

UNIVERSITY OF LONDON
IMPERIAL COLLEGE OF SCIENCE, TECHNOLOGY AND MEDICINE

EXAMINATIONS 2002

BEng Honours Degree in Computing Part III
MEng Honours Degrees in Computing Part IV
for Internal Students of the Imperial College of Science, Technology and Medicine

*This paper is also taken for the relevant examinations for the
Associateship of the City and Guilds of London Institute*

PAPER C355

MANAGEMENT - ORGANISATION AND FINANCE

Wednesday 24 April 2002, 10:00
Duration: 120 minutes

Answer THREE questions

Paper contains 4 questions
Calculators required

Section A (*Use a separate answer book for this Section*)

- 1 a “Management” may be defined by the phrase “ the art of getting things done through people”. What does this definition tell us about management and why is effective management important within an organisation?
- b “A manager is a person who allocates resources (both human and material) and directs the operations of a department or an entire organisation”
Comment on this definition and describe the different ways that Fayol and Mintzberg viewed the roles of managers.
- c What is motivation and what may determine the extent of an individual’s motivation? Describe a job-related way in which managers could increase the motivation of the staff working for them, and discuss briefly the organisational implications arising from the manager’s actions.

The three parts carry, respectively, 25%, 35%, and 40% of the marks.

- 2 a What might you expect to learn from reading an organisation’s published mission statement? What is the purpose of the mission statement in the context of an organisation’s business strategy process?
- b Explain the purpose of Porter’s Five Forces model of industry competition and identify the different forces in it. Give some examples of barriers to entry to an industry. How might innovation in products and services affect the forces in the Porter Five Forces model and illustrate these effects with examples.
- c What do you understand by the different generic strategies “cost leadership” and “differentiation”? What would be the characteristics of different firms following each of these different strategies?

The three parts carry, respectively, 20%, 50%, and 30% of the marks.

Section B (Use a separate answer book for this Section)

- 3 Floppy Products Ltd is considering the introduction of automated procedures into one its activities.

The company has obtained estimates for the supply of the necessary equipment and two alternatives have been suggested:

Machine A:

Cost: £12,000
Life of machine: 4 years
Expected profits arising out of use of machine (£'000):

Yrs	1	2	3	4
	25	25	12	12

Machine B:

Cost: £20,000
Life of machine: 6 years
Expected profits arising out of use of machine (£'000)

Yrs	1	2	3	4	5	6
	22	22	19	19	8	8

It may be assumed that the stated profits will arise at the end of the year to which they relate and that each machine will have negligible value at the end of its life after which the company may be expected to install an identical replacement. It may be further assumed that there will be no real increases in machinery costs in the foreseeable future and that profits will remain at the stated levels during this period.

Taxation regulations allow new machinery to be depreciated (using the 25% reducing balance method) over the first four years of its lifetime. No further allowances are granted.

The profits less allowances will be subject to taxation at the rate of 30% (payable one year in arrears) and this rate is expected to apply throughout the period under consideration.

Prepare a report for the management of the Company advising them which machine should be purchased on the assumption that the company's cost of capital is 8% pa. All necessary calculations should be included and fully explained.

4 Airtours plc provides holidays.

For 2001, its sales were £5,045 million, on which it made £51 million operating profit. After exceptional items, £127 million were transferred to reserves.

The balance sheet may be summarised as:

	£ million
Intangible fixed assets (goodwill)	540
Tangible fixed assets	431
Investments	84
Current assets	1,230
Current liabilities	<u>(1,203)</u>
Net current assets	27
Creditors due after 1 year (including 340 borrowings)	<u>(560)</u>
Shareholders' funds	<u>524</u>

- a Explain one ratio for assessing a business' results and comment on how well Airtours is doing judged by this criterion.
- b Discuss two ratios for assessing a business' balance sheet and provide an assessment of Airtours by these criteria.
- c Suggest three accounting policies that might influence Airtours' results significantly and explain why these policies could be significant.
- d Explain what *exceptional items* are.
- e Discuss why an audit is necessary and how an auditor might audit the figures above.

The five parts carry, respectively, 20%, 20%, 30%, 10%, 20% of the marks