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Serial No.....

Institute of Certified Management Accountants of Sri Lanka

Managerial Level

November 2012 Examination

Examination Date : 18th November 2012 **Number of Pages :** 05
Examination Time: 1.30 p.m. - 4.30 p.m. **Number of Questions:** 06

Instructions to candidates:

1. Time allowed is **three (3) hours.**
2. Total: **100 Marks.**
3. Answer **five (5)** questions selecting at least **two (2)** questions each from Sections A and B.
4. **Section A:** Marketing and **Section B:** People Management.
5. The answers should be given in **English Language.**

<u>Subject</u>	<u>Subject Code</u>
Marketing and People Management	(MPM – ML 3 / 303)

SECTION A: Marketing

Question No. 01 (20 Marks)

Express Finance Pvt. Ltd (**EFP**) is small scale finance company established in late 90's and has operated mostly in the Colombo District, granting a limited range of finance facilities. Majority of its clientele includes small scale business enterprises and individuals who need financial facilities. Since security is an issue, to manage the company's risks effectively, up to now EFP has restricted its portfolio of products to **Leasing and Hire Purchase** of vehicles because any incidence of arrears of more than three installments, will enable the company to repossess the corresponding vehicles as the present structure of applicable laws provides that any finance company can initiate such recovery action and mitigate losses.

EFP was started by Mr. Daluwatte, a retired official from one of the leading commercial banks in Sri Lanka who worked at the import section and is quite familiar with import documentation and procedures. During his long career he has witnessed the passion of many urban Sri Lankans for "vehicles" and many individuals even with medium levels of income aspire to own a vehicle of theirs, as they feel it is an essential ingredient that testifies their career success amongst peer social groups. Dealing with many such customers closely, Mr. Daluwatte an astute banker identified the vast potential for finance for these customers who always appeared to be in short of funding to finance these vehicles. Also amongst Mr. Daluwatte's interactions in the previous bank was a growing segment who preferred "Three Wheelers", this being an economic asset that can be used for a variety of purposes covering many aspects of utility from pure transport to even carrying items of weight and hence gaining popularity as a dual purpose vehicle. He also came across many of such potential three wheeler customers from somewhat under privileged social segments who could not access to bank financing as they did not have sufficient documentary requirements such as income tax details that a typical commercial bank will require to grant financial facilities. Mr. Daluwatte was also aware of several "Finance companies" that cater for growing financial needs of this large base of customers but always felt there was enough scope for another "Finance Company" and had a personal vision to be the owner of such a company upon his retirement. He wants to aim small in volumes but excel in some dimensions of customer value and benefits like faster service and even offer guidance and financial advice for clients with limited knowledge in making decisions regarding finance in their respective small businesses.

In 1999, Mr. Daluwatte, after his retirement formed his own Finance Company –Express Finance Pvt. Ltd. dealing with customers with virtually no formal records. It is important for a typical Finance Company to be able to assess its credit risks through a well managed field sales force and also make decisions whether or not to grant Finance, fast and quick as the customers are in a mighty hurry to take home their vehicles, once they have arranged the purchase with a seller. Of course the Finance Company sector levies sufficient charges to absorb not only the additional costs of credit assessment, but also for high risks inherent in the particular “Finance Company” sector business model. Some experts feel that it’s necessary for the government to regulate the interest charges levied by the Finance company sector, as well as to introduce limits in financial exposures applicable to individual clients on the basis of their levels of income. Ability to quickly identify customers with arrears in rentals and also make required repossession of vehicles with rental arrears is another important success factor in the Finance company industry. Being a small company with limited access to funding, EFP generally concentrate on few areas in Colombo District for their business opportunities and Mr. Daluwatte feels that this would enable his company acquire intimate knowledge of the customer segments the company wishes to do business in.

During the review of the financial results of the year ended 31st March 2012, the Directors of the company feel given the favorable business climate consequent to the post-war scenario EFP need to improve their growth in revenue as well as profitability. Mr. Prasanna, EFP’s Marketing Manager has forwarded the following suggestions to improve the growth prospects of the company:

- Expansion beyond Colombo district
- Housing loans to Sri Lankans working abroad

You are required to:

- (a) Briefly explain two reasons why it is important for a company to keep a track of possible developments in its “macro environment”. **(02 Marks)**
- (b) Give two reasons how Political/Legal forces become relevant to a business enterprise. **(02 Marks)**
- (c) From the information provided in the short case scenario given above, briefly discuss the areas of possible impact of Political/Legal forces in the macro environment; in regard to marketing planning for Express Finance Pvt. Ltd. **(04 Marks)**
- (d) Briefly explain what is meant by “Social and Cultural” forces in relation to a macro environmental analysis as an important step in carrying out marketing planning and formulating a marketing strategy. **(02 Marks)**
- (e) What Social/Cultural forces seem to be present in the EFP’s marketing environment, as given in the above case situation? **(02 Marks)**
- (f) Which strategic option EFP seems to be adopting in relation to Michael Porter’s “generic strategy framework’. Briefly state the reasons behind your answer. **(04 Marks)**
- (g) Draw Ansoff’s Growth Matrix and place the proposed growth prospects by the EFP marketing manager, in the appropriate sections of the matrix. **(04 Marks)**

(Total 20 Marks)

Question No. 02 (20 Marks)

Southern Motor Spares (SMP) is a company that markets a range of motor spares and has earned a reputation as a genuine spare parts supplier from Japan, since its inception some two decades ago. The owner Deepal Gallage hails from a well known business family in Matara and manages the business with his elder son Kalum who has recently completed his degree in Marketing. Deepal has tremendous respect for education and knowledge but always believe knowledge needs to be supplemented with experience and envision such a combination as the successful foundation for the next generation of businessmen who are likely to encounter many complex challenges amidst the increasing competitiveness in the environment.

Studying the balance sheet of the company, Kalum notices the presence of huge reserves accumulated as a result of continuous profits and incessant attention to efficient cost management practices of his father. With the post-war economic environment becoming increasingly vibrant and business friendly, Kalum feels the opportunity is ripe for SMP to expand their operations.

During his business studies Kalum has learnt with great admiration “Chinese” superiority in business and where they are presently only a close second to the US economic standing. During the last management meeting Kalum presented his proposal on planned expansion initiatives by him for SMP to introduce a Car of Chinese origin, obtaining the sole distribution rights in Sri Lanka from a Chinese manufacturer.

At the outset Deepal was little skeptical of this proposal, perhaps dealing with products of Japanese origin for a long time and also citing the perceived inferiority of Chinese automobile products in the intensely competitive Car market in Sri Lanka.

Nevertheless, reluctant to undermine the creative thinking of his son, Deepal suggested that Kalum should proceed to consult a marketing consultant and draw up a proper marketing plan and justify its feasibility before commencement to market a motor vehicle from China.

You are the Accountant of SMP and has been included in the small group that will establish and advise the board of feasibility or otherwise of the proposed expansion project.

You are required to:

- (a) What is meant by the “Marketing Mix”? **(04 Marks)**
- (b) Briefly explain the concept of “Demographic Segmentation” as a basis for segmentation of the SMP’s market for the Chinese Car. **(03 Marks)**
- (c) Briefly distinguish between “Impulse Products” and “Shopping Products”. **(04 Marks)**
- (d) In relation to SMP’s proposed new car introduction, mention the main activity that the company will have to perform in the “Development Stage” as per the concept of “Product Life Cycle”. **(03 Marks)**
- (e) Assuming SMP has made a decision to proceed with the import and distribution of the new Chinese car and also having decided the product line and the product mix, what are the major Promotional Mix elements that SMP could use to communicate with the prospective customers? **(02 Marks)**
- (f) Do you consider “Personal Selling” is a relevant communication tool for the SMP’s new venture? Very briefly explain the reasons behind your answer. **(04 Marks)**

(Total 20 Marks)

Question No. 03 (20 Marks)

Improving fitness is gaining increasing popularity amongst the middle aged working population in Sri Lanka. This is an emerging trend that has resulted due to changing the social values attributing high importance to health consciousness. Trendy Fitness Pvt. Ltd is a company that is planning to enter the fitness industry aiming to provide fitness training for people, mostly targeting working professionals /executives. The newly appointed CEO of Trendy Fitness feels that the company needs to carry out a “marketing research” exercise.

You are required to:

- (a) Define the “marketing research”. **(03 Marks)**
- (b) Briefly discuss any three advantages to Trendy Fitness by embarking on a marketing research exercise. **(06 Marks)**
- (c) If Trendy Fitness plans to use the technique of “Observational Marketing Research”, how would you advise the CEO to set about with this plan of action? **(03 Marks)**
- (d) There are several characteristics that make a ‘Service’ different from other forms of ‘Product’. Discuss the characteristic of inseparability in relation to the business of Trendy Fitness. **(04 Marks)**
- (e) Discuss any four keys to achieving extra ordinary customer service at Trendy Fitness.

(04 Marks)

(Total 20 Marks)

End of Section A

SECTION B: People Management

Question No. 04 (20 Marks)

The company X operates as a family business for over 15 years as a leading company in the shoe making industry. It has been catering to school children, adults’ both for ladies and gentlemen and also other stake holders for casual wear. It has personnel strength of 45 and is presently on an expansion programme to equip with sophisticated machinery and with additional competent staff to enhance production. Susantha, the Managing Director with long years of service has had no exposure to the know how in human resource management. He was supported by several subordinates with whom Susantha used common sense to operate the company satisfactorily.

However, Susantha observed that with stiff competition and with the application of modern techniques and knowledge being used by many, it would be necessary to seek the advice of a HR consultant for the accomplishment of this task.

- (a) Critically examine whether the decision made by Susantha in seeking specialist advice in the engagement of additional staff was prudent. **(06 Marks)**
- (b) List the sequence of activates the HR consultant would recommend for consideration in the process of recruitment of competent staff. **(10 Marks)**
- (c) Name four different methods the Company X could apply in the recruitment of additional staff.

(04 Marks)

(Total 20 Marks)

Question No. 05 (20 Marks)

The present day workplace is highly complex and challenging and comprises of different generations who exhibits different values, different ideas and different ways of doing things and diverse ways of communicating.

- (a) What strategies you should employ in order to optimize their effective performance on such situations. List four (4) such strategies. **(08 Marks)**
 - (b) List ways and means you would employ by which you could integrate them into an effective team. **(08 Marks)**
 - (c) Name four different methods the Company X could apply in the recruitment of additional staff. **(04 Marks)**
- (Total 20 Marks)**

Question No. 06 (20 Marks)

Critically examine the following statements in relation to Sri Lanka.

- (a) Primary role of the State is to promote employer – employee relations and thereby maintain industrial peace and industrial harmony in the workplace. **(10 Marks)**
- (b) Secondly to facilitate settlement of industrial disputes at the shop floor, at the industry level and at the national level. **(10 Marks)**

End of Section B
End of Question Paper
