STRICTLY CONFIDENTIAL

INSTITUTE OF CHARTERED ACCOUNTANTS IN MALAWI

2015 EXAMINATIONS

ACCOUNTING TECHNICIAN PROGRAMME

PAPER TC 11: MANAGEMENT

TUESDAY 2 JUNE 2015 **TIME ALLOWED : 3 HOURS**

SUGGESTED SOLUTIONS

1. (a) Each of the principles of management is important for modern organization success as follows:

(i) Specialization

- Improves efficiency and customer service as it reduces errors and time taken to serve customer.

- Facilitates employee retention as specialists possess organization – specific skills rather than transferable skills.

- Improved competitive edge as specialists are committed to quality improvement.

(ii) Esprit de corps

- Encourages unity of direction
- Promotes spirit of togetherness
- Reduces conflicts
- Promotes job satisfaction and employee motivation
- Improves productivity due to synergies.

(iii) Unity of Command

- Reduces interpersonal and inter-departmental conflicts
- Promotes orderliness and discipline
- Improves employee relations
- Improves communication
- Facilitates coordination of activities.

(iv) Initiative

- Promotes employee empowerment and motivation
- Speeds up decisions as they are made where services are offered to customers
- Improves communication
- Promotes functional flexibility
- Promotes quality of customer service delivery
  Improves employee relations.

(b) Being a manager differs from being an administrator in the following ways:

- A manager occupies a position of higher status and influence than an administrator.

- A manager has the mandate to mobilize and allocate resources whilst the administrator is on the receiving end.

- By virtue of their positions, a manager is involved in making strategic decisions and plans whereas the administrator is usually involved in making short-term operational decisions.

- A manager performs critical value adding tasks such as policy – formulation and corporate planning whereas administrators are involved in relatively less important tasks such as procedures to implement policies, plans and decisions.

2. (a) The **four** possible causes of worker dissatisfaction are as follows:

(i) Poor job design

- Taylorist job design produces repetitive, monotonous and deskilling jobs.

(ii) Poor employee relations

- Such relations trigger mistrust, negative attitude towards work and industrial strife.

(iii) Ineffective or lack of communication

- Lack of knowledge of what is happening or what is expected by employees lead to suspicion and lack of mutual trust.

(iv) Unfair reward system

- Reward system that is not linked to performance is perceived to be exploitative and discriminatory.
- Inequitable treatment
  This triggers resentment and sense of injustice, unfairness and poor governance.

(v) Inappropriate Management/Leadership style

- Treating employees as if they were unintelligent, unimportant and children leads to discontent and ill feelings.

(vi) Poor health, safety, welfare and sanitary conditions
These conditions lead to negative attitude and breakdown of team spirit.

(vii) Poor equipment

- Expecting employees to do their best and offer quality customer service delivery when equipment is obsolete leads to grievance and unnecessary dilemma.

(viii) Lack of training opportunities

- Blaming employees for poor performance when they are not trained to acquire the necessary knowledge and skills leads to worker grievance.

(ix) Lack of work-life balance

- When employees are always glued to their jobs without time to attend to personal issues, fatigue and discontent arise.

(x) Overtime without extra reward

- Asking employees to work overtime without additional reward is tantamount to exploitation and injustice.

(b) The consequences of worker dissatisfaction are as follows:

- Alienation
- Stress
- Anomie
- Poor customer service delivery
- Absenteeism
- Industrial disputes
- Labour turnover
- Rising industrial accident

(c) **Four** ways in which a manager can eliminate worker dissatisfaction based on Two – Factor Theory are as follows:

(i) Job enrichment
- This can create motivators or satisfiers at work and this eliminates dissatisfaction.

(ii) Reasonable or competitive pay.
- This improved hygiene factor can reduce or avoid dissatisfaction.

(iii) Improving inter-personal and inter-group relationships
- Improved relationship can reduce dissatisfaction.

(iv) Improving organizational policy and administration
- This can reduce or avoid dissatisfaction.

(v) Improving style of supervision.
- Improving this hygiene factor can eliminate or avoid dissatisfaction.

(vi) Improving the status/position of employees through promotional opportunities
- Improving this hygiene factor can eliminate or avoid dissatisfaction.

(vii) Job rotation/job shift

- Reduces the boredom and the fatigue of repetitive job and hence employee dissatisfaction.

3. (a) Financial Management refers to managerial decision-making concerned with investment decision, financial decision and dividend decision.

(b) A company can finance its budget in the following ways:

- Sale of its services and products

- Retained Earnings

  The company can retain a certain percentage of profits earned in a year rather than distribute all the profits to shareholders as dividends.

- Bank Loan

  A company can borrow money from commercial banks on short-term or long-term at a certain interest rate to finance its budget.

- Bank Overdraft

  A company can negotiate for bank overdraft with a particular bank to finance its budget deficit.

- Debentures

  A company can borrow money from individuals or other companies rather than financial institutions to finance its annual budget.

- Capital Markets

  A company can issue new shares to investors in order to raise money to finance its annual budget.

- Government Grants or Tax Relief

  A company can obtain government grants or tax relief in order to raise or save money for its annual budget.

(c) The following control mechanisms that a financial manager can apply to check Mismanagement of financial resources:

- Risk Financial Management

  Financial manager identifies financial constraints that can prevent an organization from attaining its goals and establish strategies to eliminate the constraints.

- Internal and external audits

  Financial manager should use continual internal audits and periodical external audits to check, monitor and control financial transactions.

- Accounting Functions

  Financial manager should execute daily, weekly, monthly and annual cash budgeting and periodical reconciliation of books of accounts.

- Budgetary Controls

  Financial manager should ensure that expenditure is in line with budgetary allocations to avoid unwarranted budget deficits.

- Effective Credit Controls and debt recovery

  Financial manager should ensure that unwarranted credits are avoided and that maximum effort is made to recover debt.

4. (a) The advantages and disadvantages of each style of leadership according to Tannenbaum and Schmidt are as follows:

(i) Tell

Advantages

- Permits quick action during crisis or emergency
- Is appropriate when subordinates are unwilling or are lazy to take desired action
- Motivates manager/leader to exert influence and control
- Appropriate where procedures and targets are clear
- It saves time as it reduces the need for consultation.

Disadvantages

- May strain employee relations
- May not allow manager to use employee potential and talent
- Can make implementation of decision difficult as employees do not own it
- Can demotivate employees who operate at higher level needs i.e. who want autonomy to show their talent
- Manager is entirely responsible for failure of decision and employees do not sympathise with them
- Kills initiative hence employees are conditioned to take action only when they are told what, how, when to do it.
- Overall it may lead to low productivity.

(ii) Consultative

Advantages

- Is democratic management/leadership style that augurs well with current democratic and good governance principles
- Can improve employee relations

- Can create sense of belonging hence can generate motivation
- Can improve communication
- Can use employee potential and talent to the benefit of the organization.

Disadvantages

- It is time consuming
- Is inappropriate in times of crisis or urgency
- Is sharm participatory process as the manager makes the decision alone and may choose to neglect employee suggestions.

(iii) Sell

Advantages

- Promotes industrial Democracy
- Encourages creativity through brainstorming
- Triggers employee motivation through employee esteem
- Ensures ownership of decisions and their easy implementation

Disadvantages

- It is time consuming
- May dilute the influence and authority of superior
- May spark conflict between manager and team members
- Some employees may hijack the process to promote their personal interests.

(iv) Join

Advantages

- Promotes employee empowerment and initiative
- Promotes employee motivation
- Encourages team spirit
- Promotes creativity and innovativeness
- Promotes continuous learning and improvement
- Can improve the quality of customer service delivery.

Disadvantages

- Promotes *laissez-faire* and chaos at workplace
- Reduces the influence and control of the superior
- Can lead to organizational instability and disintegration
- It is time consuming and wasteful of other resources

(b) The following are the factors that can influence the choice of an appropriate leadership style:

(i) Type of subordinates

- When subordinates are diligent, have the necessary skills for the job and are intrinsically motivated, democratic (Sell, Consultative and join) style is appropriate and the opposite is true.

(ii) Leader/Manager Themselves

- When the manager possess more skills than anybody else in the team, consultation would be a waste of time hence authoritarian (Tell) style would be appropriate and the opposite is true when the leader has less skills than those of team members.

(iii) Team size

- When the team size is large authoritarian (Tell) style is appropriate and the opposite is true when the team size is small.

(iv) Time pressure

- When there is inadequate time to achieve a target it is a crisis hence authoritarian style is appropriate and the opposite is true when there is no bag log and there is adequate time to accomplish the target.

(v) Economy

- When there is inflation and resources are thin authoritarian style is appropriate to monitor how the resources are used and the opposite is true when there is economic boom and resources are abundant.

(vi) Corporate culture

- When corporate culture is task oriented authoritarian style is appropriate and vice versa when corporate culture is people oriented.

(vii) Type of goal (task)

- When the goal (task) is critical to the success of the organization, it may be risky for the superior to delegate it hence authoritarian style is appropriate and the opposite is true for less important goal (tasks).

5. (a) Conflict is inevitable in the organization because of the following factors:

- Scarcity of resources leading to struggle and related tension
- Organisation politics
- Workforce diversity
- Differences between individual and organizational goals.

(b) Uses of positive conflict to business organization are as follows:

- Can improve relationships by bringing out hidden tensions into the open for solution
- Can promote creativity by encouraging brainstorming to seek alternative ideas
- Can reduce apathy by encouraging interaction between members
- Can facilitate change

(c) The benefits of collective bargaining (CB) to employer are as follows:

- Improves relationship between employer and employees
- Allows the grievances of the shopfloor voiceless employees to be heard and addressed by employer
- Motivates employees by creating a sense of belonging and hence improved productivity
- Facilitates the implementation of decisions as employees have ownership of the decisions
- Allows employer to negotiate with employees and agree over terms and conditions of service
- Improves communication between employer and the workforce
- Assist change the terms and conditions of service through mutual agreement with the workforce
- Allows the employer to legitimately regulate terms and conditions of service through substantive and procedural agreements.

6. (a) (a) Corporate governance can be defined in several ways as follows:

- The system by which organizations are directed and controlled
- A set of relationships between a company's directors, its shareholders and other stakeholders
- The manner in which company directors promote and control company's operations and how they exercise their stewardship.

(b) A culture of corporate governance can be institutionalized through the following concepts:

(i) Independence

- Directors should be free from anterior influence in order to monitor the company effectively and promote the interests of shareholders and other stakeholders.

(ii) Confidentiality

- Directors are expected to keep in confidence information about the company affairs even after the agency relationships have ceased.

(iii) Declaration of conflict of interest

- Directors as agents have a duty to avoid any situation that put their interests in conflict with those of the company.

(iv) Transparency

- Entails corporate disclosure to stakeholders of information in the financial statements such as director's reports

(v) Accountability

- Directors are held answerable to shareholders and other stakeholders for the consequences of their actions to control their conduct.

(vi) Social responsibility

- The communities in which the company operates have their socio-economic profile uplifted through the company's social responsibility activities.

(vii) Stakeholder support

- Various stakeholders are ready to do business with the company and are willing to patronize its services.

(viii) Improved productivity

- Corruption is checked and eliminated because of transparency, accountability and employees are committed to duty because of fair and just treatment.

(c) The contributions that corporate governance can make towards business success are as follows:

(i) Positive public image

- The business enjoys good reputation because of good governance ensured by corporate governance.

(ii) External Aid

- The donor community is willing to assist the company with financial aid because of its good governance record.

(iii) Competence

- Directors have a contractual obligation to perform their responsibilities to the required standards.

(iv) Sound internal systems

- Systems of internal control which are reviewed annually and reported to shareholders.

(v) Integrity

- Requires straight forward, honest and balanced as well as complete presentation of a company's state of affairs.

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