholders**

- Avoid insider trading.
- Avoid declaring losses when the company is actually making profits.
- Avoid engaging in hostile takeovers which will disadvantage shareholders.

(Any two points outlined × 1 mark=2 marks)

iv) **Suppliers**

- They should be paid on time.
- Avoid discriminatory practices in the selection of suppliers.
- Avoid using suppliers' invoices as a basis for determining prices.

(Any two points outlined × 1 mark=2 marks)

v) **Community**

- Avoid all forms of pollution in the community.
- Avoid using materials which can harm the health of the people in the community.
- Provide a quota of the company's workforce to the people in the community.
- There should be effective conservation of natural resources and energy.

(Any two points outlined × 1 mark=2 marks)

b) **Disadvantages of Partnership**

- **Unlimited liability** - Unlike limited liability company, members of the partnership have unlimited liability and their personal assets may be attached to defray the debts of the business.

- **Death of partner** – The death of partner will result in the dissolution of the partnership.
- **Partner's action** – The inappropriate action of a partner binds the other partners
- **Liability for partner's debts** – All partners are liable for the business debts incurred by any one partner and this may lead to unpleasant consequences for the firm.
- **Decision making** – Decision making in the partnership firm may be slowed in that all the partners must be consulted before a decision is taken.
- **Sharing of profits** – Unlike the case of a sole proprietor where he enjoys all profits, all the partners share the profits made by the business which may not be adequate compared to that of the sole proprietor.

(Any five (5) points x 2 marks each = 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Part (a) of this question was generally not well answered because instead of outlining ethical obligations of an organisation towards its stakeholders, most candidates concerned themselves with statutory obligations and so scored very low marks. Many of them however performed well at part (b).

QUESTION TWO

a) Demand-side market failure and supply-side market failure

Demand-side market failure occurs when demand curves do not reflect consumers' full willingness to pay.

Supply-side market failure on the other hand occurs when supply curves do not reflect all production costs including those that may be borne by third parties.

(5 marks)

b) **Benefits of positioning**

- Positioning will help a company to attract new customers.
- Positioning of a product will enable the product to gain some superiority over other competing brands.
- Positioning claims will force the company to deliver those claims to the benefit of the target market.
- Positioning strategies that are true and effective will provide the product with a brand.
- Positioning can be used to differentiate the product from others.
- Positioning can help a company to increase its market shares.

(Any five points outlined × 1 mark= 5 marks)

c) Categories of the company's plans

Strategic plan

This plan includes the overall activities of an organisation's operations. It is long term in nature and its development is done by top management of the organisation. It may include intended mergers, acquisitions and redundancies. It may also include the allocation of resources for specific projects. The strategic plan also considers the interests of all stakeholders including shareholders, customers and employees.

(3.33 marks)

Business plans

Business plans concern the competitive position of the divisions in the organisation. Business plans also deals with the category of goods and services the firm intends to produce as well as the markets to serve.

(3.33 marks)

Operational plans

Operational plans focus on the key specific functions within the organisation, such as marketing, finance or human resources and the contributions they make towards the organisation's competitiveness and to the strategic and business plans.

(3.33 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Not even one candidate could obtain a mark at part (a) of this question. All of them scored zero here. Parts (b) and (c) were very well answered by many of the candidates with some of them scoring very good marks there.

QUESTION THREE

a)

i) **Definition of Leadership**

Leadership is the art of influencing a person or group of people to willingly strive to achieve set objectives or goals. It is the ability to guide, direct and influence the actions or activities of a person or group towards goal attainment in a given situation. (2 marks)

ii) **Sources of a Leader's Power**

Legitimate power – This is based on the subordinates' or followers' acceptance that the leader has the power to exercise the influence over them as a result of the position he occupies in the group, usually organization.

Expert power – This sort of power is hinged on the subordinate's perception of the leader as someone who possesses some expertise and who has some special knowledge in a specified field of endeavour.

Coercive power – is based on fear and the followers' conviction that the leader has the capacity to administer punishment or create undesirable outcomes for those who refuse to obey his instructions.

Referent power relates to the subordinates' identification with the leader. Here the leader exercises influence because the followers perceive him as possessing some personal attributes, reputation or what is often referred to as 'charisma'.

(4 points x 2 marks each = 8 marks)

b) **Definition of Motivation**

i) Motivation describes the reason or reasons for acting or behaving in a particular manner. This in turn impacts the general willingness or desire of a person to do or fail to do something. (2 marks)

ii) **Ways to Motivate Employees Rather Than By Extrinsic Rewards**

- **Worker participation** – When employees are encouraged and allowed to take part in the affairs of the company, they feel belonged and important and so put in their best efforts in the performance of their duties.
- **Decision making** - When workers are allowed to be involved in decisions concerning them and their work, they tend to own the decisions and therefore do everything to ensure their successful implementation.
- **Job redesign** – Employees become motivated when their jobs are redesigned in order to expand the scope of the job to include extra duties and responsibilities or enrich the content of the job so that the employee perceives his job as more interesting and challenging.
- **Management relations** with employees can act as a motivator or otherwise. If in the process of getting things done through employees, management exercises the right kind of leadership, employees feel motivated to exert more efforts towards the attainment of organizational goals.
- **Opportunity for personal development** – When an organization initiates and operates a system which offers opportunities for workers to advance in their

careers through promotion, training and development, employees may be motivated to put in extra efforts in their attempt to achieve set targets.

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

(Total: 20 marks)

EXAMINER'S COMMENTS

Only a few candidates could properly answer both parts of this question. It is a shame that some candidates could not explain 'leadership' and the sources of a leader's power. In the circumstance many of them did poorly at part (a), but part (b) was generally well answered by most of the candidates.

QUESTION FOUR

a) Duties of employers and employees

Employers

- Provide work and appropriate raw materials, machinery, equipment and tools.
- Pay the agreed remuneration at the time and place agreed on in the contract of employment or collective agreement or by custom without a deduction except deduction permitted by law or agreed between the employer and the worker.
- Take practicable steps to ensure that the worker is free from risk of personal injury or damage to health during and in the course of the worker's employment or while lawfully on the employer's premises.
- Develop the human resources by way of training and retraining of the workers.
- Provide and ensure the operation of an adequate procedure for discipline of the workers.
- Furnish the worker with a copy of the worker's contract of employment.
- Keep open the channels of communication with the workers.
- Protect the interests of the workers.

(Any 5 points stated × 1 mark = 5 marks)

Employees

- Work conscientiously in the lawfully chosen occupation.
- Report for work regularly and punctually.
- Enhance productivity.
- Exercise due care in the execution of assigned work.
- Obey lawful instructions regarding the organisation and execution of the worker's work.
- Take reasonable care for the safety and health of fellow workers.
- Protect the interests of the employer.
- Take proper care of the property of the employer entrusted to the worker or under the immediate control of the worker.

(Any 5 points stated × 1 mark = 5 marks)

b) Advantages of product layout

- **High rate of output.** There is increased rate of output. This is because there is minimal movement away from the product.
- **Low unit cost.** There is low unit cost per product. This is due to the distribution of high volume and high cost of specialised equipment.
- **Reduced training costs.** There is reduced training costs on employees. This is because labour specialisation reduces the time and amount of money on training. This results in a wide span of supervision.
- **Reduced material handling.** There is low material handling costs. This is because material handling is simplified as units follow the same sequence of operations.
- **Routing and scheduling.** There is the establishment of routing and scheduling in the initial design of the system. They do not require attention once the system is operating.

- **Routine support services.** Support services such as accounting, purchasing and inventory are fairly routine.

(Any 5 points explained × 2 marks = 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

Most of the candidates did very well at part (a) with some scoring the maximum marks. The second part of the question was however avoided by many candidates and some of those who attempted it scored very low marks.

QUESTION FIVE

a)

i) **Definition of Transaction Processing System (TPS)**

A Transaction Processing System (TPS) is an information system that keeps track of the transactions required to conduct business. It is usually computer-based.

(2 marks)

ii) **Characteristics of a Transaction Processing System (TPS)**

- TPS produces detailed reports on specific information about routine business activities.
- Inputs to the system are transaction data whereas outputs consist of processed transactions.
- Each functional unit or department can own its TPS.
- The database of transactions stored on a TPS is used to support the Management Information System (MIS) of an organization.
- It is of immense importance to managers and supervisors because it deals with day-to-day business matters.

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

b) **Factors That Can Threaten an Organization's Operations**

- The entry of new firms in the market where a business organization operates can pose a serious threat to its operations, especially in a low growth market.
- The introduction of new or improved products or services by competitors can be a threat to the firm.
- The emergence of new or cheaper technologies will pose a threat to the existence and operations of a firm because any firm which would desire to withstand the competition must quickly adapt to the technological change.
- New or revised central or local government regulations which are more worrisome to a particular firm will be a threat to its operations than its rivals.
- An increase in the cost of capital is a serious threat to a firm which operates with a huge amount of borrowed capital.
- A deterioration in the political environment in which a firm operates can pose a serious threat to its existence.

(Any five (5) points x 2 marks each =10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The (a) part of the question was very poorly answered, with most of the candidates obtaining very low marks. Indeed a few of them scored zero marks. Performance at part (b) was however very good enough as most of the candidates obtained the maximum marks.

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. For example, at part (b) of question one (1) in the current examinations, many candidates spent time explaining other forms of business ownership when the examiner had not asked them to do so before attempting to answer the substantive question which was on Partnership for which marks was allocated, leaving them with little or no time for that.

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