
Business Management

1st Year Examination

May 2013

Paper, Solutions & Examiner's Report



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Accounting Technicians Ireland

1st Year Examination: Summer 2013

Paper : BUSINESS MANAGEMENT

Thursday 16th May 2013 – 9.30 a.m. to 12.30 p.m.

INSTRUCTIONS TO CANDIDATES

Answer FOUR questions in total. QUESTION 1 IN SECTION A IS COMPULSORY AND MUST BE ANSWERED. Answer ANY THREE questions in Section B. If more than the required number of questions is answered, then only that number, in the order filed, will be corrected.

Candidates should allocate their time carefully.

Answers should be illustrated with examples, where appropriate.

Question 1 begins on page 2 overleaf.

SECTION A**Answer QUESTION 1 (Compulsory) in this Section****QUESTION 1 (Compulsory)**

You are a consultant to an association representing the interests of the Tobacco industry in Ireland. The association has recently heard of the PESTLE model and have requested you to explain how the “PESTLE” model may be used as a framework to identify the major changes that have taken place in this market in recent years.

You are required to:

(a) Prepare a short briefing note for the association on the following matters:

(i) Describe each element of the “PESTLE” model.

10 Marks

(ii) Using the “PESTLE” model identify four major macro environmental influences that have had a major influence on the market for tobacco in Ireland over the last five years, giving reasons in support of your answer.

10 Marks

(b) “Social networking sites have much to offer the prospective marketer and advertiser” Do you agree? Give two reasons in support of your answer.

5 Marks

Total 25 Marks

SECTION B

Answer any **THREE** of the six questions in this Section

QUESTION 2

- a. “While the subject of leadership has been extensively researched, no one theory captures all the dimensions of the concept”.

Describe how any two of the following theories contribute to our understanding of the concept of leadership:

- i. Trait Theory
- ii. Fieldler’s Contingency Theory
- iii. The Behavioural Approach
- iv. The Charismatic Approach

10 Marks

- (b) “Effective planning has become increasingly relevant in these difficult recessionary times”.

Describe three benefits of planning. Briefly discuss two limitations of planning.

10 Marks

- (c) “Delegation is a central part of organising”. Define the term “delegation”? Briefly explain two factors you would consider before delegating work to an employee.

5 Marks

Total 25 Marks

QUESTION 3

- (a) You have taken up a position as a marketing executive in a long established betting company that has recently entered the online betting market. Your manager attended a conference recently where one of the speakers stressed the importance of the STP process in marketing management. Following on from the conference your manager requested you to prepare a briefing note on the concept in which you address the following:

- (i) Explain what is meant by each of the elements in the STP process using examples where appropriate.

10 Marks

- (ii) Outline how each element of the STP process might be relevant to this company.

10 Marks

- (b) Describe two risks organisations should be aware of when marketing goods to children.

5 Marks

Total 25 Marks

QUESTION 4

- (a) “It is critically important for managers to understand why some people are motivated and others are not. One theory which is deemed particularly relevant in the present climate is expectancy theory”.

Explain in full the expectancy theory of motivation. Discuss the extent to which you believe it is a particularly relevant theory of motivation in the present business environment.

13 Marks

- (b) “The management of change presents unique challenges to managers at all levels in organisations”. Describe four elements in Kotter’s theory of change management.

12 Marks

Total 25 Marks

QUESTION 5

- (a) “Effective communication is an essential part of the marketing process”. You have recently been tasked with preparing a note for your manager, the Head of Marketing in a major organisation in the retail sector, on the merits and limitations of various forms of advertising media. You have been requested to focus on the following three forms of media: TV, Newspapers and the Internet.

(i) Describe two benefits and one limitation associated with each of the three media vehicles outlined above.

10 Marks

(ii) Describe three factors your choice of media vehicle is likely to depend on. Suggest the media vehicles you would deem most appropriate for the above organisation, giving reasons in support of your answer.

10 Marks

- (b) Distinguish between market skimming and market penetration pricing strategies, giving examples in support of your answer.

5 Marks

Total 25 Marks

QUESTION 6

- (a) You have recently been requested to join a steering committee set up to undertake a feasibility study of an IT/IS project in your organisation. Describe three areas that should be examined as part of the feasibility study, giving examples of issues that should be addressed in each case.

10 Marks

- (b) “IT Systems and Data are exposed to many threats”.

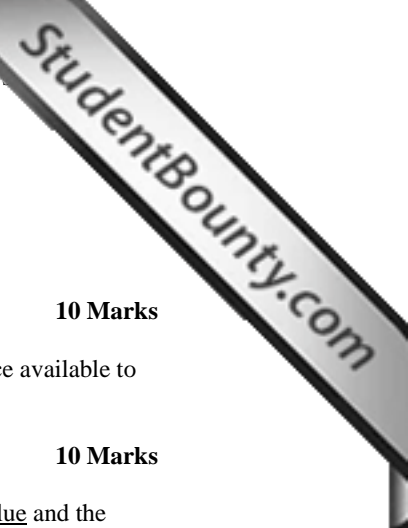
Describe three categories of security controls that enhance IT/IS security, giving examples of specific controls within each category.

10 Marks

- (c) Distinguish between Transaction Processing Systems and Decision Support Systems, explaining the different levels of management each primarily serves.

5 Marks

Total 25 Marks



QUESTION 7

(a) Describe the main stages in the budgeting process in organisations.

10 Marks

(b) Describe one major short term source of finance and one major long term source of finance available to businesses.

10 Marks

(c) Distinguish between the following capital investment appraisal techniques: net present value and the payback period.

5 Marks

Total 25 Marks

1st Year Examination: May 2013

Business Management

Suggested Solutions

Students please note: These are suggested solutions only; alternative answers may also be deemed to be correct and will be marked on their own merits.

SOLUTION 1 (COMPULSORY)

PART A (i)

PESTLE analysis is a technique for analyzing the macro environment of an organization under the following headings – political, economic, socio-cultural, technological, legal and environmental considerations..

Analysis of the Political environment involves considering the impact of changes in Taxation requirements, Safety regulations, Consumer protection legislation, Parties in Government, EU Developments etc.

Consideration of the levels of demand within the economy, interest rates, foreign exchange rates, grants, inflation etc. are indicative of the economic variables to be monitored and considered.

The Socio-Cultural environment encompasses issues of a demographic nature, such as, changes in the structure of the population – age, gender, income distribution, emigration etc.; and issues of a cultural nature, such as, language, customs, religion etc.

The Technological environment includes consideration of the threats and opportunities arising from IT and scientific developments in various areas.

Organisations must be aware of the legal parameters of their markets and operating environments including issues related to employment law, contract law etc.

Increasingly organizations are developing strategies to minimize the effects their operations have on the ecological systems etc.

<i>Marks Allocated</i>	
<i>1.5 marks per element</i>	
<i>1 mark for overall quality and presentation</i>	<i>10 Marks</i>

PART A (ii)

Many factors have had an impact on the tobacco industry over the last five years. A number of these are set out below:

Political Field

Developments in the political field reflect the growing awareness and increasing levels of concern of the societal cost of tobacco. Numerous lobby and interest groups have mobilized over the health risks of smoking and advertising and the strategies being adopted by the industry to promote its products.

Economic

The recession has impacted the industry significantly in the last four years. People find it difficult to afford cigarettes and many are attempting to give up smoking. Taxes on cigarettes have continued to increase, making them increasingly costly, although an active back market has emerged in this area.

Socio Cultural factors

Socio cultural factors such as attitudes and perceptions have changed towards the industry in recent times. It is now seen as less acceptable in company to smoke. The image of the "Marlboro Man" etc. has been extinguished although smoking is still somewhat fashionable with some of the younger generation.

Legislation

New laws have been introduced to further regulate the industry. These have had a major impact on the industry in recent years in terms of restrictions on advertising and packaging etc. Health risks have been the main driving rationale behind this legislation. The smoking ban and related initiative have had a profound negative effect on smoking practices although a sizeable number of people smoke in designated areas. Measures of this nature are likely to accelerate rather than decrease added further pressures on the industry.

<i>Marks Allocated</i>	
<i>2 marks per influence (maximum of four influences)</i>	
<i>2 marks for overall quality and presentation</i>	<i>10 Marks</i>

PART B

There are hundreds of social networking sites available on the Internet. A social networking site can be described as a website that provides a virtual community in which people with a shared interest may communicate. Examples include Facebook, Bebo, Second Life and Twitter. These platforms offer huge benefits to marketers and advertisers alike.

To get an overview of what social networking sites offer marketers, consider Facebook, which has 1.75million users in Ireland in 2011 (RTE News)

<i>Marketing Strategy</i>	<i>Description</i>
Profile page	All Facebook members get their own profile page when they sign up. Companies can set up company profiles full of product and service information.
Friend request	Members send and receive friend requests and build up contacts. Companies can utilise this by sending out requests that may have information links enclosed.
Groups	Groups may be created or joined for networking purposes. Businesses can set up or join groups in order to network with target customers.
Events	Corporate flyers with event details can be distributed among contacts. This is a cheap and direct method of communication and could be used for new product launches.

Contact importer	A very useful tool, this allows you to 'find friends on Facebook'. Companies can check and see if their contacts/customers use Facebook by uploading their contacts from Gmail and Outlook. Friend requests can then be sent.
Add-ons	These applications allow business people to customise profile pages and build virtual relationships with clients and customers.

Social networking sites have a lot to offer the prospective marketer and advertiser. The great advantage is that most of these applications are free and are often very efficient methods of maintaining contact with friends and customers you wish to build relationships with. In this regard, Internet Marketing and CRM are interlinked and have a symbiotic relationship. These sites allow marketers to gain a deeper understanding of consumers tastes and buying practices, thereby allowing greater opportunities for targeting promotions to selected consumers.

<i>Marks Allocated</i>	
<i>2 marks per reason (Max of two reasons)</i>	
<i>1 mark for conclusion</i>	<i>5 Marks</i>
<i>Total 25 Marks</i>	

SOLUTION 2

PART A

Trait Approach

Trait theory is one way to describe who leaders are. Trait theory suggests that effective leaders possess a similar set of traits or characteristics. Traits are relatively stable characteristics, such as abilities, psychological motives, or consistent patterns of behaviour. Trait theory is also known as the 'great person' theory because early versions of the theory stated that leaders were born not made.

For some time it was thought that trait theory was wrong and that there are no consistent trait differences between leaders and non leaders, or between effective and ineffective leaders. However, more recent evidence shows that 'successful leaders are not like other people, that successful leaders are indeed different from the rest of us. More specifically leaders are different from non leaders in the following traits; drive, the desire to lead, honesty / integrity, self-confidence, emotional stability, cognitive ability, and knowledge of the business. There is much debate as to whether traits are biologically inherent in some people or whether people develop them over time and situations.

Traits alone however, aren't enough for successful leadership. Leaders who possess these desirable traits (or many of them) must also behave in ways that encourage people to achieve group or organizational goals. Two key leadership behaviours are (i) initiating structure, which improves subordinate performance, and (ii) consideration, which improves subordinate satisfaction. There is no 'best' combination of these behaviors.

Traits alone are not enough for successful leadership but people who have the appropriate traits must strive to ensure they use them productively in encouraging people to strive to achieve overall organizational goals.

Contingency Approach

Contingency theorists argue that the 'best' leadership style depends on the situation.

For example, Fiedler assumes that leaders will be more effective when their leadership styles are matched to the proper situation. More specifically, Fiedler defined situation favourableness as the degree to which a particular situation either permits or denies the leader the chance to influence the behaviour of group members. In highly favourable situations, leaders find that their actions influence followers, but in highly unfavourable situations leaders have little or no success influencing the people they are trying to lead.

In general, the relationship-orientated leaders, are better leaders under moderately favourable conditions, while task-orientated leaders are better leaders in highly favourable and highly unfavourable situations.

The Behavioural Approach

As a result of the dissatisfaction with the trait approach to leadership, the focus of leadership research moved away from leader traits to leader behaviours. The central assumption in this school of thought was that specific behaviours differentiate leaders from non-leaders. One of the most famous behavioural leadership studies took place at Ohio State University in the late 1940s. The study found that there are two principle dimensions to leading behaviour:

- Concerns for People - Leaders have a concern for developing mutual trust with subordinates.
- Concerns for the Task - Leaders are concerned with structuring their own and their subordinates' (or followers') tasks and goals. These people are highly directive and task-orientated.

The Michigan Leadership studies conducted in the 1950s propose three criteria for effective leaders:

- Task-Orientated Behaviour - Leaders spent time guiding employees in setting tasks that were challenging and rewarding.
- Relationship-Orientated Behaviour - Leaders were considerate, helpful and supportive of their subordinates.
- Participative Leadership - Effective leaders promote, foster and encourage collaboration across the board through teamwork and the generation of ideas.

The behavioural approach recognises the quality of leadership as a determining factor in management success. It focuses on group relationships and recognises the role of individual psychology and group behaviour in organisational effectiveness. It is therefore an improved version of the human relations approach.

The Charismatic Approach

Charisma is a very strong form of referent power possessed by relatively few individuals. It is based on an individuals' ability to influence others through their own inspirational qualities rather than through any formal position of power. It is directed at identifying behaviours that differentiate charismatic leaders from their non-charismatic counterparts. Studies indicate that charismatic leaders display specific traits:

Characteristics of Charismatic Leadership	
Strong needs for power.	Ability to portray self-sacrifice on behalf of the company.
Very self-confident.	Astute at scanning and 'reading' their environment.
Strong beliefs in their own ideas.	Often behave unconventionally.
They are visionaries and can communicate their vision effectively.	Good at cultivating a certain image (whether accurate or not).
Take innovative actions to achieve goals.	They are dominant and have a strong desire to influence others.

<i>Marks Allocated</i>	
<i>5 marks for quality of description of theory (Max of two theories)</i>	<i>10 Marks</i>

PART B

Planning may be defined as:

“...the systematic development of action programmes aimed at reaching agreed-upon business objectives by the process of analysing, evaluating and selecting among opportunities that are foreseen. It is the process of determining exactly what the organisation will do to accomplish its objectives.”

Planning incorporates defining the organisation's objectives, establishing an overall strategy, and developing a comprehensive hierarchy of plans to integrate and co-ordinate actions within a company. It is concerned with ends (what is to be done) and with means (how it is to be done).

Benefits of planning

- Helps provide overall strategic direction and alignment
- Provides direction with the organisation and a basis for co-ordination and control
- Provides a timetable for accomplishment
- Provides a key evaluation tool for success and progress of the firm and its agendas
- Affords employees guidelines for achieving objectives
- Helps develop a vision for the future which may assist in developing teamwork, unity of direction and Esprit de Corps

Limitations of planning

- Can create rigidity and inflexibility as there may be a tendency to be locked into specific goals and timetables
- Inflexible planning will make it much harder to deal with turmoil internally and externally
- Planning functions often assume that the environment won't change over the course of the plan
- Formal plans cannot replace intuition and creativity
- Successful plans may produce a false sense of security

- There may be internal resistance to formal planning due to factors such as conflict, distribution of power, relationships and uncertainty
- Planning can be expensive both in terms of time and money

<i>Marks Allocated</i>	
<i>2 marks for description of each benefit (Max of three benefits)</i>	
<i>2 marks for the quality of the discussion of each limitation (Max of two limitations)</i>	<i>10 Marks</i>

PART C

Managers can exercise their authority directly by completing the tasks themselves, or they can choose to pass on some of their authority to subordinates. Delegation of authority is the assignment of direct authority and responsibility to a subordinate to complete tasks for which the manager is normally responsible. When a manager delegates work, three transfers occur.

First the manager transfers full responsibility for the assignment to the subordinate. Secondly delegation transfers authority to the subordinate over the resources to do the job. The third transfer that occurs with delegation is the transfer of accountability. The subordinate now has the authority and responsibility to do the job and is accountable for getting the job done. From the foregoing we can see that authority, responsibility and accountability are integral to the process of delegation.

<i>Marks Allocated</i>	
<i>1 mark for definition</i>	
<i>2 marks per relevant factor (Max of two factors)</i>	<i>5 Marks</i>
<i>Total 25 Marks</i>	

SOLUTION 3**PART A**

Marketing management deals with how the different elements of marketing are organised, planned and controlled. It is rare for a company to target a market in full; instead marketers concentrate on segmenting markets, then select the best segments to better position products.

A three-step process is crucial in marketing management. This set of activities – Segmentation, Targeting and Positioning (or STP) – defines a pivotal managerial decision making process in an organisation's attempts to meet its objectives in competitive markets.

The process of segmentation, targeting and positioning enables the marketer to:-

- Select the most profitable and viable customers to serve.
- Reach them with an offering that has a competitive advantage
- To communicate a position that is clearly perceived

Market Segmentation

Market segmentation involves analysing the total market into segments that share common properties, such as consumers stage of life needs, purchasing power, geographical spread, buyer behaviour, attitudes to environmental issues etc. The ultimate in terms of market segmentation is "customised marketing" where sellers design a separate product for individual buyers. Typical segmentation variables include;

Age range – 18 to 30

Gender – male or female

Location – urban, rural, national or international

Family life cycle – single, married no children, married young children, etc.

Socio- economic status – professional, managerial, skilled workers, unskilled etc.

Market Targeting

Market targeting follows market segmentation. It involves evaluating the various segments identified during the segmentation process and deciding how many and which segments it can serve best.

Undifferentiated Marketing

This is a full market coverage strategy, in which the firm serves all customer groups with products they might need. It is a market coverage strategy in which the firm decides to ignore market segment differences and goes for blanket market coverage. It relies on mass distribution and advertising which may provide cost efficiencies.

Differentiated Marketing

This is a market coverage strategy in which the firm decides to target several market segments and designs a separate marketing mix for each. By offering product variations and marketing, the company hopes for higher sales and a stronger position in a market segment.

Concentrated Marketing

This is a market coverage strategy in which a firm goes after a large share of one or a few submarkets. It pursues a niche market strategy.

Market Positioning

Market positioning considers the perceptions of the consumer about the product or service, relative to other products and services in the market. The marketer seeks to position the product so that it is perceived to possess the key variables considered important by customers. Re-positioning involves moving the product away from its current position to a point that improves its market appeal. Lucozade is a product that was re-positioned from a drink for people who were feeling unwell to a sports drink.

A perceptual map may be used to identify key consumer criteria and where brands are positioned in relation to each other. Branding may form part of the drive to re-position or reinforce an existing position in the market place.

<i>Marks Allocated</i>	
<i>3 marks for the quality of explanation of each element</i>	
<i>1 mark for overall quality</i>	<i>10 Marks</i>

PART A (ii)

In answering this section candidates are expected to outline appropriate segmentation, targeting and positioning strategies for a company entering the online betting market in Ireland.

This would involve selecting appropriate demographic variables for the target segments – age, gender, stage of life cycle. Added to this will be relevant psychographic variables such as – activities (sports and entertainment), interests (i.e. level of social interaction) and opinions. Also of interest may be certain variables concerning the level of interaction between the customer and the product.
(use of real time online betting as games are progressing etc.)

Marketing targeting strategies will involve deciding whether the company wishes to target several market segments simultaneously and design separate marketing mix strategies for each. It will involve decisions around the attractiveness (size, potential and scope for development) of the target market.

Positioning will involve decisions around the perceptions the company wishes to create in consumers minds associated with its offerings. (e.g. best for racing etc.)

<i>Marks Allocated</i>	
<i>3 marks for the quality of outlining the relevance of each element</i>	
<i>1 mark for overall quality</i>	<i>10 Marks</i>

PART B

The ethical debates in marketing are complex and, to a point, subjective. But business ethics is an area of growing importance and non more than the area of marketing to children. Issues in this area range from deceptive practices, sexually suggestive advertising, capitalising on the pester power of children to advertising that affects the self identity of children. All business managers should be aware of the ethical implications of their decisions, particularly in the area of marketing to children.

<i>Marks Allocated</i>	
<i>2 marks per risk (Max of two risks)</i>	
<i>1 mark for overall quality of the answer (Engagement with theme/ Conclusion well supported)</i>	<i>5 Marks</i>
<i>Total 25 Marks</i>	

SOLUTION 4**PART A**

Expectancy theory holds that people make conscious choices about their motivation. The three factors that affect these choices are valance, expectancy, and instrumentality.

Valance is simply the attractiveness or desirability of various rewards or outcomes. Expectancy theory recognizes that the same reward or outcome, say, a promotion, may be highly attractive to some people and less so for others.

Accordingly, when people are deciding how much effort to put forth, expectancy theory suggests they will consider the valance of the various rewards and outcomes that are likely to arise from doing so. The greater the sum of those valences, each of which can be positive, negative, or neutral, the more effort people will choose to give to the job.

Expectancy is the perceived relationship between effort and performance. When expectancy is strong, employees believe their hard work and effort will result in a good performance, so they work harder. By contrast, when expectancy is weak, employees figure that no matter what they do or how hard they work, they won't be able to perform their jobs successfully, so they don't work as hard.

Instrumentality is the perceived relationship between performance and rewards. When instrumentality is strong, employees believe that improved performance will lead to greater rewards, so they choose to work harder. When instrumentality is weak, employees don't believe that better performance will result in better rewards, so they choose not to work as hard.

Expectancy theory holds that for people to be highly motivated, all three variables – valance, expectancy, and instrumentality - must be high. Thus, expectancy theory can be represented by the following simple equation

$$\text{Motivation} = \text{Valance} * \text{Expectancy} * \text{Instrumentality}$$

If any one of these variables declines overall motivation will decline too.

In summary it may be depicted as follows:

Expectancy <i>(Do I believe the effort will lead to performance?)</i>	The probability perceived by the individual that exerting a given amount of effort will lead to a certain level of performance
Instrumentality <i>(Do I believe performance will lead to reward?)</i>	That performing at a particular level is instrumental in, or will lead to, the attainment of a desired outcome.
Valance <i>(Do I value the reward?)</i>	The importance that the individual places on the potential outcome or reward that can be achieved on the job

The merits and limitations of expectancy theory may be summarised as follows:

Merits	Limitations
<p>Focuses on processes by which people decide on how much to contribute</p> <p>It strives to be measurable</p> <p>Aims to be predictive</p> <p>Clearly states that motivation is made up of positive motivation and positive valence together</p>	<p>Peoples estimates differ</p> <p>Valence is subjective</p> <p>Individuals never can have complete knowledge of outcomes</p> <p>It does not measure performance only motivation</p>

It could be argued that in the present business climate expectancy theory brings the linkages underlying motivation into sharper focus and that these are more important in recessionary times. (e. g. people may be more instrumental in their outlook now than heretofore). On the other hand it could be argued that it may have less relevance as employers may not be in a position to offer or honour performance based reward systems of this nature.

<i>Marks Allocated</i>	
<i>2 marks for the quality of the description of each element</i>	<i>4 marks for relevance</i>
<i>4 marks for overall quality</i>	<i>13 Marks</i>

PART B

A well managed change process should include a strategic picture of its aims, a coherent set of phases, the maximum involvement of those most closely affected, an emphasis on securing the commitment of everyone involved and perhaps a change in the behaviour of employees and in the culture of the organisation.

Kotter developed a framework which has been embraced by many as an accurate representation of the steps needed to effect major change within an organisation.

Deforst a hardened status quo / Creating a climate for change

1. Establish a sense of urgency
2. Create a guiding coalition
3. Getting the vision and strategy right
4. Communicate the change vision

Introduce new practices / Engaging and enabling the organisation

- 5 Empower a broad base of people to take action
- 6 Generate short term wins
- 7 Consolidate gains and produce ever more change

Ground the changes in the culture, and making them stick

- 8 Institutionalise new approaches in the corporate culture

The steps are not equally important according to Kotter, therefore a leader should not spend equal amounts of time, effort and resources on each.

The first stage is very important as people must understand that there is a problem that needs to be solved, or an opportunity that is important to seize. They should also be encouraged to see that the change will be beneficial to them. This involves creating a climate for change. This means increasing a sense of urgency / realisation of the need for change, a coalition to support it and vision to provide it with direction.

The second stage of the process reveals that it is a highly political process. Management must engage and enable employees and foster commitment to change.

The final stage is what Kotter describes as a process of leading, not managing change. Managerial approaches focus on clearly defining objectives, making detailed plans, setting timetables, assigning responsibilities, and monitoring progress via supervision. In contrast, leadership approaches focus on energising other people to take action. It involves implementing and sustaining the change, making it stick.

From the foregoing it can be seen that there are many strategies that management may use to overcome resistance to change. It depends on the type of change that is being initiated and the timeline in which it is to be achieved.

<i>Marks Allocated</i>	
<i>3 marks for the quality of the description of each element (Max of four elements)</i>	<i>12 Marks</i>
<i>Total 25 Marks</i>	

SOLUTION 5

PART A

Media vehicles used in advertising include TV, Newspapers and the Internet. The main benefits and limitations associated with each of these forms of advertising media outlined below:

TV

Benefits

High reach
Low cost per contact
Quality creation opportunities

Limitations

Clutter
High cost per ad
Low recall

Newspapers

Benefits

Longer copy and message possible
Excellent location for coupons and special purpose features
High geographic segmentation possible – reach local audiences
High credibility

Limitations

Major clutter
Limited audience
Relatively short life span

Internet

Benefits

High reach
 Very targeted
 Interactive

Limitations

Clutter
 Hard to target older audiences
 Security concerns
 Intrusive

<i>Marks Allocated</i>	
<i>1 mark for the quality of the description of each benefit and limitation</i>	
<i>1 mark for overall quality</i>	<i>10 Marks</i>

PART A (ii)

Advertising is any paid form of non-personal communication about an organization, product, service or idea by an identified sponsor. It's key purpose is to inform potential customers about products and services and how to use them. Many advertisements are also designed to generate increased consumption of those products or services through the creation and reinforcement of brand image and brand loyalty.

The choice of each vehicle is likely to reflect:

Cost,
 Reach,
 Competitors choice of media
 Geographic coverage

A number of media vehicles may be used to advertise in the retail sector. Arguments could probably be put forward for using all three media vehicles or some combination of each. The choice will depend on the specific marketing objectives of the company and the budget it has at its disposal for this campaign. The more specific the target population the more focused the advertising vehicle.

I would certainly recommend targeting selected populations with special deals via the Internet. This would be relatively inexpensive and could be supplemented from time to time with the use of other advertising vehicles. Many retail stores find National Newspapers useful. Many take out large advertisements on a weekly basis to display their special offers for the week etc.

<i>Marks Allocated</i>	
<i>2 marks for the quality of factors affecting choice (Max three factors)</i>	
<i>4 marks for overall choice and reasoning</i>	<i>10 Marks</i>

PART B

A Market Skimming pricing strategy occurs when the prices of new products are initially set high and are gradually lowered as the product moves through the product life cycle. It usually occurs when demand is inelastic, the product is unique and the firm wishes to recover its costs quickly.

A Market Penetration pricing policy occurs when prices are initially set low in order to attract a large volume of customers quickly. Increased market share results and defends against competitors unable to match lower prices. It occurs when price demand is elastic, there is no patent protection and competition is intense.

<i>Marks Allocated</i>	
<i>2 marks per strategy</i>	
<i>1 mark for overall quality of the answer</i>	<i>5 Marks</i>
<i>Total 25 Marks</i>	

SOLUTION 6**PART A**

A feasibility study is conducted to determine whether a project is fundamentally worthwhile. There are many areas to consider when assessing the feasibility of a project, these include its economic feasibility, its technical feasibility, and its organizational and operational feasibility. The feasibility analysis provides a high level snapshot of the potential costs and benefits of the proposed system and the technical / organisational feasibility of the project. If the results of the analysis are favourable an explicit decision is made to proceed.

There are many ways to assess the feasibility of a project. Amongst these are:

1. Economic feasibility

The main question here surrounds the costs of acquiring the system versus the benefits of having the finished system. This is generally determined using a Cost-Benefit-Analysis. All costs (tangible and intangible) and benefits (tangible and intangible) need to be considered in assessing the economic feasibility of a computer project.

Tangible costs

These include all those costs that can be predicted and measured to a fairly accurate degree. Typical examples include

- Hardware / Equipment
- Wages / salaries and consultancy fees
- Ongoing system benefits

Tangible benefits, would include

- Improved efficiency and throughput
- Reduction in errors
- Reduction in costs

Intangible costs, refer to costs that cannot be measured accurately and may always occur – some examples would include

- loss of employee morale
- disruption to the organisation

Intangible benefits would include

- gaining a competitive advantage
- improved employee morale
- faster decision making

2. Operational and Organisational feasibility

The focus here is on whether the organisation has the necessary skills/ capabilities available to actually operate the system on a day to day basis. And if not, where these can be obtained in a realistic way.

3. Technical Feasibility

The main issue here is whether the organisation is technically capable of developing/ operating the system, and if not, whether the necessary technology can be developed or acquired in a feasible manner.

<i>Marks Allocated</i>	
<i>3 marks for the quality of description of each area (Max three areas)</i>	
<i>1 mark for overall quality</i>	<i>10 Marks</i>

PART B

A control is a method or procedure aimed at ensuring that the company's assets are secure, including data and other such intangible assets.

Physical Controls

This category of control refers to any control that limits physical access to the system or physically monitors the system, such as:

- Security guards
- CCTV
- Keypads / swipe card to open doors
- Isolating computers from the network

Access Controls

These are any means of restricting access to authorized users only (and not only through physical means). The most common means are usernames and passwords; ID cards, and biometrics (e.g. fingerprints, facial recognition), although the latter is still expensive and not commonly used in business.

Good password practice requires a minimum password length (the longer the better) and regular changes. Also, passwords should not be easy to 'guess' or determine (i.e. don't use your dog's name, or something else anyone could easily find out).

Many companies apply strict password policies that force employees to use letters, numbers and other special characters (like \$ or &). Also some companies will require employees to change their passwords periodically. This can pose its own problems, and often leads to employees writing down their own passwords and increasing the risk that it will be discovered.

Firewalls are an access control used to prevent unauthorized users from accessing networks, usually through a combination of hardware and software. Any message entering your system would pass through the firewall, allowing it to be filtered (to check for possible threats). For example, some firewalls block / trap any email containing an attachment as these are often a means of spreading viruses.

Procedural controls

These are procedures put in place as rules/guidelines for users and are sometimes know as 'company standards'. Proper back-up procedures are essential to ensure data security, for example. Usually data is backed up (software can be repurchased if necessary), and this is done on an incremental basis, with 'master' back-ups taken periodically. The incremental back-ups only contain what has changed since the last master-back-up, thus reducing storage requirements.

Organisational controls

These controls refer to the structures that are in place to ensure there is clear lines of responsibility. Other items that are relevant at this stage are user training and support. The importance of proper training cannot be over-emphasised, especially when one considers that user error is one of the most common forms of security breach.

<i>Marks Allocated</i>	
<i>3 marks for the quality of description of each area (Max three areas)</i>	
<i>1 mark for overall quality</i>	<i>10 Marks</i>

PART C

Transaction processing systems (TPS) are information systems which exist to support the day to day, or week to week, processing and recording of routine business transactions such as Orders, Despatch Notes and Invoices. (e.g. cash registers, atm's , sales order processing systems etc.). Transaction processing systems are primarily used by operational managers. However as TPS store the pool of information in databases which may be accessed and manipulated in a manner which provides meaningful insights that guide management decision-making, they may be used indirectly by all levels of management.

They are generally designed to work with high volumes on a "real time" basis. (e.g. online cinema seat sales, or on line airline ticket sales). They form the backbone of the entities information processing systems and need to be fully secure and functional at all times.

Decision support systems are complex systems used to help managers make non-routine decisions. They generally consist of a "model" based on past experience. Users can then use expected data (e.g. projected sales for next year), to generate estimates for other factors (e.g. projected profits, etc.)

DSS's use various types of analysis, like "what if" (i.e. change in one element of the model and see what happens to the result), and "sensitivity" (i.e. make small changes to one element and see what happens to another element).

A spreadsheet model can be used as a simple but effective Decision Support System.

<i>Marks Allocated</i>	
<i>2 marks for the quality of description of each system</i>	
<i>1 mark for overall quality</i>	<i>5 Marks</i>
	<i>Total 25 Marks</i>

SOLUTION 7**PART A**

Stages in the budgetary process

The stages involved in the budgeting process are as follows:

1. Communicating details of the budget policy

Top management must communicate the policy effects of the long-term plan to those responsible for preparing the current year's budgets.

2. Determining the key budget factor

The key budget factor is that, which at a particular time or over a period will limit the activities of an undertaking and which is therefore taken into account in preparing budgets. In most cases it is market demand.

3. Preparation of the Sales Budget

The importance of this activity stems from the fact that the entire budget will be based on Sales

4. Preparation of Functional Budgets

Once the sales projections are made, the various functional budgets can be prepared.

5. Preparation of the Master Budget

When functional budgets are completed, a projected Cash Flow Statement, Capital Expenditure, and Projected P&L and Balance Sheet can be prepared.

6. Reviews/ Negotiations and Discussion

This involves a series of meetings and discussions, which may result in some alterations

7. Subsequent Revisions

Once a budget is approved it is rarely changed. This only tends to happen when major developments take place.

<i>Marks Allocated</i>	
<i>2 marks for the quality of description of each stage (Max of four stages)</i>	
<i>2 marks for overall quality</i>	<i>10 Marks</i>

PART B**Bank Borrowings**

Commercial banks extend short-term facilities mainly in the form of overdraft arrangements. Generally commercial banks reserve the right to cancel overdraft facilities at short notice. In practice it is probably not to the banks advantage to pursue this policy to the letter, as they might needlessly force the borrower into financial difficulties.

Utilising bank facilities in a proper manner will ensure the maintenance of a flexible and comparatively cheap source of finance. Bank borrowings are flexible in that interest is only payable on the amount outstanding and not on a fixed advanced sum as is the case with the borrowings from other financial institutions. Bank borrowings are also comparatively cheaper than long-term loans due to the fact that the risk involved is smaller given that the lending period is shorter.

The security required by banks differs depending on the risks involved. They might require personal guarantees in the case of a private company or, alternatively, floating or fixed charges on the assets of the company, or indeed, both.

Bank lending rates are normally set one to two percent above the bank rate. Bank lending rates can therefore fluctuate upwards or downwards during the period in which the monies are advanced. This can be an advantage or a disadvantage depending on the direction of the change when compared to other forms of advances made by financial institutions at fixed interest rates.

Ordinary Shares

Ordinary shareholders are members of the company holding voting rights. They own a share of the company's assets and a share of any profits earned after all prior claims have been met.

Ordinary shares or Equity, as they are termed, are a permanent source of finance. Ordinary shareholders provide seed capital to allow the business to develop and grow. There are no fixed repayment or interest charges to be paid in the case of equity. Equity also provides the owners with authority to influence policy and direction.

Equity may be raised through offers for sale, public issues, placing, tender or rights issues. Equity is generally regarded as an expensive source of finance when compared to loan finance, as the dividends to equity holders unlike loan interest are not tax deductible. Another disadvantage of equity is the potential for change in the balance of control between existing and new shareholders.

<i>Marks Allocated</i>	
<i>5 marks for the quality of description of each source</i>	<i>10 Marks</i>

PART C

Students are expected to demonstrate a full understanding of Payback and NPV

Payback Period

This is represented as a period of time; it is the length of time that it takes for an initial investment to be repaid from the resulting income that the investment will generate. Investments with a shorter payback period would normally be deemed to be more attractive.

It is easy and quick to calculate and is easily understood.

Net Present Value

The net present value method considers all costs and benefits of the project, and also takes into account the timing of these costs and benefits.

Timing is critical at this junction. Primarily due to inflation, the value of money changes with time. What is worth €50 now will probably not be worth €50 in 5 years time. So the net present value formula considers that if an outlay for a project occurs now, this should not be compared directly with future incomes as the value of money will have changed in the intervening period.

The Net Present Value method works out the present values of all cash inflows and outflows of an investment at a given target rate of return or cost of capital, and then works out a net total.

When the net present value is calculated, if it is positive then the project is acceptable, and the project with the highest value is the most acceptable.

<i>Marks Allocated</i>	
<i>2 marks for the quality of the description of each method</i>	
<i>1 mark for overall quality</i>	<i>5 Marks</i>
<i>Total 25 Marks</i>	

1st Year Examination: May 2013

Business Management

Examiner's Report

Statistical Analysis – By Question							
Question No.	1	2	3	4	5	6	7
Average Mark (%)	67%	54%	61%	53%	67%	50%	51%
Nos. Attempting	958	565	477	295	628	467	410

Statistical Analysis - Overall	
Pass Rate	82%
Average Mark	59%
Range of Marks	Nos. of Students
0-39	111
40-49	63
50-59	255
60-69	259
70 and over	271
Total No. Sitting Exam	959
Total Absent	366
Total Approved Absent	63
Total No. Applied for Exam	1388

General Comment:

The overall performance of candidates in this sitting was good and showed a slight improvement over previous sittings.

Question 1

- (a) (i) The vast majority of candidates demonstrated a deep understanding of the PESTLE model. Most were able to explain each component and to support their answers with relevant real life examples. The better candidates provided complete answers making extensive use of real life examples.
- (ii) Most candidates were able to demonstrate how the model could be used to identify the major influences on the tobacco industry in Ireland over the last five years. Whilst drawing on personal experience is of assistance it is important that candidates address how issues impact the industry as a whole. A number of candidates displayed confidence and fluidity as evidenced by the quality of their answers.
- (b) Answers to this part were good with most candidates displaying a solid understanding about the relevance of social networking sites in marketing.

Question 2

- (a) By far the most popular choice was “Trait Theory” with most candidates quoting the “leader is born not made”, followed closely by “The Charismatic Approach”, with the list of “usual suspects” including Michael O Leary now joined by President Obama.

A minority decided to write about “Fiedler’s Contingency Theory” and “The Behavioral Approach” but the standard of these answers was generally higher with the candidates giving more complete descriptions of the theories. By contrast, some candidates felt that simply stating “leader is born not made” or listing charismatic leaders would obtain full marks. Candidates are encouraged to provide more detailed answers in order to gain higher marks. A 3-4 line answer is generally better than a short 1 line bullet-point.

- (b) Very high standard of answering with a very large number of answers correctly listing three benefits and two limitations. It is worth noting that it is not sufficient to simply list the points, it is necessary to provide a brief elaboration or description of each point.
- (c) Some confusion about the term “delegation” which was surprising because the reality of the practice must be a very common experience for the students sitting the examination but the vast majority of answers provided the correct definition and two valid factors.

Question 3

- (a) (i) Most solutions correctly identified the three elements Segmentation, Targeting, Positioning but a minority did not provide the examples requested.
- (ii) Given the high standard of part (i) it was surprising to find that this part was, in a very small number of cases not attempted or, in a larger number of cases, answered in a very careless or off-handed fashion. It may be that some candidates find it difficult to apply the theory described in part (i). Lecturers should ideally ensure students get practice at applying theories.
- (b) Very high standard in contrast to a(ii), it seems to be an area with which candidates are familiar from constant exposure to the Internet and discussions about this issue in the media

Question 4

- (a) In general this was answered pretty well. Although there were some confused answers, most candidates had the general gist. Some candidates provided answers on other theories of motivation (e.g. answered on Maslow (by name), Theory X & Y etc.) or general discussions about motivation: anything except Vroom’s theory. A minority described in detail every motivation theory they could think of, including Vroom’s.

Relevance to today’s situation was not handled particularly well in general. Some candidates gave personal anecdotes, some voted Yes or No without backing it up in any way. A minority made a reasonably coherent argument one way or the other.

- (b) Most answers here were very good, with the vast majority of candidates demonstrating a good grasp of Kotter’s theory of change management and many describing all 8 elements.

Question 5

- (a) (i) Overall answers were very good. However, a number of candidates either omitted one or more of the media or did not give the required number of benefits/limitations
- (ii) Answers here were mixed. Generally they were good but some candidates did not give 3 factors or only suggested one vehicle or did not give reasons for their choices. A small number misunderstood the first sentence of the question and answered in relation to TV, Newspapers, Internet rather than Cost, Reach, Competitors, etc. In some of these cases candidates repeated what they had written in part A(i).
- (b) In most cases this was dealt with adequately, with some excellent answers.

Question 6

- (a) Very disappointing answers to a classic question which even contained the words “three areas”. A large number of candidates described the SDLC and in some cases failed to mention Feasibility Study!
- (b) This section was answered well by the majority of candidates.
- (c) By far the best answered part of the question. Excellent descriptions of TPS typically using ATM as the example and correctly identifying the nature and features of DSS including “what if” analysis examples etc.

Question 7

- (a) Surprisingly well answered by most candidates with a significant number providing comprehensive descriptions of the various stages in the budgeting process.
- (b) Again a high level attained in most answers with some truly excellent discussions of the nature of factoring and debentures. However there were a number of candidates who clearly had not studied the area and resorted to guess work.
- (c) Most candidates were able to explain payback well but a good number struggled to provide descriptions that demonstrated they fully understood the concept of net present value.