

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

EXAMINER'S GENERAL COMMENTS

The overall performance of candidates was generally below expectation, and was even poorer than that which was recorded in the November 2023 examinations.

Some candidates appeared not to have directed their minds to some portions of the syllabus. We also conclude that most candidates did not take time to prepare well for the examinations.

STANDARD OF THE PAPER

The Business Management and Information Systems paper was of standard quality. The marks allocated for each of the questions followed the weightings in the syllabus.

There were neither grammatical errors nor typing or other errors in the questions. There were also no ambiguities in the questions and none of the questions was 'too loaded'. The marks allocated to questions were appropriate.

The questions were fairly spread across the syllabus.

PERFORMANCE OF CANDIDATES

The performance of candidates was quite disappointing, compared to the previous examinations. We recorded a 63% pass mark, compared to the 69% pass mark recorded in November 2023, indicating a 6% drop in the pass rate. Out of the ninety-two (92) candidates who took the Paper, fifty-eight (58) of them passed.

Although the general performance fell below expectation, a few of the candidates did very well, meaning they took their time to prepare adequately for the examinations. We do not have evidence to suggest there was any form of copying or collusion at any centre.

QUESTION ONE

- a) You have been approached by a high school friend for advice as to the form of business organisation in which he should invest. He indicates to you that he does not necessarily want to be directly involved in the day-to-day running of the business because he has family matters to attend to. You intend to recommend that he invests in a public limited liability company.

Required:

Explain **FIVE (5)** features of a Public Limited Liability Company to your friend.

(10 marks)

- b) Asanko Ltd is a dry dock company which repairs fishing trawlers. The company has its headquarters in Ghana with subsidiaries in Sierra Leone, Gambia and Liberia. The company has adopted *decentralisation policy* for its operations.

Required:

Explain **FIVE (5)** reasons which might have accounted for the company's decision to adopt this policy for its operations.

(10 marks)

(Total: 20 marks)

QUESTION TWO

- a) World class organisations invest financial and non-financial resources in developing *vision and mission statements* because they believe that such investment will yield numerous benefits.

Required:

Explain **FIVE (5)** of such benefits.

(10 marks)

- b) Briefly discuss how the following external stakeholder groups may be rewarded for a company's good financial performance.

- i) Shareholders
- ii) Customers
- iii) Suppliers
- iv) Government

(4 marks)

- c) A perfectly competitive market has been described as one in which buyers and sellers have no option but to take the price determined by the forces in the market. Whereas prices are determined by the forces in a perfectly competitive market, *a monopolist firm can maximise its revenue by doing one of two things – choose price or quantity.*

Required:

- i) Explain **THREE (3)** characteristics of a perfectly competitive market.

(3 marks)

- ii) Explain the statement in bold.

(3 marks)

(Total: 20 marks)

QUESTION THREE

- a) Although informal groups are not deliberately created by the management of organisations, they nevertheless exist and sometimes play positive roles in the achievement of set objectives.

Required:

- i) Explain an *informal group*. (2 marks)
ii) Explain **FOUR (4)** features of an informal group. (8 marks)

- b) Some organisations in Africa are experiencing below average performance as a result of poor leadership practices. Business strategists have the opinion that this below average performance can only be rectified if *effective leadership practices* are developed and implemented.

Required:

Describe **FIVE (5)** of these practices. (10 marks)

(Total: 20 marks)

QUESTION FOUR

- a) Most organisations implement promotional campaigns with the objective of attracting new customers and retaining existing ones. The sad news is that their objectives are never realised because they fail to solve the *fundamental problem of poor customer services*.

Required:

Explain **FIVE (5)** remedies which can be used to solve this fundamental problem.

(10 marks)

- b) Both manufacturing and service organisations are making increasing use of Total Quality Management (TQM) in their attempt to achieve operational efficiency. However, its implementation has been met with some form of resistance from employees who do not seem to fully appreciate the concept.

Required:

- i) Explain *Total Quality Management (TQM)*. (2 marks)
ii) Outline **FOUR (4)** conditions which must prevail for the successful implementation of the Total Quality Management (TQM) concept. (8 marks)

(Total: 20 marks)

QUESTION FIVE

- a) The management of Marine Trust Company is developing a *new information system* to facilitate excellent performance and effective customer service.

Required:

Explain **FIVE (5)** measures to ensure the reliability of the new system. **(10 marks)**

- b) The *Porter's Five Force Model* is regarded as a tool for driving industry competition. The model is used to analyse the competitive environment in terms of five key forces that impact a company's profitability and influence its strategy.

Required:

Explain the components of the Model. **(10 marks)**

(Total: 20 marks)

SUGGESTED SOLUTION

QUESTION ONE

a) **Features/Characteristics of Public Limited Liability Company**

A public limited liability company is incorporated under the Companies Act 2019, Act 992. It is composed of not less than seven members. That is, the minimum number of persons who can form a public limited liability company is seven.

- Due to the large number of members, the company can raise large amount of initial capital to operate on a scale larger than other forms of business units.
- It can also invite the public to subscribe for shares, thus making it possible for the firm to raise additional working capital.
- The company is regarded in law as a person distinct and separate from the members. It can acquire and own property in its own name.
- The liability of members is limited which means that unless in very special circumstances, members are not liable for the debts and liabilities of the firm.
- Because it is a public company, a member can transfer his shares without the consent of other members.

(5 points x 2 marks each = 10 marks)

b) **Reasons for Adopting Decentralisation**

- **Quick decision making:** There is quick decision making in the decentralised units. This is because the unit or country heads will not require the approval of the headquarters for some decisions to be made.
- **Reduction of operational misunderstanding:** There will be reduction in operational misunderstanding between the headquarters and the units because there is some sharing of power to manage between the headquarters and the branches in the various countries.
- **Better supervision:** There is better supervision of subordinates at the country branches. This is because managers at the country branches are closer to their subordinates and as a result will be able to supervise them more closely than they being supervised from the headquarters.
- **Improved motivation:** Managers at the branches will be motivated to dispense their responsibilities. This is because they will have a sense of ownership and belonging in the operations of the organisation.
- **Accountability:** Decentralisation ensures high levels of accountability at the branches. This is because managers at the branches will make good decisions in the allocation of resources because they will be called to account for every decision made in terms of resource allocation.
- **Greater flexibility:** Decentralisation results in greater flexibility. This is because the branches do not necessarily require the approval from the headquarters when certain operational changes are needed.

(Any 5 points × 2 marks = 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

All the candidates answered this question with some of them scoring the maximum marks at (a). Part (b) was also fairly well answered by many of the candidates who scored very good marks. Generally, this question was well answered.

QUESTION TWO

a) Benefits of Vision and Mission Statements

- **Unanimity of purpose.** They ensure unanimity of purpose within the organisation because all functional activities strive to achieve the same stated intention.
- **Bases for strategic planning.** They provide bases for all other strategic planning activities including internal and external assessment, establishing objectives, developing strategies and choosing among alternative strategies for the organisation.
- **Higher organisational performance.** They help achieve higher organisational performance. This is because the organisation will implement strategies to achieve the intentions set in both statements.
- **Focal point.** They serve as a focal point for individuals to identify with the organisation's purpose and direction and to deter those who cannot comply from participating further in the organisation's activities.
- **Translating objectives into work structure.** They facilitate the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the organisation.
- **Specifying organisational purposes.** They specify organisational purposes and then to translate these purposes into objectives in such a way that cost, time, and performance parameters can be assessed and controlled.

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

b) Good performance should result in improved profitability and therefore other stakeholder groups may be rewarded for 'good performance' as follows:

- i) Shareholders may receive increased returns on equity in the form of increased dividends and /or capital growth.
- ii) Customers may benefit from improved quality of products and services, and possibly lower prices.
- iii) Suppliers may benefit from increased volumes of purchases.
- iv) Government will benefit from increased amounts of taxation.

(1 mark each = 4 marks)

c)

i) Characteristics of Perfectly Competitive Market

- The market is composed of a large number of buyers and sellers, none of whom can dominate the market.

- All the buyers and sellers who operate in the market have perfect information about factors affecting price and they all behave rationally.
- A perfect market is for undifferentiated and homogenous product so that buyers are indifferent as to who they buy it from.
- There are no barriers to firms which desire to enter or leave the market. Entry into and exit from the market are free.

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

ii) **Options Available to Monopolist: Choose Price or Quantity**

In its attempt to maximize profits, the monopolist firm can choose to set the price at which it is willing to sell the product in which case buyers decide how many units they can buy at that price level.

The firm may also decide to set the quantity of products it wants to sell and be prepared to accept the price at which the buyers are willing to buy the product.

(3 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

The question was also generally well answered by most candidates who obtained fairly good marks.

Unlike in the previous examinations where candidates avoided questions relating to Economics, in this diet most of them scored very good marks at Part (c) which is a good sign.

QUESTION THREE

a)

i) **Explanation of Informal Group**

An informal group can be defined as a network of personal and social relationship which develops when individual workers meet and interact with each other in an organization. Informal group essentially emphasize on social relationships like friendships and alliances. Thus, their main focus is people, not work.

(2 marks)

ii) **Features of an Informal Group**

- Informal group are not the creation of the management of an organisation and so do not exist in a formal or clearly defined sense.
- Because they are not organised by management, informal groups do not have specific objectives or tasks.
- They develop through the interaction of employees at the workplace.
- Membership of an informal group depends on the social interactions between members. New members may join the group at any given time just as old ones can also exit at any time.
- Informal group members do not have established roles or titles.

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

b) **Effective Leadership Practices**

- **Foster effective relationship with subordinates:** The effective leader should be able to foster effective relationship with subordinates. This will require that the leader becomes abreast with the concerns of those who are being led.
- **Encourage effective participation:** The leader should involve all subordinates in the decisions which affect them. Such participation will encourage subordinates to refrain from the feeling that decisions are imposed on them.
- **Transparency:** The leader should be transparent to subordinates in all affairs concerning the operations of the organisation. When subordinates are told the truth they will comply with all directives given by the leader.
- **Credibility:** The leader should be credible in terms of behaviour. A leader who demonstrates to subordinates that he/she is trustworthy will be able to get most decisions through and lead effectively.
- **Lead by example:** The leader should be able to lead by example. The leader should be able to demonstrate to subordinates how they should behave by he/she taking a lead in such behaviour which will then make subordinates to be willing to comply with all directives irrespective of their difficulties.
- **Interdependency:** The leader should have an attitude that exhibits interdependence between the leader and the subordinates. This will show that they are moving towards the achievement of a common goal and see each other as equal contributors to the achievement of that goal.

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

(Total: 20 marks)

EXAMINER'S COMMENT

The a) part of the question was very well answered by most of the candidates who scored very good marks with a few scoring the maximum marks. The b) part was however not properly answered by most candidates.

QUESTION FOUR

a) Remedies to Poor Customer Services

- **Train customer facing staff:** There should be regular training programmes for employees. This will equip them with new knowledge, skills and attitudes that will enable them offer better services to customers.
- **Establish a customer feedback platform:** There should be platforms such as suggestion boxes and on-line complaints services that will enable disgruntled customers to air their grievances and experiences for corrective actions to be taken.
- **Compensate customers:** The organisation should compensate customers who are actually offended through poor customer service from employees. This can be done by inviting the offended customers and providing them with a gift and assurance of better services in the future.
- **Rotate customer facing staff:** Customer facing staff should be rotated between duties. This will enable them to better understand varying customer concerns and provide solutions when they are confronted with such problems.
- **Resolve customer complaints quickly:** Complaints from customers should be resolved as quickly as they are reported. This can provide some assurance to customers that the organisation regards them as very important.
- **Recognition for best customer service employees:** There should be the introduction of awards to employees who deliver excellent services to customers. This will serve as a motivation to those employees and at the same motivate other employees to deliver similar services.
- **Customer surprise initiatives:** Customers should be given occasional surprises to show that they are appreciated. Periodic telephone calls or emails can be used to share occasional messages.

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

b)

i) Explanation of Total Quality Management (TQM)

Total Quality Management (TQM) is a management philosophy involving all organizational members in a continual effort to improve upon quality of goods and services and achieve customer satisfaction. (2 marks)

ii) Conditions/Guidelines for Implementing TQM

- Management should demonstrate top down commitment and involvement approach in order to get all workers to participate in the implementation of the programme.
- Employees must be properly trained and given the required resources to facilitate the effective implementation of the system.

- Management must determine and communicate critical measurement factors which can be used to monitor the progress of the programme.
- Teamwork should be instituted and emphasized by management to ensure the successful implementation of TQM.
- Management should periodically make known to employees the success of the programme to act as motivator to employees.
- The costs of quality and routes to improvement must be identified to enhance the successful implementation of the programme.
- Management must offer rewards for contribution towards the success of the programme.

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

(Total: 20 marks)

EXAMINER'S COMMENTS

The question was poorly answered at Part (a) by most of the candidates who obtained very disappointing marks. Some candidates refrained from answering the Part (b) of this question, but the few who answered it obtained fairly good marks.

QUESTION FIVE

a) Reliability of Information System

- **Network connections:** The management of the company should ensure that there is constant and consistent network connections. This can be done by making sure the connectivity infrastructure in the company is always functional to avoid unnecessary downtimes.
- **Availability of expertise:** There is the need to ensure the required personnel with the needed expertise are made available to facilitate efficient and constant operations and also to rectify all faults when they occur.
- **Data security:** There is the need to ensure that organisational and customer details stored in the company's database is protected. This is to prevent the incidence of unauthorised persons hacking into the system to steal or tamper with such details.
- **Back-up:** There should be an efficient back-up system for the existing information system. This will ensure that the operational information system will have a support in case there is break down in the transmission of the main system.
- **Regular update and upgrading of software and hardware:** The management of the company should ensure that there is constant update and upgrading of the software and hardware for the information system. This is to ensure that customers are provided with efficient services.

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

b) **Components of Porter's Five Force Model**

- **Rivalry among competing firms**

This is based on the assumption that there are many competing firms dealing in the same line of product with similar characteristics such as quality, prices, and attractions. When the rival firms are homogenous in terms of products and prices it reduces their competitiveness.

- **Threat of new entrants**

New entrants are firms entering an existing market. New entrants may come with new products that have advanced features which are preferred by buyers. New entrants may also enter the market with reduced prices. When such situations are not handled effectively new entrants can take the market share belonging to existing competing firms.

- **Availability of substitute products**

Substitute products are products provided by competing firms. These products offer similar services and satisfaction. Customers can easily switch to new products if the existing products are not meeting customer expectations.

- **Bargaining power of suppliers**

Suppliers provide the company with materials and components needed for manufacturing the company's products. Suppliers can be powerful if they supply major components of the company's products. Again fewer suppliers means limited choices and therefore they have the power to raise prices.

- **Bargaining power of customers**

Customers are the individuals and organisations that patronise the goods and services offered by the company. Customers can be powerful if they have alternatives to choose from. Powerful buyers can drive down the prices of products and services offered.

(5 points @ 2 marks each = 10 marks)

(Total: 20 marks)

EXAMINER'S COMMENTS

This question was very badly answered by many candidates at both Parts (a) and (b).

Instead of explaining measures to ensure the reliability of the system, most of them were explaining how to make it secure which is just an aspect of the reliability of the new system.

Most candidates went about explaining the PEST factors instead of the Five Force Model. A few candidates however did answer this part very well and scored very good marks whilst some also avoided it completely.

CONCLUSION

We believe that the rather lower performance of candidates was largely due to the fact that most of them did not take time to prepare well for the examinations. They did not seem to have read certain parts of the syllabus.

We would repeat our appeal for close collaboration between the Institute and the private tuition providers in order to guide them and candidates in their studies towards the examinations.