STRICTLY CONFIDENTIAL

THE PUBLIC ACCOUNTANTS EXAMINATION
COUNCIL OF MALAWI

2011 EXAMINATIONS

ACCOUNTING TECHNICIAN PROGRAMME

PAPER TC 11: MANAGEMENT

(JUNE 2011)

TIME ALLOWED: 3 HOURS

SUGGESTED SOLUTIONS
1. (a) Management is defined as any of the following:

- The process of deciding what should be done and getting it done through and with the assistance of other people.
- To forecast and plan, to organize, to command, to coordinate and control.
- A social process consisting of planning, controlling, coordination and motivation.
- The process of planning, organizing, directing and controlling the operations of an organisation.

(b) Principles of Management according to Henri Fayol:

- Division of work
- Authority
- Discipline
- Unity of command
- Unity of direction
- Subordination of individual interest to the general interest
- Remuneration
- Centralisation
- Scalar chain
- Order
- Equity
- Stability of tenure of personnel
- Initiative
- Espirit de corps

(c) The roles of management according to Mintzberg are as follows:

(i) Interpersonal Roles
It entails working with, directing and representing people. It comprises three key roles i.e:

- Figurehead as the formal representative of the organization.
- Liaison which forms connections with other organization.
- Leader in relation to members of a group within the organization.

(ii) Informational Roles
It involves three key roles i.e:
• Monitor whereby managers seek, receive and store information that can be used to the advantage of the company.

• Disseminator whereby the manager broadcasts this useful information to the organization.

• Spokesperson whereby the manager communicates information on behalf of the organization to other relevant groups and bodies, both internal and external.

(iii) Decisional Roles

This entails four key roles:

• Entrepreneur whereby the manager looks for ways to improve the operation of the organisation or for new product/market opportunities.

• Disturbance handler whereby managers have to handle crises effectively.

• Resource Allocator whereby the manager is responsible to design budgets and allocate resources.

• Negotiator whereby managers using the necessary information they marshal and their authority carry out this role.

2. (a) Bureaucracy is defined in three ways as follows:

• Red tape i.e. an excess of paperwork and rules leading to gross inefficiency.

• Officialdom i.e. all the apparatus of central and local government and formal organizations.

• Organizations form with certain dominant characteristics.

(b) The seven characteristics of bureaucracy are as follows:

• A continuous organization of functions bound by rules.

• Specified spheres of competence leading to specialization of work.

• A hierarchical arrangement of offices or jobs where one level of jobs is next subject to control by the higher level.
• Appointments to offices are made on the grounds of technical competence.

• The separation of officials from the ownership of the organization. Official positions exist in their own right and job holders have no rights to particular positions.

• Rules, decisions and actions are formulated and recorded in writing.

(c) Bureaucracy has the following advantages:

• Continued provision of customer service regardless of whoever leaves this formal organization.

• Staff Motivation
  This form of organization offers clear career paths to job holders and this spurs them to work better and harder.

• Control over discrimination owing to strict adherence to rules and procedures.

• Objectivity and Rationality
  Decisions and actions are based on policy and a system of rules to limit on the use of intuition and common sense.
  Procedural and Distributive Justice
  Inherent rationality and objectivity of bureaucracy promotes fairness in the way in which resources are allocated to employees.

• Recruitment and promotion of staff is not arbitrary as it is based upon merit.

• Staff Discipline
  The conduct of staff is disciplined through the application of rules and procedures.

• Reduced Uncertainty
  Employees are clear about what to do and how as stipulated by rules and procedures.

(d) Bureaucracy has the following disadvantages:

• Red Tape leading to unnecessary and avoidable delays due to excessive adherence to rules, procedures and chain of command.
- **Dehumanization**
  Employees are required to dance to the tune of rules and procedures in impersonal manner as if they are robots.

- **Poor Communication**
  Vertical communication up and down the line of authority delays and distorts information by either exaggerating or down playing it.

- **Fatigue**
  Strict specialization of work leads to monotony which in turn leads to fatigue.

- **Lack of Personal Growth**
  Strict specialization of work creates unchanging mechanical tasks that do not allow the job holder to apply reasonable mental effort to perform the tasks.

- **Anomic/Alienation**
  Specialization of work and lack of meaningful employee participation leads to alienation.

- **Office Politics**
  Hierarchical organization structures create recipe for power struggle conflicts over access to organization resources.

- **Psychosomatic Diseases**
  Office politics as a game results in winners and losers. Losers are subjected to worries, hysteria, paranoia, high blood pressure, ulcers and stress.

3. (a) Staff motivation is important for business success in the following ways:

- **Increased Productivity**
  Motivated staff are more committed to work, work harder and are more productive.

- **Creativity**
  Motivated staff are generally able to generate and experiment new ideas.

- **Flexibility**
  When employees are motivated they are progressive and are able to adapt to change.

- **Reduced Industrial Injury and Accidents**
  Motivate staff work carefully with tools and machinery.

- **Good Employee Relations**
  Motivated staff feel that management do care about them and their jobs and are ready to cooperate with the management.
• **Improved Communication**
  Staff motivation improves interaction between the workforce and management hence improved exchange of information between them.

(b) Practical ways in which managers can motivate their employees are as follows:

• Job enrichment
• Job enlargement
• Effective communication
• Staff appraisal
• Training
• Team building
• Showing genuine interest in employees
• Challenging jobs
• Clear objectives
• Providing benchmarks against which employees can measure their performance
• Making employees enjoy a sense of importance
• Give employees more responsibility
• Promotion opportunities.

(c) The weaknesses of the “Carrot and Stick” approach to staff motivation are as follows:

• It is obsessed with extrinsic motivation at the expense of intrinsic motivation
• It creates fear and negative reinforcement
• It is of little value in the modern business organizations that are expected to promote good governance
• It may only work for basic needs of people.

(d) Differences between motivators and hygiene factors according to Fredrick Herzberg are as follows:

• Motivators can bring about job satisfaction and positive motivation when they are ample at workplace whereas hygiene factors cannot motivate employees whatever the quantity.

Motivators are intrinsic factors of motivation whereas hygiene factors are extrinsic factors of motivation.
(e) Staff motivation is a complex process because of the following reasons:

- Staff motivation is influenced by multiple factors some of which are beyond the control of the manager.
  - Employee motives are dynamic as they change from time to time.

- Different people are motivated by different needs at different points in time.

- Motivating people entails identifying and satisfying their motives but these motives may be unknown to the manager and the worker concerned.

4. (a) Leadership is important for organizational success because:

- It initiates action or change
- It inspires and motivates people/subordinates
- It plays a guiding role for the subordinates
- It creates confidence in the subordinates
- It builds and sustains the work environment
  - It coordinates and reconciles personal interests with organizational goals.

(b) The types of leaders in an organization are as follows:

- Traditional Leader
  The leader assumes leadership position by being born in a lineage of leadership. The weakness of this choice of leader is that its access is limited and only applicable to small family owned business.

- Situational Leader
  Refers to a leader who is successful by being in the right place at the right time. The weakness of such a leader is that they become helpless and ineffective when the leadership situation changes.

- Charismatic Leader
  Refers to a leader who gains influence mainly from strength of personality. The weakness of this type of leaders is that very few people have access to it. Furthermore charisma fades away with the passage of time hence such a leader becomes more and more ineffective with increasing age.
• Appointed Leader
   This leader’s influence emanates directly from their position in the organization hierarchy. The difficulty of this leader is that he/she may be bureaucratic. Besides, the leader may be unable to fully utilize the powers vested in the position to the benefit of the organization owing to weak personality, lack of adequate training etc.

• Functional Leader
   The leader assumes leadership position by what he/she does rather than by what he/she is. The difficulty of this leader is that the importance attached to one’s tasks and responsibilities changes with time due to technological and other changes.

• Principle – Centred Leader
   Refers to a leader whose approach to leadership is influenced by moral and ethical principles involving considerations of equity, justice, integrity, fairness, trust etc. The difficulty with this leader is that he/she may be inflexible and autocratic.

The following situational factors can influence the choice of appropriate leadership by a leader as follows:

• Corporate Culture
   Task oriented culture can legitimize authoritarian leadership style whereas people centred culture can legitimize democratic leadership style.

• Type of Task or Goal
   When the task or goal is very critical a leader is likely to closely supervise its performance and thus calling for authoritarian leadership style and the opposite is true for task or goal that is relatively less important for organizational success.

• Time Pressure or Bulklog
   When there is inadequate time to meet deadlines or there are outstanding tasks which must be cleared immediately to meet deadlines, the leader is likely to be pushy in order to make employees put in more effort and meet deadlines. The opposite is true when there is adequate time to clear outstanding assignments or projects.

• Type of Subordinates
   When subordinates are lazy, unreliable and lack the necessary knowledge and skills to perform a given task, the leader is likely to supervise the subordinates closely and apply theory X (authoritarian leadership style) to make them work at the expected pace. The opposite is true when the subordinates are committed.
and possess the necessary knowledge and skills to do the work to the expected standard.

- The leader Himself/Herself
  A leader who believes that he/she has more knowledge and skills to perform a given task than anybody else in the team may consider it a waste of time to consult team members for their contribution. The leader may therefore take unilateral decision and action hence authoritarian leadership style. The leader who believes that he/she has less knowledge and skills than his/her team members is dependent on the members to have the tasks done. Such a leader is likely to adopt democratic leadership style in order to obtain the cooperation of the members.

- The principles of the leader in terms of what is right or wrong moral or immoral fair or unfair, ethical and unethical and so forth can also influence leader’s choice of appropriate leadership style.

5. (a) Labour Relations can be defined as:
- The relationship that exists between the employer or management and employees or their representative body in an organization.
- The interconnections that exist between employers and employees in the workplace.
- Any interactions between the employer and employees (directly or indirectly) with the state playing a regulatory role.

(b) The roles of the Malawi Congress of Trade Union in Labour Relations are as follows:
- Solve inter-trade union disputes
- Train union officials and employees on labour relations issues
- Lobby with the government on behalf of employees, for improved terms and conditions of employment and labour laws
- Propose changes to labour legislation for the approval of government
- Audit the accounts of member trade unions to ensure transparency and accountability in the management of finance
- Provide legal advice and representation to trade union officials and employees.
Collective bargaining (CB) has the following advantages:

- Brings about mutual understanding and agreement between management and employees.
- Establishes rights and obligations of both employer and employee.
- Promotes employees’ self-respect and security.
- Establishes lines of communication at times of grievance.
- Discourages favouritism and victimization.
- Provides “ventilation therapy” whereby individual stresses and insecurities are shared.
- Workers feel more involved which brings about greater motivation and commitment.
- Protects the interests of the voiceless weak and shopfloor workers.
- Brings about socio-economic integration between employer and employees.
- Has generally proved to be the most amicable way to resolve differences between employer and employee.
- Promotes peace and harmony at work.
- Improves organization productivity.

Collective bargaining (CB) has the following disadvantages:

- Not every employee’s interests are represented.
- Wage rises achieved through CB may push up prices and thus militating against the interest of the consumer.
- Management may be weakened as they may be under pressure owing to challenge posed by trade union or other employer representative body.
- Face-to-face confrontation may create a recipe for heightened conflict and eventual industrial dispute such as strike.
- Management may use its powerful position (as controller of resources and means of production) to veto agreement arrived at through CB.

Possible causes of an industrial strike are usually cumulative and include the following:

- Ignorance of, and insensitivity to, employees concerns by management whether genuine or feigned.
- Socio-technical issues whereby management is obsessed with organization needs at the expense of employee needs.
- Treating employees with disrespect as if they were ignorant or children.
- Unfair and discriminatory reward system.
- Poor terms and conditions of employment that are insensitive to the changing needs of employees.
- Ineffective discipline and grievance management
- Test of strength whereby trade unions want to justify membership fees through a strike on the pretext of improving terms and conditions of employment.

6. (a) Training Needs Assessment (TNA) can be justified by the following benefits:

- **Selection of Right Trainees**
  TNA derives training gaps for prospective trainees. Successful training is expected to close this gap. Only those people with training gaps will be earmarked for particular training.

- **Relevant Training**
  The training gaps derived through TNA will facilitate the design of relevant subjects (course content) in order to close the gap.

- **Selection of Qualified Resource Persons**
  The training gaps created through TNA will form an important criterion for identifying qualified resource persons for a particular training programme.

- **Evaluation of Training Programme**
  It is possible to establish the extent to which the objective of particular training has been accomplished by observing whether the training gap has been closed or not.

- **Design of Training Budget**
  TNA can reveal what resources will be required to implement the training and how much it is likely to cost.

- **Teaching Methodology**
  Knowledge of training gap will enable the trainers to identify appropriate training methodology.

- **Facilitates planning for Training**
  Knowledge of the range of deficient knowledge, skills, abilities and attitudes will enable training planners to decide how long the training should take.

(b) Employee training can be justified by the following benefits:

- **Staff Motivation**
  Training creates employee confidence to perform tasks better, improves esteem as well as opportunities for career progression.

- **Functional Flexibility**
  Training can equip employees with multi-skills to allow them to undertake a range of tasks and thus saving time and money.
• Adoption of new technology
  Training can equip employees with the necessary knowledge and skills in order to operate new technology.

• Adaptation to change
  Training can allow employees to adapt to changes in customer demands and expectations.

• Improved Customer Service
  Training equips employees with the necessary knowledge, skills and attitudes with which to deliver timely and quality customer service.

• Cost-effectiveness
  When employees are trained they reduce errors and industrial accidents and related costs.

• Easy Attraction and Retention of Staff
  Employees prefer to work and remain with organizations which can train and develop them.

• Employability
  Training facilitates the re-deployment of employees from one section to another in times of involuntary redundancy. Employability also allows employees to get another job elsewhere when the current job comes to an end.

• Improves Performance
  Performance = M X A were M and A represent Motivation and Ability respectively. Training can increase employee ability and by extension, it can increase performance.

(c) Employees can learn informally in the following ways:

• Observation and Imitation
  Employees can learn from their personal models and mentors by observation and imitation.

• Experiential Learning
  Employees can learn through trial and error by doing and re-doing the job on their own.

• Sitting – Next – To - Nellie
  Employees learn through the guidance of more experienced employee.
• Challenging Jobs
Jobs that pose mental and physical challenge encourage employees to search better ways to do the jobs better.

• Job Rotation
It exposes employees to new job demands and experiences and thus opening new learning opportunities by themselves.

• Creation of autonomous Work Groups
These groups allow employee involvement and participation and hence autonomy to initiate things and learn new things in the process.

• Delegation
Enriches the employee’s jobs, creates more challenge and learning opportunities.

7. (a) (i) Product Life Cycle (PLC) has the following advantages:

• As a planning tool it can assist managers to forecast what products will be required in a product market in what quantities and at what stages of the PLC.

• As a budgetary tool it can assist managers to design the expenditure as well as the revenue budgets of an organization.

• It can assist managers to establish competitive price structure for different products at different stages of the PLC in order to remain in business.

• It can assist managers to design the overall marketing strategy of an organization.

• It is a tool for monitoring and evaluating the performance of different products so that decisions can be made as to which products should be maintained or withdrawn from the product market.

(ii) PLC has the following disadvantages:

• Attempts to match empirical sales data to PLC curves have proved difficult.

• The PLC curve depends upon the management of the product over time, it is not independent.

• It is not equally valid for different products.
• Its stages are difficult to define in practice as they tend to overlap.

• Experience has shown that where PLC has been used as a planning tool market opportunities have been lost.

(b) The components of promotion mix are as follows:

• Advertising
  This is the process of communicating persuasive information about a product to target markets by means of the written and spoken words as well as virtual material.
  It aims to improve the sales volume and revenue products.

• Personal Selling
  Is the face-to-face meeting between the buyer and the seller or the sales representative. The sales representative takes advantage of this interface to communicate the benefits of various products to persuade customers to buy or place orders.

• Sales Promotion
  Is a form of indirect advertising designed to stimulate sales by the use of incentives such as free samples, temporary price reductions special discounts etc.

• Publicity
  Refers to news about the organization or its products reported in the press or other media without charge to the organization for instance, press release.

(c) Factors that a sales representative should take into account in order to choose the most appropriate product distribution channels are as follows:

• Distance between the point of production and the point of sale.

• The type of product – i.e. whether perishable or not, industrial or consumer.

• The cost of the available channels of distribution.

• Urgency
  The time the product is expected to get to the customer from the time an order was placed.
8. (a) Work teams are critical to organizational success because of the following factors:

- **Staff Motivation**
  Team spirit creates a supportive and conducive environment for employees.

- **Facilitation of Corporate Change**
  It’s easier to introduce change through a work team than individuals. Once a team’s norm is change-orientation it becomes difficult for individuals to disagree.

- **Strategic Thinking**
  Managers can delegate less important tasks to team members and save time and energy to concentrate on strategic issues.

- **Skills Diversity**
  Work teams provide a pool of diverse skills from members of various talents and endowments, experience and training background.

- **Flexibility**
  Skills diversity is a source of multi-skills and functional flexibility and thus permitting teams to be adaptive and responsive to contextual changes.

- **Synergy**
  Teams can be a source of positive multiplier effect whereby the whole is bigger than the sum of its parts i.e. $2 + 2 = 5$.

- **Continuous Learning and Improvement**
  Team members have been an opportunity to continually exchange ideas and seek new ways of approaching things.

- **Improved Performance**
  All the factors mentioned above in cage 8(a) boil down to improved organization performance.

(b) The characteristics of effective work teams are as follows:

- **Clear Goals**
  They ensure unity of direction, common understanding and individual commitment to the goals of an organization.
• Mutual Trust
When team leader trusts members and vice versa and when team members trust each other teams are cohesive as suspicions and mistrust are mitigated or eliminated. Mutual trust also encourages team members to believe in each other’s integrity, competence and conduct.

• Relevant Skills
To be successful teams should have all the necessary skills so that they can respond to and satisfy customer demands and expectations.

• Effective Leadership
Team leader should possess indispensable skills such as negotiation, communication, conflict resolution skills, etc should be visionary and be able to mobilize different efforts of members towards the shared vision.

• Corporate Culture
Work teams develop and grow in organizations that espouse team working rather than individualism.

• Unquestioned Commitment and Dedication of Team Members
Successful work teams are made up of the members who are dedicated, committed and patriotic towards the cause of the team.

• Availability of Resources
To be successful work teams should be supplied with adequate resources and infrastructure including training reward system, performance appraisal financial resources and so forth.

(c) Team working, notwithstanding its potential benefits, poses a number of challenges to organizations as follows:

• Groupthink whereby group decisions eclipses individual decision even when the latter is better than the former.
• Sodering
Work teams allow some members to deliberately underperform as there is no individual performance appraisal.
• Log rolling/conflicts due to office politics which teams intensify.
• Delaying decisions due to the need to reach consensus.
• May encourage inter-group conflict.
• When powerful and not supportive of team goals teams can frequently veto organizational programmes and goals.

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