

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN

EXAMINERS' COMMENTS

SUBJECT	SESSION
Business Management	Summer 2007

General Remarks

The questions in the Paper were quite simple, designed to assess the theoretical and conceptual knowledge of the candidates. However, the performance of the students was much below expectations due to lack of comprehension regarding the requirements of the questions, insufficient preparation and inability to present accurate and relevant answers.

Question-wise comments are given below:

- Q.1 This question regarding Primary and Secondary Data was simple and has relevance in a number of courses in business. Primary Data is data collected specifically for the purpose of the research study in hand, whereas Secondary Data is information which has been collected previously for some purpose other than the current research study. A number of students showed lack of clarity of understanding and offered vague answers. Invariably, all the replies pertaining to primary and secondary data were in the context of market research, whereas the collection of data has application in all fields of study. This Question which carried 9 marks provided an opportunity to score high marks which was not availed by a number of the students.
- Q.2 The concept of Branding has wide general awareness and is familiar to most of the people in their role as consumers. Although, a majority of the candidates stated that branding is used to differentiate a product from those of the competitors, they failed to elaborate that branding includes identification of a product through its logo, design, packaging, trade mark or any other symbol.

Part (b) of the Question was not understood by most of the students as the replies were required from the marketing companies' viewpoint as to why they pursue aggressive branding strategies. Aggressive Branding Strategies are pursued by FMCG companies when the products are readily identifiable by their brands, are sold through widespread network of distribution channels, provide best value for money, possess consistency of quality and have strong recurring demand potential for recovery of promotion expenditures. Instead, a large number of candidates gave reasons for branding and its marketing importance rather than explaining the conditions in which FMCG companies pursue aggressive marketing strategies. The overall performance in this Question could have been better.

- Q.3 This Question on Disciplinary Actions was attempted fairly well by most of the students. Some of the students discussed, at length, disciplinary problems and their situations without mentioning appropriate types of disciplinary actions i.e. verbal warning, written warning, suspension and termination. The sequence of Disciplinary Action was not followed by a number of the students. The performance could have been much better if the students had tried to ascertain the specific requirements of this question, before proceeding with the answer.
- Q.4 This Question pertaining to the proposed cement project required identification of critical success factors relating to the competitive and industry analysis. Instead of enumerating the critical success factors, students gave their own suggestions and recommendations and discussed SWOT analysis which was not required. The relevant critical factors such as, size of the market, anticipated rate of growth in demand, number of competitors, their rated capacities, analysis of manufacturing cost structures, marketing of cement as a branded product or as a commodity, bargaining strength of buyers and traditional distribution channels should have been identified. Several students merely reproduced the points which were stated in the question. In certain instances there were 4-5 pages of irrelevant replies resulting in loss of valuable time. The performance in this question of 12 marks was unsatisfactory.
- Q.5 In this Question regarding characteristics of global companies, the students offered general explanations of companies engaged in export business and advantages of global business operations. The key features of global companies i.e. viewing the world as one market, pursuance of similar manufacturing, marketing and distribution strategies and close coordination at the global headquarters where the top management team takes key decisions regarding the operations in each country were explained by very few students.

Part (b) regarding advantages of adopting aggressive global strategy elicited vague responses and repetition of points stated in Part (a) of the Question. Very few students were able to enlist advantages on lines such as, economies of scale in manufacturing and distribution costs, transfer of manufacturing and marketing know-how from country-to-country, advantages of availability of important raw materials and overcoming of trade barriers and quota restrictions.

- Q.6 (a) This part related to definition of Distinctive Competitive Advantage and was answered satisfactorily by most of the students as they were able to mention correctly that DCA constitutes a combination of all those core business activities which a firm does particularly well vis-à-vis its competitors.
- (b) In part (b), a number of replies showed lack of focus and the answers were off-the-mark. The factors which contribute towards creation of DCA, include superior technical expertise and management skills, superior quality of plant and equipment, sound distribution network, customer care services, cost advantage and access to high-quality low-cost raw materials. Instead, some of the students made comparisons of products of different competitors which was not required.

Q.7 The students were expected to identify the following as essential elements of a sound implementation framework to achieve the objectives of the strategic plan:

- a properly aligned organization structure to support the proposed strategy,
- realistic budget allocations to the various business units,
- availability of skilled and motivated staff,
- role of leadership and commitment of top management,
- installation of an MIS and Reporting System to monitor the performance on a continuous basis and initiating timely corrective measures.

Due to problems of comprehension, a number of the candidates described at length the factors necessary for planning a successful strategy, which was not required. Consequently, the performance was rather unsatisfactory.

Q.8 In this Question, the Social Needs of mobile telephones were required to be identified from the customers perspective. Need for friendship, bonding of family ties by being in contact, establishment of immediate contact in emergencies, instant access to information of general social interest and expression of status are the generally accepted social needs. Common errors included describing the marketing strategies of mobile phone companies and repetition of the same point in different words. This Question of 5 marks provided an opportunity to score marks, which was not grasped by a number of students.

Q.9 The Question on Performance Appraisal was attempted by most of the students and the replies were generally satisfactory. The relevant replies included, evaluation of employee performance, review of salary and rewards, providing vital information for transfers and training needs, formulation of career path plans and ascertaining whether the performance of the employees is aligned with the objectives set forth in the strategic plan.

The students performed quite well in this question and many of them scored high marks.

Q.10 It was a simple question about work environment in a large textile mill. Most of the students were able to answer well as it was a general topic. However, some of the replies focused wholly on the safety and welfare aspects of the work environment. They ignored issues such as performance-based wage policy, provision of adequate labour welfare facilities, a transparent grievance handling policy, training and rewards for deserving workers etc. The issue of flexible working hours was mentioned by a number of the students which is not correct as the integrated textile mills work in shifts with the required complement of work force.

Q.11 In this part the examinees were expected to explain the distinguishing features of an international contract manufacturing arrangement (ICM). It is an arrangement whereby a firm in one country enters into a contract with a firm in another country to manufacture or assemble a product on behalf of the firm which has awarded the contract, strictly in accordance with the agreed specifications. Instead, many students got confused and explained in detail, matters relating to licencing, franchising and payment of royalties.

In Part (b) pertaining to the advantages of ICM, the expected replies were (i) the firm awarding the contract does not have to make capital investment (ii) lower production costs in the manufacturing country and (iii) elimination of risks of expropriation of assets or nationalization. The replies to this part of the question were generally satisfactory.

- Q.12 This Question on Documentary Credit was simple and required a brief and pointed reply. A majority of the students performed poorly because they were unable to understand the requirements of the Question. Instead of offering a definition on the key features of Documentary Credit, attempts were made to describe the procedure for opening of a letter of credit with its varying features.

(THE END)