



UNIVERSITY OF COLOMBO, SRI LANKA

UNIVERSITY OF COLOMBO SCHOOL OF COMPUTING

DEGREE OF BACHELOR OF INFORMATION TECHNOLOGY (EXTERNAL)

Academic Year 2015/2016 – 2nd Year Examination – Semester 3

IT3404: Business Management
PART 2 - Structured Question Paper

May 15th, 2016
(ONE HOUR)

To be completed by the candidate

BIT Examination Index No:

Important Instructions:

- The duration of the paper is **1 (one) hour**.
- The medium of instruction and questions is English.
- This paper has **2 questions** and **12 pages**.
- **Answer all questions.** All questions **do not** carry similar marks.
- **Write your answers** in English using the space provided **in this question paper**.
- Do not tear off any part of this answer book.
- Under no circumstances may this book, used or unused, be removed from the Examination Hall by a candidate.
- Note that questions appear on both sides of the paper.
If a page is not printed, please inform the supervisor immediately.

Questions Answered

Indicate by a cross (×), (e.g.

×

) the numbers of the questions answered.

	Question numbers	
	1	2
To be completed by the candidate by marking a cross (×).		
To be completed by the examiners:		

Case Study**“The New Project”**

A new hardware product is under development with associated software. Due to the low target price for the product and the need for inexpensive training, CMT’s sales department had requested that a CD-ROM self-study course be developed for customers of the new product. At this time, CMT Corporation has not yet begun using CD-ROM technology for training.

Seamus and Jeremy (managers of technical publishing and software training departments respectively) have been lobbying heavily to be allowed to develop the new course. Seamus argued that he and his staff had superior technical expertise due to their close working relationship with engineers during the development of technical manuals for the new product. In addition, some of his staff had previously developed CD-ROM presentations.

Jeremy noted that the primary purpose of the course was to train employees and customers in a situation where there were no company consultants or trainers available to answer questions. Thus, he argued, the presentation of the material and the pedagogy used were critical for the success of the CD-ROM. Both managers presented their respective cases to their superiors, Henry Mathews, the director of software support.

During the next two months, the lobbying intensified and the level of conflict escalated to the point where both Jeremy and Seamus openly declared that the other department simply “lacked the needed skills to get the job done” and “if the project was not assigned to their respective department, it would surely fail.” Both managers had approached Dave (manager – customer support) for his support.

The culture at CMT accepts conflict that is based on doing the best job for the customer. In spite of this, Dave feels that the conflict between Seamus and Jeremy has gotten out of hand. If it goes on much longer, Dave feels the conflict might spill over into other areas where all three departments need to cooperate.

- 1) (a) Carry out a situational analysis (using SWOT analysis technique) to understand the current situation of CMT. **(60 Marks)**

ANSWER IN THIS BOX

Strengths	Weaknesses
(1) New hardware product (2) Low cost product (3) Inexpensive training to customers (4) Superior technical expertise of staff (5) Close relationships with engineers	(1) New experience of this product (2) Lack of needed skills of the product initiators (3) Poor project management (4) Poor conflict management
Opportunities	Threats
(1) Market opportunities to this new product (2) More potential customers to the product	(1) Possible new entrants to the market (2) Possible product imitation by competitors

[illegible]

(40 Marks)

(1) Before developing the product, CMT could have done a SWOT analysis to analyze its internal and external environment and thereby to identify its strengths, weaknesses, opportunities, and threats.

(2) According to the results of the SWOT analysis, CMT could have defined or redefined its business mission and strategic goals through which its new product development strategy had to be matched.

(3) Once the new product development strategy was located, CMT could have find and allocated necessary resources, including staff effectively to realize this new product implementation.

(4) CMT could have also found and placed effective leadership at its top level to direct the new product development project.

(5) Finally it had to match its culture and structure appropriately to successfully implement the new product.

- Prepare T- accounts for the above transactions and indicate the balances. **(50 Marks)**

ANSWER IN THIS BOX

Cash Account			
Capital	5,000,000	Office Equipment	800,000
Sales	250,000	Salaries	150,000
Debtors	50,000	Capital	30,000
		Transportation	8,000
		Bank	1,500,000
		Bank Interest	10,000
		Creditors	150,000
		Balance C/F	2,652,000
	<u>5,300,000</u>		<u>5,300,000</u>
Balance B/F	<u>2,652,000</u>		

Capital Account			
Cash	30,000	Cash	5,000,000
Balance C/F	<u>4,970,000</u>		
	<u>5,000,000</u>		<u>5,000,000</u>
		Balance B/F	<u>4,970,000</u>

Office Equipment			
Cash	800,000		
		Balance C/F	800,000
	<u>800,000</u>		<u>800,000</u>
Balance B/F	<u>800,000</u>		

Purchases			
Creditors	600,000		
		Balance C/F	600,000
	<u>600,000</u>		<u>600,000</u>
Balance B/F	<u>600,000</u>		
Creditors			
Cash	150,000	Purchases	600,000
Balance C/F	450,000		
	<u>600,000</u>		<u>600,000</u>
		Balance B/F	<u>450,000</u>
Sales			
		Cash	250,000
		Debtors	100,000
Balance C/F	350,000		
	<u>350,000</u>		<u>350,000</u>
		Balance B/F	<u>350,000</u>

Debtors			
Sales	100,000	Cash	50,000
		Balance C/F	50,000
	<u>100,000</u>		<u>100,000</u>
Balance B/F	<u>50,000</u>		
Salaries			
Cash	160,000		
		Balance C/F	160,000
	<u>160,000</u>		<u>160,000</u>
Bank A/C			
Cash	1,500,000		
		Balance C/F	1,500,000
	<u>1,500,000</u>		<u>1,500,000</u>
Bank Interest			
Cash	10,000		
		Balance C/F	10,000
	<u>10,000</u>		<u>10,000</u>

- (b) Following values were taken from the Income Statement and the Statement of Financial Position (Balance Sheet) of Green Company Ltd, which is selling bottles of mineral water.

Item	Rs.
Income/ Revenue	6,000,000
Income Tax	100,000
Cost of Sales	3,000,000
Administrative Expenses	250,000
Land and Building	5,000,000
Interest Expenses	50,000
Capital	6,000,000
Net Income	2,600,000
Inventory	800,000
Accounts Payable	750,000
Cash	900,000
Accounts Receivable	650,000
Long-term Bank Loan	1,000,000
Owner's Equity	8,600,000
Property, Plant, and Equipment	3,000,000

Calculate two ratios each of, which can be used to comment on the profitability and liquidity of Green Company Ltd.

(30 Marks)

ANSWER IN THIS BOX**Liquidity Ratios****Current Ratio = Current Assets/Current Liabilities**

$$= 2,350,000/750,000$$

$$= \mathbf{3.13}$$

Quick Ratio = (Current Assets-Inventory)/Current Liabilities

$$= (2,350,000-800,000)/750,000$$

$$= \mathbf{2.07}$$

Profitability Ratios (Any two of the following carry marks)**(1) Return on Assets = Net Income/Total Assets**

$$= 2,600,000/10,350,000$$

$$= \mathbf{0.25}$$

(2) Return on Investment = Net Income/Equity

$$= 2,600,000/8,600,000$$

$$= \mathbf{0.30}$$

(3) Net Profit Ratio = Net Income/IncomeX100

$$= 2,600,000/6,000,000 \times 100$$

$$= \mathbf{43\%}$$

- (c) State five (05) common limitations applicable to the ratios you calculated in above 2 (b) in analyzing the profitability and liquidity of Green Company Ltd. **(20 Marks)**

ANSWER IN THIS BOX

(1) The historical figures appeared in the financial statements may not be very relevant to calculate the financial ratios and analyze them for the decision making of present and future of the business

(2) Inflationary effect would not be reflected in the calculation of the financial ratios

(3) Inventory may include many items that are difficult to liquidate quickly

(4) Other non-financial elements are excluded from the ratio calculation

(5) Most of the figures appeared in the financial statements are based on the personal judgments of managers