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Serial No.....

## Society of Certified Management Accountants of Sri Lanka

### Professional I Stage March 2007 Examination

Examination Date : 18<sup>th</sup> March 2007

Number of Pages : 05

Examination Time : 9.30p.m.-12.30p.m.

Number of Questions : 05

#### Instructions to Candidates.

1. Time allowed is **three (3) hours**.
2. Answer **Question- 1 in Section -A** and **any 2 questions in Section -B**.
3. The answers should be given in the **English Language**.

<u>Subject</u>	<u>Subject Code</u>
<b>Information Technology Management</b>	<b>(ITM)</b>

#### SECTION A

##### Question No.1 (70 Marks)

This question is based on the scenario and data described below

#### **YESSICA**

##### **Current situation**

YESSICA is a manufacturer of clothes, specializing in shirts, blouses, trousers and skirts. The company has an annual turnover of Rs.375million and manufactures its products in three factories. It employs 1,500 workers and 70 management staff and 125 sales staff in Sri Lanka. Sales are predominantly to the local market, although there has been some growth in exports, particularly in the more specialist and expensive products.

All goods are currently sold through wholesalers, who then sell the clothes on to retail outlets such as supermarkets and dedicated fashion shops. This system proved very profitable for YESSICA because products were normally in demand and there was little effective competition.

However, the last five years have produced falling profit levels resulting from:

- ❖ An increase in competition, particularly from cheap imports;
- ❖ A higher level of obsolete stock, resulting from more frequent changes in preferences for different types of clothes;
- ❖ Increased delivery time from raw material manufacturers, resulting partly from more complicated orders from YESSICA and also as a result of poorer payment terms being imposed by YESSICA.

Staff is also becoming de-motivated and staff turnover has increased substantially in the last six months.

## Board response

The board of YESSICA has been considering the problems facing the company. Whereas there are various short-term actions can be taken such as obtaining loans to pay suppliers more quickly, the general opinion is that the problems facing YESSICA require a more fundamental change in the method of selling. In consultation with some computer-aided design/computer-aided manufacture (CAD/CAM) specialists, the following changes are being proposed to YESSICA's method of operation:

- *Method of selling*  
All orders from customers are to be taken on the telephone by the existing sales staff or via the company's new internet site <http://www.yessicalanka.lk>. The existing wholesale distribution system, including selling on to retail markets, will be disbanded and sales are only to be made directly to customers.
- *Manufacturing garments*  
All garments will be made by the CAD/CAM system based designs in the computer system. However, sufficient flexibility will be introduced into the system to allow customers to choose options such as fabric type, colour, size and other options like buttons or zips. The manufacturing workforce will be decreased by approximately one third as a result of the use of CAD/CAM systems.
- *Finished good stocks*  
There will be no stocks of finished goods; all goods will be made to customer orders only.
- *Raw material stocks*  
Raw material stocks will be kept to a minimum with suppliers being asked to deliver stocks on a daily basis. YESSICA seeks to make Electronic Data Interface (EDI) links with a few nominated suppliers so that customer order details are transferred directly to raw material suppliers when orders are received at YESSICA. The materials to manufacture those garments will then be delivered to YESSICA on the next working day. In return for this quick response time, YESSICA will pay for all goods on receipt, via electronic funds transfer (EFT).
- *Delivery time*  
Time from receipt of order to delivery of goods to the customer will be four working days.
- *Catalogue availability*  
A detailed style catalogue will be available on the Internet.  
A paper version will be dispatched to customers, at a charge made for this service.

## Internet site

- The writing of the software for the site itself. Many board members are keen to take advantage of the cost savings provided by generic Website production software, but recognize that this may not be the most appropriate course of action for the company.
- The physical location of the computer 'hosting' the Internet site. The main area of concern is not to lose control over the site, particularly as daily updates are necessary. However, 'hosting' the site at a third party does have distinct advantage of providing appropriate back-up and maintenance of the site, allowing YESSICA to concentrate on the core business of selling clothes.

### **Executive Information System (EIS)**

To maintain control over the system, a new EIS will be installed in YESSICA. Ten of the existing sales staff will be promoted to tactical management and will be given access to this system. These managers will then be responsible for the short to medium term operations and planning within the organization. In particular, the tactical managers will be expected to monitor supplier relations, CAD/CAM usage, profitability levels and sales trends. They will be given authority to order repairs to equipment, amend selling prices, negotiate raw material prices and amend the number of operational staff as necessary.

The board of YESSICA has been considering the problems facing the company. Whereas there are various short-term actions that can be taken such as obtaining loans to pay suppliers more quickly, the general opinion is that the problems facing YESSICA require a more fundamental change in the method of selling. In consultation with some computer-aided design/computer-aided manufacture (CAD/CAM) specialists, the following changes are being proposed to YESSICA's method of operation:

Because of a lack of any in-house expertise on the establishment and maintenance of Internet sites, the board remains uncertain concerning:

Strategic planning regarding the overall business aims of the organization will remain with the board of YESSICA.

#### **You are required to:**

- (a) As far as the information allows, evaluate the board response (excluding the EIS), clearly explaining the following that will arise:-
  - (i) Tangible costs and benefits **(18 Marks)**
  - (ii) Intangible costs and benefits **(16 Marks)**
  
- (b)
  - (i) In respect of set-up and maintenance of the Internet site, contrast the advantages of writing the entire software for the site, with the advantage of purchasing a general Website and tailoring this to the company's requirements. **(16 Marks)**
  - (ii) Assuming that the site is hosted at a third-party Internet service provider (ISP) after it has been written, explain with reasons the critical aspects that should be included in the maintenance agreement to be signed with the ISP. **(10 Marks)**
  
- (c) Using relevant examples from YESSICA, comment on the impact on society of the ability to provide products to customer order on short delivery timescales, through the Internet. **(10 Marks)**

**(Total 70 Marks)**

End of Section A

## SECTION B

Answer any **TWO (2)** questions

### **Question No.2 (15 Marks)**

- (i) Once a computer system software application has been designed and constructed, it has to be installed, accepted and implemented.

**You are required to briefly describe** the purpose and activities of:

- (a) User acceptance testing  
(b) Changeover from the current to the new system:  
(I) File creation and conversion;  
(II) Parallel running and Direct Changeover. **(8 Marks)**
- (ii) Post-implementation reviews and systems maintenance occurs after the system is accepted and has gone live.

**You are required to briefly describe** the purpose and activities of:

- (a) Post-implementation review.  
(b) Systems maintenance. **(7 Marks)**  
**(Total 15 Marks)**

### **Question No.3 (15 Marks)**

An Organization, which conducts training courses, currently has a web site that advertises its goods and services. It is possible for potential customers to send e-mails from within the site to the company requesting further information or reserving places on courses. However, it is not currently possible to complete and pay for such bookings over the Internet. This is presently achieved through conventional invoicing and payment, with all payments made by cheque. The company is currently evaluating the following aspects of web site and e-mail procedures.

- Whether to continue with the current Internet Service Provider (ISP) or transfer to another one
- Anti-virus procedures
- Permitting payment over the Internet

**You are required to:**

- (a) Explain the services that an ISP provides **and** explain the factors which could be considered when evaluating alternative ISPs, and comparing their services with the current provider. **(5 Marks)**
- (b) Explain what anti-virus procedures should be in place in the Organization. **(11 Marks)**
- (c) Briefly explain advantages and issues that would arise if the Organization could take payment over the Internet. **(5 Marks)**  
**(Total 15 Marks)**

**Question No. 4 (15 Marks)**

In a particular project it has been agreed that a **feasibility study** should take place before proceeding with computerisation.

The feasibility study should consider three issues: technical feasibility, economic feasibility and, finally, operational & social feasibility.

**You are required to** describe, with examples, each of these feasibility issues:

- (a) Technical feasibility **(5 Marks)**
  - (b) Economic feasibility **(5 Marks)**
  - (c) Operational & social feasibility **(5 Marks)**
- (Total 15 Marks)**

**Question No.5 (15 Marks)**

An Organisation is currently evaluating competing software packages. Part of its evaluation is an assessment of user-friendliness. It has been agreed that the interface should be user-friendly, though it is unclear what this term actually means. Consequently, it has been suggested that a list of four desirable interface features should be compiled and competing packages evaluated in the context of each of these features.

The first feature on the list is Consistency and this has been defined as follows:

Users become confused if the system is inconsistent in its methods of data entry, its screen displays and its use of function keys. Users tend to use the approach or feature they are familiar with (e.g. function key F1 for HELP) and so are confused when an unexpected function is accessed and displayed (e.g. F1 for QUIT). Hence a user-friendly interface should be consistent, both within the application and (if possible) across all applications. This will reduce the learning curve and enable the user to confidently work with new or unfamiliar software.

**You are required to:**

Identify three further features you would expect of user-friendly software and explain their influence on the usability of the software. **(Total 15 Marks)**

End of Section B

End of Question Paper

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