

**STRICTLY CONFIDENTIAL**

**THE PUBLIC ACCOUNTANTS EXAMINATION COUNCIL  
OF MALAWI**

**2009 EXAMINATIONS**

**ACCOUNTING TECHNICIAN PROGRAMME**

**PAPER TC 11: MANAGEMENT**

**(DECEMBER 2009 )**

TIME ALLOWED: 3 HOURS

**SUGGESTED SOLUTIONS**

1. (a) Management can be defined in several ways including:
  - To forecast and plan, to organize, to command, to coordinate and control.
  - The process of deciding what should be done and getting it done through other people.
  - An activity which involves decisions about ends, means, conduct and results.
  - An operational process consisting of planning, control, coordination and motivation.
- (b) The roles of management are as follows:

- (i) **Interpersonal Role**  
Entails working with, directing and representing people.

The three key roles in this respect are:

- **Figurehead**  
The manager is a formal representative of the organization acting as a symbol of unity and focal point of cognitive focus.
- **Liaison**  
The manager is a link between the organization and other organizations i.e. forming connections with these organizations.
- **Leader**  
The manager is a leader in relation to members of a group within the organization. The leader coordinates group activities towards strategic organizational goals.

- (ii) **Informational Role**

The manager obtains and disseminates information to group members. This involves three key roles as follows:

- **Monitor**  
The manager seeks, receives and stores information that can be used to the advantage of the organization.
- **Disseminator**  
The manager broadcasts useful information to the organization.
- **Spokesperson**

On behalf of the organization, the manager communicates information to other relevant groups and bodies both internal and external.

(iii) Decision-making roles

Decision-making constitutes the core of a manager's job. In this respect there are four key roles involved:

- Entrepreneur

The manager looks for ways to improve the operation of the organization or for new products/market opportunities.

- Disturbance - handler

the manager handles crises effectively.

- Resource Allocator

The manager is responsible for constructing budgets and allocating resources.

- Negotiator

The Manager spends a great deal of their time as negotiators because only they have the necessary information and the authority to carry out this role.

## (c) The differences between management and administration are:

- Managers occupy more strategic organization positions than administrators.

- Managers formulate strategic plans and decisions whilst administrators implement them.

- Managers mobilize and allocate organizational resources whilst administrators receive and use the resources to implement plans and decisions.

## 2. (a) Departmentation is a process by which large organisations are divided into smaller units. This enables the organisation to minimize the disadvantages of bigness and to maximize a given type of specialization.

(b) The **five** common bases of departmentation are:(i) Grouping by function

Under this, same or similar activities are grouped together and placed under the authority of a manager. Examples include production, sales, accounting and personnel divisions.

(ii) Grouping by product

A large organisation with many products can divide its operations according to products. A pharmaceutical company, for example could create a chemicals division and a beauty products division with each division being self-sufficient in expertise, labour and capital.

- (iii) **Grouping by process**  
Where a product passes through a series of processes, each process could be placed under a separate department. For example in a furniture manufacturing firm separate departments could be created for cutting wood, varnishing and assembly and dispatch on delivery.
  - (iv) **Grouping by geographical area**  
Under this branches or divisions are established on the basis of region or territory both locally or internationally. Most banks and some organisations operate a branch network in the country.
  - (v) **Grouping by type of customer**  
Under this, customers with similar or common needs are placed under one division or department. An example is hospitals that have different departments to cater for different types of patients.
- (c) (i) **Grouping by function**
- Advantage:** Work is not duplicated because each department has its own area of responsibility.
- Disadvantage:** Each department may be insulated from other departments due to increased specialization.
- (ii) **Grouping by product**  
**Advantage:** Labour and management can become more specialized as each division concentrates on one product.  
  
**Disadvantage:** There could be some duplication of labour effort.
- (iii) **Grouping by process**  
**Advantage:** Also increases specialization as specialists concentrate on only activities in their division.  
  
**Disadvantage:** If one process or several slackers the entire operation is adversely affected as in a relay race.
- (iv) **Grouping by geography**  
**Advantage:** The allocation of a division to a given area or country ensures close links with that area and fosters understanding of local problems.  
  
**Disadvantage:** In case of major decisions, decision making could be slow if the headquarters is far away in a different country.
- (v) **Grouping by type of customer**  
**Advantage:** Each segment of the market may be served by a specialist division.  
  
**Disadvantage:** It can be costly as it calls for more administrative and accounting procedures.

3. (a) According to Henzberg motivations include achievement, responsibility recognition, advancement on promotion, growth and the job itself.

Hygiene include conditions of service, company policy and administration, supervision, interpersonal relations, wages and salary, physical working conditions etc.

- (b) Henzberg's first contribution was his emphasis that managers concentrate on motivations if they wish to enhance motivation of their work force instead of hygiene as had been the case before.

The second contribution is that the two-factor theory led to the development of a number of job design techniques such as job enlargement, job enrichment etc.

- (c) The first criticism leveled at the two-factor theory is that Henzberg's results could not be replicated by other researchers using different methods other than the critical incident method he used.

The second criticism is that his theory can only be used to motivate managers and other senior employees in organisations as junior employees such as labourers may not be interested in such things as achievement, recognition etc but just to earn money to purchase their basic needs.

- (d) **Two** different work situations in which Theory X and Theory Y respectively can be an effective tool of motivation are:

(i) Theory x

- Where employees are lazy and do not have drive for work.
- Where employees do not want responsibility.
- Where employees are essentially motivated by extrinsic motivators.
- Where employees are untrustworthy and dishonest.

(ii) Theory Y

- Where employees naturally like and want to work.
- Where employees want and seek responsibility.
- Where employees are intrinsically motivated.
- Where employees can be trusted.

4. (a) The **five** roles of HR practitioner are:
- Advisory Role  
The HR practitioner advises line managers and other specialists on various HRM practices.
  - Service Role  
The HR practitioner personally undertakes various activities to execute HR functions.
  - Expert Role  
The HR practitioner assumes the role of an internal consultant as a source of readily available information for line managers and other specialists.
  - Partner Role  
The senior HR Director or President directly contributes to the strategic organization processes such as strategic planning, budgeting, human resource planning and investment decisions.
- (b) **Five** reasons why HRM is better than PM as a concept for managing people are:
- HRM is democratic whilst PM is autocratic
  - HRM is a strategic whilst PM is peripheral
  - HRM is flexible while PM is inflexible
  - HRM is unitarist while PM is pluralist
  - HRM is contemporary concept whilst PM is classical and outdated concept.
5. (a) The marketing mix is a conceptual framework for making decisions. It comprises four elements of product, price, promotion and place or distribution which are commonly referred to as the 4Ps.
- Products  
Products are means by which organisations satisfy their customers. They include tangible products such as physical goods and intangible services such as banking, security, education etc.
- Pricing  
This is an important element of organisation marketing mix as it determines the revenues which it will generate. Both high selling price and low selling price affect sales volume targets and profit earned. It is therefore, important to set the correct price.

### Promotion

This is concerned with communicating the benefits of the firm's product to their target markets. It includes advertising, personal selling, public relations, sales promotion, sponsorship etc

### Place (distribution)

This is concerned with how customers should access the firm's goods and services. Choosing intermediaries and how to physically move and handle goods as they move from manufacturing to consumer are some of the decisions involved.

- (b) A product such as a cell phone would have a high price as it is introduced on the market in order to recoup research and development costs and advertisement costs which may be high being a new product. Sales will be low as product is not yet known and so production will be limited.

As the product reaches growth stage, after surviving introduction, make customers come to know the product not only through advertising but personal testimonies of other customers, demand increases enabling the company to expand production and realize some economies of scale which translate into easing of prices.

As the product reaches maturity stage other firms are attracted to the market or industry because of the success of the product. The market which was expanding is soon flooded with similar products or imitations from competitors and the firm is forced to reduce its price in order to remain competitive.

If this trend continues, unless the firm is pursuing extension strategies, this would lead to a further reduction in price as the product heads for extinction.

- (c) Markets can be segmented using various methods including the following:

- (i) Demographic

This refers to the use of population characteristics such as age, gender, household size, stage in family cycle, as the bases for segmentation. Some products are age or gender specific, for example clothes, young people would value fashionability while old people would be more interested in comfort and durability.

- (ii) Geographical

This uses geographical areas as a basis for market segmentation. Some products such as beer and newspapers have a special appeal to specific geographical areas. Certain types of beer sell well in only some areas because of consumer preferences. This is also true of some newspapers which must include a local content to satisfy the specific needs of the area.

6. (a) Grievance refers to a complaint that is formally presented by employees to management for solution in redress.
- (b) Grievance may be caused by various factors including the following:

- Poor Communication
 

This may lead to misunderstanding, confusion and resentment which may be recipe for grievances.
  - Unfair reward system
 

Reward system that fails to reward good performance while rewarding favourites who do not perform to the required standard can trigger grievance.
  - Treating employees as if they were children or ignorant
 

Belittling employees as if they are valueless creates resentment that can eventually culminate into grievance.
  - Unresolved conflict between management and the workforce or between the workers themselves.
 

Unresolved conflict increase dissatisfaction and tension at workplace that may eventually grow into grievance.
  - Socio-technical factors
 

Where the organization is obsessed with organizational needs at the expense of employee needs, grievances tend to emerge.
  - Poor equipment
 

Where employees are required to improve productivity while using poor equipment creates dilemma that may eventually lead to grievance.
  - Management ignorance of employees concerns and aspirations whether genuine or feigned.
 

This ignorance is tantamount to “I don’t care attitude” by management and can strain employee relations that can be a recipe for grievance.
- (c) The stages of a standard grievance procedure are as follows:

### **Stage 1**

The concerned employee or employees conveys the grievance to the immediate superior/supervisor for redress. The supervisor should arrange to resolve the grievance within three days of receipt of the grievance. Trade Union officials and HR specialists need not be part of this meeting or hearing. If the grievance cannot be resolved within the three days, it should be referred or appealed to the Head of Department.

## **Stage 2**

The head of Department arranges to resolve the appealed grievance within three days during which HR specialists and trade union officials and those who participated in stage 1 discussions should be in attendance. The minutes of the previous stage should be read, confirmed and adopted with changes if necessary. If the grievance cannot be amicably resolved at this stage within three days it should be appealed to the next stage to be presided by the Chief Executive Officer.

## **Stage 3**

The Chief Executive, in the presence of those who were part of stage 2, will attempt to resolve the grievance within three days. The minutes of the previous hearing should be read, confirmed and adopted with changes if necessary. If the Chief Executive Officer cannot resolve the grievance within three days, he/she will outsource it for Third Party intervention, mediation arbitration and conciliation by Labour Commissioner, Industrial Relations Court or independent competent solicitor.

- (d) The characteristics of effective grievance procedure are as follows:
    - It should be designed with the involvement of employees for ownership by employees.
    - It should be in writing and be publicized for all employees and other stakeholders to access.
    - It should be understood by those to use it.
    - Its coverage should be broad enough to cover all relevant areas of work.
    - It should be up-to-date through periodic reviews to take account of changes.
    - It should be transparent and open.
    - It should embrace the principles of natural justice.
7. (a) The candidates should compare Performance Management and Traditional Performance Appraisal as follows:
- Traditional performance appraisal is autocratic whilst Performance Management is democratic.
  - Traditional performance appraisal is historical and backward-looking whilst Performance Management is essentially forward-looking and developmental.

- Performance Management is based on evidence about what the appraisee and appraiser did or failed to do and its impact on performance.
- Traditional performance appraisal is entirely formal whereby performance is evaluated only one at the end of appraisal period whereas Performance Management, performance is evaluated continuously i.e. both formally and informally.

(b) **Two** advantages and **two** disadvantages of each of the following appraisal technique are:

(i) Essay Report

#### Advantages

- Flexibility

Since it is unstructured it can accommodate as many variables of performance as possible.

- Opportunity to broadly reflect on performance.

Since the appraiser is not tied to structured or standard form he/she is free to reflect on the whole performance trend of appraisee.

- Transparency and openness

The appraisee has an opportunity to read the report before endorsing their signature as acceptance of performance rating.

#### Disadvantages

- Prone ness to bias

The appraiser is given excessive discretion that may be abused to overassess or underassess appraisees.

- Lack of standardization

Since the Essay Report does not follow one format there is no agreed checklist of performance variables or benchmarks as standard appraisal criteria.

- Time Consuming

Writing Essay Reports for Large number of appraisees is time – consuming and stressful.

- It is expensive

Writing large number of essays is expensive in terms of stationery involved.

(ii) 360°

**Advantages**

- **Comprehensives**

All those that have interactions with the appraise, both insiders and outsiders, are contacted to make comments on the performance of the appraise.
- **Objectivity**

The technique has checks and balances against bias as many people are allowed to make remarks on the performance of a particular employee.
- **Participative Performance Appraisal**

A wide range of stakeholders are given a voice on how a particular employee is performing their job. This promotes workplace democratization.
- **Improved Team Working**

This technique can promote team spirit that can ripple to benefit other organization functions.
- **Improved Communication** within the organization and between the organization and its suppliers, customers and clients.

**Disadvantages**

- Information overload
- Time – Consuming
- It is expensive in terms of stationery

(iii) Self – appraisal

**Advantages**

- Appropriate and convenient for senior management whose jobs are difficult to specify and quantify.
- The employees themselves may know better than someone else about how they are progressing towards performance targets and challenges encountered in the process.
- Employee Motivation

Increases challenge and responsibility of the employee.

### Disadvantages

- Prone ness to bias  
People have the propensity to portray a good image of themselves and they can overassess themselves to achieve this desire.
- Its success is dependent on the willingness of employees to assess themselves which may not always be forthcoming.
- Limited Application  
Some employees may lack appraisal knowledge and skills and thus Jeopardizing appraisals.
- Some corporate cultures may consider this appraisal technique unacceptable.
- Loss of management control over performance. This is risky as performance is a crucial component of organization success.

### (iv) Management By Objectives (MBO)

#### Advantages

- It is result – oriented  
It encourages managers to accomplish expected results.
- It makes a clear linkage between individual performance targets and organization mission.  
Appraisee participates in the whole appraisal process from goal – setting to performance assessment agreeing on development plans.
- It is participative  
Employee empowerment and esteem are promoted as a result of employee participation.
- Staff Motivation  
Develops performance objectives and targets that are SMART.

### (v) Behaviourally Anchored Rating System (BARS)

#### Advantages

- Recognizes that some personality traits can impact on performance.
- Can improve staff discipline and behavior and hence employee relations at workplace.

#### Disadvantages

- Personality traits are difficult to identify and quantify.
- The relationship between personality traits and performance is remote and complex in practice.
- Personality traits tends to fade away with increasing age hence BARS is not a reliable criteria for measuring performance.
- It is the situation that determines performance rather than personality traits. Personality traits that may account for good performance in one situation may not do so in a changed context.

8. (a) Organizational change is important for the following reasons:
- (i) It permits individual learning and development.
  - (ii) It allows organizations to adapt and respond to contextual changes so as to survive and grow.
  - (iii) It ensures improvement in product and service quality through continuous improvement.
  - (iv) It is a form of a solution for problems that cannot successfully be deal with within the existing circumstances.
  - (v) It promotes innovation and creativity essential for the generation of new ideas and products as well as services.
  - (vi) It allows organizations to develop and sustain competitive advantage in order to cope with competition.
  - (vii) It allows organizations to adopt new technology so as to be in line with global technological advancement.
  - (viii) It is generally accepted as an indicator of modernity and enlightenment.
- (b) Internal drivers and external drivers of corporate change are as follows:
- (i) Internal Drivers

- Need to improve productive efficiency.
- Need to improve the quality of products or services.
- Need to deploy people where they are most effective.
- Efforts to introduce cultural change.
- Planned changes in strategy.

(ii) External Drivers

- Change in demand for organisation's products or services.
- Threatening tactics of competitors.
- Takeover of business by a more powerful enterprise.
- Merger of the business with another.
- Change in the terms of trade.
- Development of new technology now available for application.
- Political changes.

(c) **Four** reasons that make people resist change are:

(i) Habit

Naturally people have a propensity to say “no” to change regardless of its logic.

(ii) Conservatism

Because of illiteracy, cultural socialization, among other reasons, some people passionately oppose any need for change.

(iii) Disorientation

People may oppose change because it may challenge and undermine their current orientations, capabilities, attitudes and self-image.

(iv) Uncertainty or fear of the unknown

This creates discomfort and resistance to change.

(v) Fear of loss of status, power, influence, resources, leadership, friends and several other treasures.

- (d) **Four** techniques that can be adopted to minimize resistance to change are as follows:
- Persuasion  
It entails explaining the logic of change in order to induce resisters to accept change.
  - Civic Education and Training.  
Civic Education entails socializing people to accept change by engaging them in induction courses.  
Training prepares people for new challenges and demands that change can generate. This is because training can equip people with the necessary knowledge skills and abilities to cope with change.
  - Effective communication of change.  
Change needs to be communicated as early as possible in order to give people enough time to come to terms with the change.
  - Cooption of the leaders of resisters to change.  
This can be done by incorporating leaders of resisters to change in Transitional Change Management Team. Their followers will have no choice but to accept change.
  - Use of incentives  
The use of rewards in order to entice people to accept change may reduce peoples negative attitudes towards.

**E N D**