

STRICTLY CONFIDENTIAL

THE PUBLIC ACCOUNTANTS EXAMINATION
COUNCIL OF MALAWI

2010 EXAMINATIONS

ACCOUNTING TECHNICIAN PROGRAMME

PAPER TC 11: MANAGEMENT

(DECEMBER 2010)

TIME ALLOWED: 3 HOURS

SUGGESTED SOLUTIONS

1. (a) The Classical School of Management is not completely applicable to modern organizations because of the following reasons:

- Increased dynamism and competition

Modern organizations are doing business in environments that are more dynamic and competitive than ever before. To survive, grow and prosper in such environments organizations have to adapt and respond to contextual changes promptly classical Theory of management is too inflexible to permit this organizational responsiveness and adaptability.

- Advert of Democracy and Good Governance

Employees of today have been awakened to realize, claim and defend their human rights. Classical Theory of management cannot augur well with these new employee demands because of its advocacy of autocracy.

- Improved Education

Today employees are more educated, knowledgeable and are demanding improved quality of working life. Classical School of management thought cannot accommodate this need because of its tendency to deskill and marginalize employees.

- The Need to Develop and Sustain Competitive Advantage

It is imperative for modern organizations to develop and sustain competitive edge in order to cope with competition which is fiercer than before. Reliable source of this competitive edge are people (human capital) that should be harnessed by developing and motivating them. Classical Theory of management cannot cope with this reasoning as it is exploitative and autocratic.

- Existence of Informal Organization

Modern managements realize that organizations are composites of both formal and informal organizations. Informal organizations allow employees to satisfy the needs that may not be offered by formal organization. The Classical Theory of management does not recognize the existence of informal dynamics in organizations.

- Recognition of Multiple Motivators

Modern organizations realize that different people are motivated by different needs at different points in time. Unfortunately, Classical Model wrongly believes that people are only motivated by monetary factors. This shortsighted notion cannot cope with more demanding and sophisticated modern workforce.

(b) The characteristics of a social system are as follows:

- Openness

A social system is open of its operating environment to facilitate the acquisition and deployment of inputs and outputs respectively.

- Interdependence

A social system is made up of subsystems that depend upon and affect each other. By extension systems themselves also depend and affect each other.

- Cyclic Nature

The returns from marketing enable further inputs to be made to complete the cycle of production.

- Negatively Entropy

Entails acquiring more energy than is required for output and store it to enable survival in difficult times.

- Steady state

Refers to the maintenance of balance between inputs flowing in from external environment and the corresponding outputs returning to it. It is a form of dynamic equilibrium.

- Feedback

Negative feedback in particular enables the system to correct deviations.

- Differentiation

Refers to the tendency to move towards greater specialization of functions and multiplicity of roles.

- Equifinality

Social systems do not have to achieve their goals in one particular way. Similar ends can be achieved by different paths and from different starting points.

2. (a) Planning entails deciding in advance the goals/objectives to be achieved as well as strategies and the resources to be used to achieve the set goals/objectives. It involves answering the following questions:

- What must be done?
- Why must it be done?
- Who must do it?
- How must it be done?
- When must it be done?
 - Where must it be done?

(b) Organizing involves the following key activities:

- Identifying the tasks to be performed
- Dividing up the tasks and assigning them to people
- Allocating resources for the performance of the assigned tasks.
- Allocating authority and responsibility to the right individuals in the established hierarchy
- Implementing/performing the assigned tasks.

(ii) Directing covers the following activities:

- Leading, motivating, inspiring and guiding team members/followers so that their efforts and behavior are geared towards the achievement of the common goal(s).
- Communicating vision, mission, goals and strategies to team members and other stakeholders.
- Issuing orders/instructions to ensure compliance with expectations.
- Ensuring rules, procedures, controls and policies are complied with by the team members/followers.
- Correcting deviations from plans.

(iii) Controlling involves the following activities:

- Setting and agreeing on performance standards
- Establishing performance standards
- Measuring actual performance
- Comparing actual and planned performance
- Correcting deviations if there are any.

3. (a) A leader is:

- A person who influences or inspires others so that their effort and behavior are directed towards the achievement of a common goal or purpose.
- A person who commands the loyalty and respect of others.
- A person who captures the imagination and admiration of those he/she deals with.
- A person who communicates in such a way to influence those they deal with.

(b) Leadership can lead to improved organization performance in the following ways:

- Motivating and inspiring team members.
- Building strong and synergistic work teams
- Making decisions and solving problems
- Planning activities for the achievement of goals

- Managing change to bring about innovation and adaptability
- Providing on the job training to team members/followers.
- Communicating useful information to team members to enable them perform various activities.
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(c) The differences between leadership and management are:

- Leadership does the right things whereas management does things right.
- Leadership is transformational whereas management is transactional
- Leadership is visionary whereas management is pro – status quo.
- Leadership success depends on inspiration unlike management whose success depends on formal power.
- Leaders get things done with others whereas managers get things done through others.
- Leaders are pathfinders whereas managers are path followers.

4. (a) Job analysis can be defined as:

The systematic investigation of the tasks, duties and responsibilities required in a particular job and the necessary knowledge, skills and attitudes a jobholder must possess to perform the job satisfactorily.

(b) The activities listed below depend upon job analysis for their success, in the following ways:

(i) Recruitment and selection

- Job analysis produces job descriptions and job specifications. Job description and job specification assist potential applicants to decide whether to apply for a particular job or not as these documents indicate the challenge and requirements of the job.
- Job specification is the basis for designing selection criteria to be used in short-listing of applicants and selection of right person for the job.

(ii) Training Needs Assessment (TNA)

Job analysis facilitates the identification of training gaps that form the basis for selecting the right trainees for a particular training programme. This is because job analysis permits a comparison between job requirements in terms of knowledge, skills and attitudes (KSA) and the KSA that the jobholder actually possesses. The comparison can indicate training gaps or not.

(iii) Health and Safety Management

Job analysis investigates the physical context of the job in order to establish its proneness to industrial injury or occupational illness. Management can develop health policy and procedures to eliminate or reduce health hazards at workplace.

(iv) Settling performance standards

Job description indicates the purpose of the job and its content – i.e. tasks, duties and responsibilities so that a key result area (KRA) can be identified and performance standards/targets to accomplish job objectives can be established.

5. (a) Conflict is defined as a disagreement, misunderstanding or perceived incompatible difference between or among individual/people.

or

A misunderstanding, difference or disagreement between individuals or groups who have differing ideas, aspirations, values, interest, visions and perspectives.

- (b) Potential causes of conflict include the following:

- Poor communication which can create a recipe for misconception and misunderstanding
- Unfair and inequitable reward system
- Poor equipment that retards employee performance
- Lack of career prospects or progression
- Lack of respect for one another
- Struggle for power and resources
- Feeling of insecurity
- Ill treatment of employees whereby they are treated as if they were children or ignorant.

- (c) Advantages and disadvantages of conflict are:

Advantages

- They can improve communication by reducing or eliminating apathy.
- They can create fertile recipe for innovative ideas.
- They help to build new relationships among individuals with common interests.
- Sensitivity Training
They can reveal people's likes and dislikes thereby improving employee relations.
- They create or modify rules, laws and institutions.
- They help to develop coalition in order to reach a common goal or fend off a common threat.

Disadvantages

- They can lead to increased grievance if not resolved for a long time
- They can impair employee relationships by sponsoring antagonism and enmity
- They can lead to labour turnover and/or absenteeism
- They can lead to damage to property
- They lead to poor customer service delivery.
- They can lead to irresponsible behaviours such as fighting and assault.

(d) The following ways can be adopted to resolve conflict amongst employees:

(i) Coercion or use of force

When parties to conflict do not take heed of resolutions, threats and punishments to force the parties to comply to resolutions can be applied.

(ii) Collaboration

Entails sorting out all the differences and common grounds between conflicting parties and then reconcile the differences – i.e. win – win situation.

(iii) Accommodation

One party is convinced to compromise and change their position to end the conflict.

(iv) Avoidance

Is applicable when the conflict is trivial or beyond one's ambit or to allow high conflict to cool off to manageable level. It includes passive withdrawal or active suppression.

(v) Compromise

Each party to conflict agrees to lose something in order to gain something in order to reach a settlement.

(vi) Third Party Intervention

- External experts are engaged to bring the conflicting parties involved in a deadlock to a settlement.

- Third party intervention goes through the following stages:

Conciliation

Aims to narrow down disagreements between conflicting parties by clarifying positions to keep negotiations going.

Mediation

The mediator makes recommendations for resolving the conflict after they have heard from both parties.

Arbitration

The third party effectively adjudicates on the conflict by determining the means of its settlement after hearing evidence from both parties.

Adjudication

Use of courts where arbitration has failed to resolve the conflicts.

6. (a) Stress is defined as:

- Strain experienced by an individual over a period of time which impairs the ability of the individual to perform their role.
or
- The adverse psychological and physical reactions that occur in individuals as a result of their being unable to cope with the demands being made on them.

(b) **Four** potential causes of stress are:

(i) Alienation

The feelings of an individual when they are estranged from their situation at work.

(ii) Anomie

A state of the mind that arises in the individual from unsatisfactory work situations.

(iii) Low Status at Work

Status differences may lead to feelings of discrimination and resentment by those lower down in the organization.

(iv) Role conflict

(v) Personality clashes

(vi) Poor communication

Can give rise to frustration and feelings of isolation at work

(vii) Conflicting loyalties

An individual may have many bosses all calling for attention to their instructions.

(c) **Two** disadvantages of work-related stress are:

- It can cause health – related problems such as hypertension

- It can give rise to labour turnover/absenteeism
- It can trigger poor relationship with supervisors and co-workers
- It can cause poor customer service delivery.

(d) **Four** ways to prevent work related stress are:

- (i) Effective job design to ensure reasonably challenging jobs to promote motivation.
- (ii) Provision of appropriate training to assist employees cope with job demands.
- (iii) Provision of counseling facilities.
- (iv) Putting a stop to any bullying or sexual harassment.
- (v) Provide greater opportunity for personal autonomy.
- (vi) Permit flexible work practices to reduce time spent away from home.

7. (a) Human Resource Planning (HRP) can be defined as:

- The process for identifying an organization's current and future human resource requirements, developing and implementing plans to meet these requirements, and monitoring their overall effectiveness.
or
- The acquisition of the right number of the right quality of people in the right place at the right time and for the right cost.
or
- The rational approach to the effective recruitment, retention and deployment of people within an organization, including where necessary, arrangements for dismissing staff.

(b) **Three** factors which an Human Resource planner should take into account when designing Human Resource plans include:

- Business Objectives

Plans to expand business activities will increase workloads and hence the number of people to undertake the activities. The opposite is true when business is likely to shrink.

- Corporate Strategy

Human Resource plan is expected to cascade from and contribute to the realization of corporate plan.

- Labour Wastage

Labour wastage puts Human Resource plan into imbalance and Human Resource Planner is expected to replenish the workplace to bring Human Resource plan back into balance.

- Human Resource Policy

Human resource planning should operate within the overall framework of HR policy to get its legitimacy and integrity.

- Economic Situation

Designing and implementation of HR plan requires financial and other resources.

(c) Human resource planning process goes through four stages as follows:

Stage one: Analysis of Existing Human Resource

- Provides a “snapshot” of the existing workforce indicating turnover profiles, skills, succession plans, sources of recruitment, corporate capability and corporate strategy.

Stage two : Forecasting

(i) Demand Forecasting

Aims to estimate the number of people and the types of skills the organization will need in the future using time trends, ratio analysis, work study, budgets, etc.

(ii) Supply Forecasting

- Aims to establish the availability of people internally as well as externally mainly forecasting on labour turnover and the movement of people within the organization. The methods used include labour turnover index, stability index, census method etc.

Stage three: Developing Human Resource Plans

- It entail comparing demand forecast and supply forecast in order to fill the gap between the two forecasts if any, eliminate surplus through appropriate action such as recruitment, deployment, overtime, training and development etc.
- The reconciliation of the two forecasts can also help to eliminate human resource deficit through recruitment, overtime working secondment and so on.

Stage four: Implementing Human Resource Plans and Evaluation

The developed Human Resource plans are actually executed in order to correct the deficit between human resource demand and supply or remove surplus labour if any. This stage is expected to bring the human plan back into balance. The human resource planner should monitor to ensure that the deficit or surplus labour as the case may be is corrected. If the human

resource plan remains in imbalance then the human resource planner should recycle to an appropriate stage and redo the rest of the stages until the plan is in balance.

8. (a) The principles of effective delegation are as follows:

- The delegator should provide clear objective for delegation.
- The delegator should agree with the delegate on expected 'performance standards time limits and check points' of performance.
- The delegator should be available for guidance coaching and counseling of delegate.
- The delegator should give the delegate some autonomy in the performance of a given task through minimum supervision.
- The delegator should choose the right person for delegation – i.e. one with the necessary competencies and attitude for the job and who is trustworthy.
- The delegatee should be provided with the necessary resources in order to perform a given task efficiently and effectively.
- The early mistakes that a delegate may commit should be treated as part of learning process of a given task.
- The delegator should continually provide the delegate with feedback on how they are progressing on the job.

(b) Delegation is important for organizational success in the following ways:

- **Staff Motivation**
Delegation enriches the job of a delegate thereby increasing challenge in the job.
- **Effective Communication**
Delegation can improve communication between management and the workforce.
- **Succession Planning**
Delegation is a form of management development (M) through which employee can be groomed for future managerial responsibilities.
- **Reduction of Bulkload for Managers**
Delegation allows managers to allocate some of their tasks to selected subordinates thereby reducing their workload and related stress.
- **Team Building**
Delegation allows management and the workforce to work closely, share ideas, expectations as well as challenges and seek solutions in identified problems.

- Flexibility
Delegation allows employees to respond to customer demands and expectations quickly as they are closer to the point where services and products are produced and provided or sold to customers.
- Improved Employee Relations
Delegation can improve the relationship between management and employees at workplace as employees may believe that management values and cares for them.
- Improved Overall Organisation Performance
 - All the factors mentioned above dovetail to improved organizational performance.

(c) The disadvantages of delegation are as follows:

- Delegation is risky
The delegate can produce poor performance and yet the delegator is answerable for this poor performance to senior management.
- Delegation can reveal organization confidentiality to those who do not deserve it.
- Delegation can increase the workload of employees without additional reward and thus triggering employee resentment.
- Potential conflict
Delegation can lead to conflict between routine tasks and delegated tasks.
- Managers and employees can resist delegation at times and thus causing it to fail.
- Delegation may not be done in good faith.
 - Sometimes managers can delegate tasks that are liable to fail in order to scapegoat employees for mistakes that they themselves have committed.
- Delegation can be time consuming.
The delegate can take unnecessarily longer time to complete a task than the manager can.
- Delegation can put a manager in a bad light when the delegate can do better work than the manager does.

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