

# PILOT PAPER – 2023-2027 SYLLABUS

## OL2.3 Managing Business Operations, Audit & Control

Operational Level

**Time allowed:** 3 Hours.

**Total Marks:** 100

### Exam Structure

This exam is consisting with three parts:

#### Part-I

- 20 Multiple Choice Questions (MCQ)
- Each 02 marks and 40 marks in total.

#### Part-II

- Eight Case Based Objective Test Questions.
- Each 10 marks and 60 marks in total

All questions are compulsory.

# Practice Examination – Part I

## Exam Structure

- 20 Multiple Choice Questions (MCQ)

### Operations Management

Segment A 02 MCQs

Segment B 03 MCQs

### Marketing Management

Segment A 02 MCQs

Segment B 01 MCQ

Segment C 01 MCQ

Segment D 01 MCQ

### Human Resource Management

Segment A 02 MCQs

Segment B 01 MCQ

Segment C 02 MCQs

### Audit & Control

Segment A 03 MCQs

Segment B 02 MCQs

- Each 02 marks and 40 marks in total.

## Operations Management - Segment A

1. A criterion that differentiates the products or services of one firm from another is known as:

- a) a competitive strategy
- b) a competitive advantage
- c) an order qualifier
- d) an order winner

2. Which of the following statements best describes productivity:

- a) Productivity is how products or services are made by transforming inputs into outputs.
- b) Labour productivity is a measure of number of employees in a manufacturing organization.
- c) Productivity measures the efficiency.
- d) Productivity measures the effectiveness of a process.

## Operations Management - Segment B

3. In which of the following layout type, materials are fed into the first machine of a production line and finished products come out of the last machine:

- a) Product layout
- b) Process layout
- c) Fixed position layout
- d) Cellular layout

4. Rework, scrap, machine downtime and downgrading are examples of \_\_\_\_\_.

- a) Prevention costs
- b) Internal failure costs
- c) External failure costs
- d) Appraisal costs

5. Which of the following aspects of a business is mostly affected by implementing JIT:

- a) Sales
- b) Manpower requirements
- c) Inventory
- d) Equipment

## Marketing Management- Segment A

6. The four pillars of the Marketing concept are;

- a) Product quality, customer satisfaction, competitor orientation, and profitability.
- b) Target market, customer need, coordinated marketing, and corporate social responsibility.
- c) Target market, customer need, coordinated marketing, and profitability.
- d) Target market, long-term social wellbeing, inter-functional coordination, and performance management.

7. Managers of ..... businesses concentrate on achieving high manufacturing efficiency, low costs, and mass distribution.

- a) selling-oriented
- b) product-oriented
- c) production-oriented
- d) marketing-oriented
- e) consumer-oriented.

### **Marketing Management- Segment B**

8. Which of the following is the first step of the Consumer Decision Making Process:

- a) Need recognition..
- b) Information searching.
- c) Alternative evaluation.
- d) Post-Purchase evaluation.

### **Marketing Management- Segment C**

9. Which of the following is not a brand strategy:

- a) Line extension strategy.
- b) Multi-brand strategy.
- c) Common brand strategy.
- d) Brand extension strategy.

### **Marketing Management- Segment D**

10. If a particular brand possesses the second-best position in its target market, it is called ... :

- a) Market leader.
- b) Market challenger.
- c) Market follower.
- d) Market nicher.

### **Human Resource Management- Segment A**

11. Not a unique characteristic of human resources:

- a) It makes decisions in respect of other resources.
- b) It has the ability of creativity.
- c) It has alternative uses.
- d) It has the ability to organize.

12. One of the strategic goals of Human Resource Management is;

- a) To increase the quality of work life.
- b) To promote employees.
- c) To control the cost of employees' personal lives.
- d) To fulfill the self-actualization needs of the employees.

### Human Resource Management- Segment B

13. Is not a development purpose of employee performance evaluation:

- a) To identify training needs.
- b) To assess the success of the training programmes.
- c) To guide and advise subordinates.
- d) To manage employee promotions.

### Human Resource Management- Segment C

14. Number of working hours employees are supposed to work are emphasized in Shop and Office Act No 19 of 1954. According to the act an employee should not exceed ..... hours per week:

- a) 40 hours
- b) 54 hours
- c) 45 hours
- d) 60 hours

15. Is not a hazard identification technique at the workplace:

- a) Safety Audit.
- b) Safety Inspection.
- b) Quality Circles.
- d) Safety Sampling.

### Audit & Control- Segment A

16. Which of the following statement most accurately describes external auditing:

- a) The objective of the external audit is to provide an assessment of the effectiveness of the internal control system in a business.
- b) Management conducts the external audit to find areas of weakness within a business and to offer suggestions to address those weaknesses.
- c) The external audit is an exercise carried out by auditors in order to give an opinion on whether the financial statements of a company are fairly presented.
- d) External audits serve to provide negative assurance with regard to the accuracy and fairness of a company's financial statements.

17. Which of the following is a primary function of internal audit within an organization:

- a) Preparing financial statements.
- b) Conducting external audits.
- c) Identifying and assessing risks.
- d) Managing payroll processes.

18. What is the best way to define the term 'efficiency' within the context of a Value for Money audit:

- a) In order to achieve an appropriate amount and quality of physical, human, and financial resources, an appropriate cost must be determined.
- b) An analysis of the relationship between the production of goods and services and the use of resources.
- c) The production of goods and services within the shortest possible timeframe.
- d) The degree to which a policy objective is being achieved by an activity.

### **Audit & Control- Segment B**

19. Which of the following statement regarding internal control is true:

- a) A well-maintained internal control system should make it impossible for employees to collude.
- b) A key duty of the internal auditor is the implementation and maintenance of internal controls.
- c) A strong internal control system may be sufficient for the external auditor to reduce substantive procedures on an account balance.
- d) A primary criterion to take into account when creating an internal control system is the cost-benefit ratio.

20. In order for the audit team to identify the critical controls that need to be tested during the control testing process, it is essential to ascertain the types of errors or frauds that could occur as part of the control testing process. Which approach from the list below is most appropriate when recording management systems:

- a) Narrative notes.
- b) Flowcharts.
- c) ICQ (Internal Control Questionnaire)
- d) ICEQ (Internal Control Evaluation Questionnaire)

## Practice Examination – Part II

### Exam Structure

- Eight Case-Based Objective Test Questions.

#### Operations Management

Segment A 01 Question

Segment B 01 Question

#### Marketing Management

Segment A 01 Question

Segment D 01 Question

#### Human Resource Management

Segment B 02 Questions

#### Audit & Control

Segment A 01 Question

Segment B 01 Question

- 60 marks in total

### Question 01 - each question 02 marks in maximum, total 07 marks

#### Operations Management - Segment A

IKEA is the largest furniture retailer in the world. IKEA's vision is to: "Create a better everyday life for the many people". Its business idea is "To offer a wide range of well designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them". The costing department of one of the Indian suppliers of door mats to IKEA has received following information from the operations department regarding the production of door mats in the last month.

Item	Number	Value in USD
Door mats produced	100,000 units	288,000
Materials used		
Coir	20,000 Kgs	24,000
Rubber	5,000 Kgs	12,000
Electricity	2,000 Units	2,000
Labour	1,000 Hours	2,000

1. According to the vision and the business idea of IKEA, on which of the following competitive priorities IKEA competes in the market:

- a) Quality                      b) Flexibility                      c) Cost                      d) Speed

2. The costing department has calculated the labour productivity as 144. Which of the following figures may have been used by the costing department:

- a) Number of door mats produced.                      b) Value of door mats produced.  
 c) Number of labour hours used.                      d) Value of labour used.

3. What is the labour productivity in units per labour hour:

4. Select the correct value of material productivity.

- a) 4 units/kg                      b) 8                      c) 8 units/kg                      d) 12

5. State whether the below statement is true or false

Statement	True / False
The most suitable process for a furniture company like IKEA to produce large volume of standardized products is batch production.	
By looking at the vision and mission of the IKEA it can be concluded that competitive priority of IKEA is quality	

**True**

**False**

**Question 02 - each question 02 marks in maximum, total 08 marks**

**Operations Management - Segment B**

Unico is one of the world famous brands of washing machines. Unico washing machines are produced in Japan by Unico Heavy Industries Ltd. Unico is in discussion with a leading conglomerate in Sri Lanka to open a new manufacturing plant in Sri Lanka. They are planning not only to sell Unico washing machines in Sri Lanka but also to export to countries like India and Pakistan.



6. Match the characteristics of a washing machine given in the right-hand side with the dimensions of quality as identified by David Garvin in left hand side.

Characteristic	Rank	Dimension
Less power consumption		1. Performance
Reputed brand name		2. Features
Availability of different colours		3. Aesthetics
Reputed brand name		4. Perceived Value

7. Identify whether the following factors that may be considered by Unico in establishing its new manufacturing plants are related to the country level or the site level.

	Country / Site
Literacy rate of the people	
Facilities available for employees	
Exchange rate fluctuation	
Proximity to port	

**Country**

**Site**

8. What is the most suitable tool Unico can use among the following to identify root causes of a quality issue:

- a) Pareto Chart
- b) Histogram
- c) Fishbone diagram
- d) PDCA Cycle

9. State whether the below statement is true or false

Statement	True / False
In the center of gravity method of location evaluation, the decision is made by multiplying the scores of the selected factors by the assigned weight in each location.	
Deming wheel is one of the location evaluation methods.	

**True**

**False**

10. You are given the following information regarding two locations that Unico is considering to establish the new factory.

Factor	Weight	Score	
		Galle	Kandy
Labour Attitude	0.3	60	70
Availability of transport facilities	0.4	70	40
Waste disposal facility	0.3	55	60

(i) What is the total factor rating of Galle:

(ii) Select the best location to establish the new factory.

a) Kandy

b) Galle

**Question 03 - each question 02 marks in maximum, total 07 marks**

**Marketing Management- Segment A**

Assume that you are working as a marketing manager for 'My Kitchen'; a newly established restaurant located in Nugegoda, which provides dinner menus in the restaurant premises as well as delivers to customer doorsteps upon their request. Below state the possible approaches for 'My Kitchen' to enhance 'Customer Delivered Value'.

11. Do you agree or disagree with the given approaches:

Approach	Agree / Disagree
Add more menu items within the same range of prices	
Give discounts for existing menu items	

**Agree**

**Disagree**

12. My Kitchen introduces free delivery services if the order price exceeds a certain limit.

Which aspect benefits it tries to increase:

a) Service benefits

b) Place benefits

c) Price benefits

d) Personnel benefits

13. When delivering the orders to respective customers My Kitchen distribute the brochures that includes all the items in the menu card and the easy ordering telephone numbers.

Which aspect/s of cost does it reduce:

- a) Monetary cost
- b) Time cost
- c) Mental cost
- d) Energy cost

14. My Kitchen introduces an 'open kitchen' concept where customers can see how the ordered products are manufactured and provides customers to give some specific instructions to include or exclude certain ingredients as per the preferences of the individual customers. State the True/False for the following statements.

Statement	True / False
It increases the service benefits	
It reduces the time costs	

**True**

**False**

15. Generally, when customers select a restaurant for dining they consider for their previous experience and not much consider about collecting information about possible restaurant and analyzing them prior to the purchases. It is because customers do not like to bear ..... Cost.

- a) Time
- b) Energy
- c) Mental
- d) Trade

**Question 04 - each question 02 marks in maximum, total 08 marks**

**Marketing Management- Segment D**

Suppose that you are going to buy a mobile phone, there are several factors to consider in order to make an informed decision. If you prioritize having the latest technology, increased speed, and sophisticated features, as well as a reputable brand with at least a six-month warranty. It's essential to gather information from various sources before selecting the most appropriate phone.

16. The following table explains levels of 'Customer Value Hierarchy'. Match each of such level with the respective the practical application of the mobile phone taken as an example.

Communicating with friends and relatives		(a) Basic product
Having a SIM and a battery in the phone		(b) Expected product
Having a high-mega fix camera that give good picture quality		(c) Core benefits

17. The company provides free power bank for first 100 hundred customers who purchase the phone.

Statement	True / False
It reflects the augmented level of the product.	
It shows how potential value of the product can be increased	

**True**

**False**

18. The mobile phone technology is ever changing by providing numerous opportunities for marketers to enhance the customer value. Such novelty is called as ..... according to the Customer Value Hierarchy.

- a) Potential product
- b) Product features
- b) Expected product
- d) Core benefits

19. Which of the following statements reflects the augmented level of the value hierarchy.:

- a) It gives the reason for customers to select the company brand.
- b) It provides the reason for such product to be in the respective category in the industry.
- c) It shows the ways how the company differentiate the brand from the competitors' brand.
- d) It is the unique selling proposition of a brand.

**Question 05 - each question 02 marks in maximum, total 7.5 marks**

**Human Resource Management- Segment B**

ABC company which is a pioneer in the apparel industry aims to introduce new Human Resource Management practices with the purpose of enhancing the efficiency of its workforce and gaining the maximum productivity of their workforce. This new reformation policy expects to give priority to outsourcing business activities. In addition, more focus on technical skill development as well as non-technical skills such as stress management, time management, and work-life balance are given in order to develop employees to assure their quality of work life. Further, greater emphasis on 360 degree performance evaluation is also given to assure the quality of the services given by employees with the expectation of being the market leader within the next 2 years.

20. Select the true/false statements:

Statement	True / False
According to the above case, it is possible to outsource the work of sewing operators in the garment factory.	
(Outsourcing does not involve any disadvantages to the organization	

**True**

**False**

21. Select the true/false statements:

Statement	True / False
HRM function 'Labour Relations' has been referred in the above case.	
Gain feedback from the customers (outsiders of the organization) is considered as 360-degree feedback performance evaluation.	

**True**

**False**

22. Which one of the following is not enhancing the efficiency and effectiveness of its workforce:

- a) Restructuring.
- b) New technologies.
- c) Process redesign.
- d) Demotion.

23. .... is not a method of performance appraisal. Select the correct answer from the below drop down.

- a) Graphic Rating Scale
- b) Quality circles
- c) Management by Objectives
- d) Checklists

24. Match the definition of each concept.

Concept		Definition
1. Employee Log		Information is collected through a panel of experts.
2. Jury of Experts		In this it is required the job holder to describe and record tasks, duties and other activities performed by him/her and number of times it repeated, on a daily basis.

**Question 06 - each question 02 marks in maximum, total 7.5 marks**

**Human Resource Management- Segment B**

IJF Pvt. Ltd is an advertising firm that owns more than 10 branches throughout Sri Lanka. IJF Pvt. Ltd provides a diverse range of digital marketing services to customers. Mr. Perera, head of the Human Resource Department in IJF Pvt. Ltd emphasizes in the board meeting that with the opening of the new branch in Negambo more staff is needed to continue with the services smoothly. In addition, he mentions that they are currently looking at whether an internal or external recruitment method is more suitable in this scenario. Mr. Sudarshan who is the head of the strategy development department in IJF Pvt. Ltd further added that the selection process should be rigorous, and use diverse selection methods when selecting new employees as the company needs more creative and innovative staff. Thereby, Mr. Perera suggested that human resource planning needs to be done with the opening of the new branch to get the optimum contribution of employees where he further suggested that it is high time to focus on the job redesigning process to assure creativity and innovation among the staff as those qualities have become unique characteristics which lead to gain competitive advantage to the firm.

25. Select the true/false statements:

Statement	True / False
Assessment Center is a programme that uses multiple methods of selection and multiple assessors to determine the suitability of candidates for particular job vacancies.	
Selection is the process of finding suitably qualified people to apply for the organizational job vacancies.	

**True**

**False**

26. Which two of the following are internal recruitment methods:

- a) Intranet.
- b) From Universities.
- c) Skill Inventories.
- d) Employment Agencies.

27. Select four (04) methods that can be used to select the most appropriate employees for IJF Pvt. Ltd. from the following list:

- a) Application Evaluation.
- b) Advertising.
- c) Employment Tests.
- d) Employment Agencies.
- e) Interview.
- f) Background Investigation.
- g) Internet.
- h) Medical Tests.

28. Select two methods that can be used in forecasting future HR demand when conducting human resource planning from the following list:

- a) Delphi Method
- b) Interviews
- c) Assessment Center
- d) Extrapolation
- e) Skill Inventory

29. Match the definition of each concept.

Concept		Definition
1. Induction		Method that gets the service of an old employee, who is currently working for the organization, to assist the new employee to get familiarized with the job, job environment, and general organizational environment.
2. Buddy System		Function that systematically and formally introduces the new employee to the organization, to the job, to the work group to which new employee will belong, and the work environment where the new comer will work.

**Question 07 - each question 02 marks in maximum, total 8 marks**

**Audit & Control- Segment A**

You have recently been hired as the Chief Financial Officer (CFO) of XYZ Limited, a listed company on the Colombo Stock Exchange. The company has an internal audit department responsible for conducting internal audits, and it also engages an external audit firm to perform the annual financial statement audit. As a new member of the management team, you are assigned with explaining the key differences between internal and external auditing to the Board of Directors.

30. Select the true/false statements:

Statement	True / False
The external auditor should consider the activities of internal auditing and their effect, if any, on external audit procedures.	
The internal auditor has sole responsibility for the independent audit opinion expressed in the audit report.	

**True**

**False**



31. Identify the following characteristics based on whether they are more commonly associated with internal audit (I) or external audit (E).

Activity	I/E
Focuses on evaluating internal controls.	
Provides reasonable assurance to stakeholders.	
Conducts financial statement audits.	
Reports to management of the entity.	

Audit

External audit

32. Match the following terms related to the internal audit with their corresponding definitions:

Term	Rank	Definition
1. Operational audit		Examination of conformity and adherence of a particular area, process, or system to policies, plans, procedures, laws, regulations, contracts, or other requirements that govern the conduct of the area, process, or system subject to audit.
2. Information and Technology Audit		Mainly focuses on the review of internal controls of key processes, procedures, or systems with the main objective is to improve productivity, as well as efficiency and effectiveness of the operation subject to audit.
3. Compliance Audit		An examination of the management controls within IT applications, operating systems, databases, or the infrastructure.

33. Why is the internal audit function important for organizations?
- To provide assurance on the accuracy of financial statements.
  - To assist in the prevention and detection of fraud and irregularities.
  - To comply with legal and regulatory requirements.
  - All of the above.

**Question 08 - each question 02 marks in maximum, total 7 marks**

**Audit & Control- Segment B**

You have been appointed as an internal auditor for a small restaurant. The restaurant recently faced issues with excessive food waste and unauthorized discounts provided to customers, which resulted in financial losses. Your task is to assess the existing internal control system and recommend improvements to enhance operational efficiency and prevent revenue leakage.

34. Select the true/false statements:

Statement	True / False
Control environment describes a set of standards, processes, and structures that provide the basis and foundation for carrying out internal control across the organization.	
Control activities are actions that help management to increase risks in order to ensure the achievement of objectives.	

**True**

**False**

35. Which of the following is not an internal control activity:

- a) Segregation of duties
- b) Preparation of bank reconciliation statements
- c) Password protection for sensitive information
- d) Preparation of Financial Statements

36. According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, which of the following is not a component of internal control:

- a) Control Environment
- b) Risk Assessment
- c) Control Activities
- d) Segregation of duties

38. How does management accomplish monitoring of controls:

- a) Through ongoing activities
- b) Through separate evaluation
- c) By combining both ongoing activities and separate evaluation
- d) Neither through ongoing activities nor separate evaluation

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