



TAXATION PROGRAMME EXAMINATIONS

CERTIFICATE LEVEL

C1: BUSINESS MANAGEMENT

TUESDAY 14 JUNE 2016

TOTAL MARKS – 100; TIME ALLOWED: THREE (3) HOURS

INSTRUCTIONS TO CANDIDATES

1. You have fifteen (15) minutes reading time. Use it to study the examination paper carefully so that you understand what to do in each question. You will be told when to start writing.
2. This question paper consists of FIVE (5) questions of twenty (20) marks each. You **MUST** attempt all the FIVE (5) questions.
3. Enter your Student number and your National Registration Card number on the front of the answer booklet. Your name must **NOT** appear anywhere on your answer booklet.
4. Do **NOT** write in pencil (except for graphs and diagrams).
5. **Cell Phones** are **NOT** allowed in the Examination Room.
6. The marks shown against the requirement(s) for each question should be taken as an indication of the expected length and depth of the answer.
7. All workings must be done in the answer booklet.
8. Present legible and tidy work.
9. Graph paper (if required) is provided at the end of the answer booklet.

Attempt all five (5) questions

QUESTION ONE

- (a) Leadership is defined as the process of influencing, directing and motivating subordinates to perform the assigned tasks.

Required:

Explain the advantages and disadvantages of democratic and authoritarian styles of leadership. (8 marks)

- (b) In modern business organizations, is it possible to apply only one type of leadership, either authoritarian or democratic style? Give your argument.

(6 marks)

- (c) Performance appraisal is usually conducted by the immediate supervisor of the subordinate.

Give three (3) factors that should be considered to ensure that performance appraisal achieves its objectives. (6 marks)

[Total: 20 Marks]

QUESTION TWO

- (a) Differentiate between the terms leadership and management. (6 marks)

- (b) As a Chief Tax Inspector, write a reply letter to Zed Limited Company concerning the matter of Value Added Tax (VAT) refund claim. (8 marks)

- (c) Explain the influence of organisational culture on the operations of business.

(6 marks)

[Total: 20 marks]

QUESTION THREE

- (a) According to Tuckman, group development model, team development undergoes through four stages.

Explain the following stages:

(i) Forming (2 marks)

(ii) Storming (2 marks)

(iii) Norming (2 marks)

(iv) Performing (2 marks)

- (b) Employees, government and shareholders have a stake in the operations of the business organisation.

Required:

- (i) Explain the interests of the different stakeholders mentioned in relation to the organisation. (6 marks)
- (ii) Explain how Information and Communications Technology has influenced the management of organizations. (6 marks)

[Total: 20 Marks]

QUESTION FOUR

- (a) The economical and social factors of the business environment affect the operations of the company.

Required:

Explain in detail how these factors may affect the operations of the business. (8 marks)

- (b) Recruitment and selection may be ineffective and costly to the organisation. State the factors that may hinder the effectiveness of the recruitment and selection process. (12 marks)

[Total: 20 Marks]

QUESTION FIVE

- (a) Explain the effect of the span of control on the organisation's structure. (8 marks)

- (b) Explain the following terms:

- (i) Training (2 marks)
- (ii) Development (2 marks)
- (iii) Learning (2 marks)

- (c) Business organizations are a very important component of any economy as they supply goods and services to the public.

Required:

Distinguish between formal and informal organisations. (6 marks)

[Total: 20 Marks]

END OF PAPER

**JUNE 2016: BUSINESS MANAGEMENT (C1)
SOLUTIONS**

SOLUTION ONE

(a) Democratic leadership.

This is a type of leadership where a leader allows the subordinates to participate in decision making of the organisation. The leader consults subordinates and gives them authority to make certain decisions. The leader can call for a staff consultative meeting where ideas are shared concerning the operations of the organisation and encourages suggestions from employees.

Advantages

- There is increased motivation among employees that results to high performance.
- Better decisions are made due to shared information.

Disadvantages

- Decision making process may be delayed due to participation.
- Accountability of decisions could be diluted

Authoritarian leadership

This is a type of leadership style where the leader makes decisions without involving subordinates. Subordinates are just given instructions to perform assigned tasks and non-performance results into punishment.

Advantages

- Decision making process is fast as only one individual is involved in decision making process.
- Tasks are carried out quickly without resistance for fear of punishment.

Disadvantages

- It may result into employees being demotivated.
- It may result into high labour turnover.

(b) Argument for

- (i) It is possible especially where employees are not educated or do not have any professional qualifications, the leader may apply authoritarian type of leadership.
- (ii) A leader will also apply authoritarian leadership in the situation where a decision needs to be made urgently.
- (iii) Certain decisions are highly technical therefore will require a leader or leaders to apply authoritarian style of leadership to make decisions in that area.

Argument against

- (i) It is not possible just to apply one type of leadership as organizations have become more dynamic. Therefore, depending on the situation the leader can use either one of them or combined.

- (c) **Factors to consider for performance appraisal.**
 - i) The supervisors should be trained on how to conduct effective performance appraisals.
 - ii) The person conducting appraisal should not be biased. It has to be carried out on merit grounds without favouritism or corruption.
 - iii) Prior to conducting performance appraisal the employee to be assessed should be given measurable targets to be achieved within a stated period. These targets should be agreed between the supervisor and the subordinate.
 - iv) The supervisor should assess performance not personality. Performance appraisal should be based on factual evidence not on opinions.
 - v) A friendly environment should be created by the person conducting an appraisal to allow free exchange of views on key performance measures.

SOLUTION TWO

(a) Differences between management and leadership

- (i) **Management** is the process of planning, organizing, leading and controlling the available resources of the organization for the purpose of achieving goals.

Leadership is the process of influencing, directing and motivating subordinates to achieve the organizational goals.

- (ii) **Management** usually takes place within a hierarchical structured organization.
Leadership does not necessary takes place within a hierarchical structure.

- (iii) **Management** tend to adopt passive attitude toward goals.
Leadership adopts a more active attitude toward goals.

- (iv) **Management** in interacting with other people maintains a low level of emotional involvement.
Leadership shows empathy with other people and give attention to events.

- (v) **Management** see themselves as conservators and regulators of existing order of affairs with which they identify and from which they gain rewards.
Leadership work in but do not belong to the organization and their identity does not depend on membership or work role.

(b) Zambia Tax Authority
Revenue House, Headquarters
P.O Box 311115
Lusaka.

10th May, 2015.

The Managing Director
Zed Limited Company
P.O Box 211111
Mongu.

Dear Sir/ Madam,

RE: VALUE ADDED TAX REFUND

Reference is made to the letter dated 15th December 2014 in relation to the above mentioned subject.

According to taxation law concerning VAT refund on exported goods, your company is entitled to claim for refund. However, for us to determine the amount of refund to pay, we need export documentation relating to the exported goods.

Your quick provision of the requested documentation to facilitate the processing of the payment would be highly appreciated.

Yours Faithfully

Signature

Chief Tax Inspector.

(c) Influence of organizational culture.

- i) It will influence the attitude of the organisation towards the production of quality goods or provision of services to customers.
- ii) It will influence how the organisation responds to the concerns of its stakeholders such as customer complaints.
- iii) It will influence how fellow employees treat each other in terms greeting each other, team work, effective communication etc
- iv) It will affect how employees treat customers in terms of well coming them, greetings, resolving their complaints quickly, providing them with satisfactory information etc.
- v) It will influence the dress code of employees, cleanness of the business premises and office layout.

SOLUTION THREE

(a) Group formation stages

i) Forming

This is the first stage of group development where the group is trying to identify the nature of the situation it is faced with and establish the appropriate rules members should follow. The level of commitment, morale and involvement among members is low.

ii) Storming

Members may engage in conflicts and disagreements as methods of operations and patterns of behaviour start to be firmed up. Among group members there is lack of cohesion, confrontation, inconsistency and resentment.

iii) Norming

At this stage challenges among group members such as conflicts are overcome by establishing norms of attitude and behavior to govern the group's conduct. Group members clearly define their roles and group cohesion increases.

iv) Performing

This is the final stage and group members are working toward the achievement of group goals. There is high morale, creativity, open relationships, concern for each other and confidence among members.

(b) (i) Interests of stakeholders

• Employees

These are individuals who work for the organisation and have interest in that they expect to be treated fairly. Employees through their union representatives expect better conditions of work such as a reasonable salary, safe working place, transport and job security.

• Government

The government formulates laws that business organizations operate within. Therefore, the interest of the government is to ensure that organizations comply with the various laws. The government through Zambia Revenue Authority ensures that business organizations pay the correct tax, comply with environmental laws etc.

• Shareholders

They expect management to manage the business profitably so that it should be able to grow and survive in the industry. This entails protecting the investment made by the shareholders where they expect to yield positive returns. Shareholders also expect dividend to be declared and share price growth where the organisation is a public limited company.

(ii) Information and communications technology has influenced businesses in the following.

- It has enabled business organizations to advertise their products using the internet.
- It has enabled organizations to source and buy goods from suppliers using the internet.
- It has enabled organisation to make payments to suppliers using electronic banking.
- Companies are able to carry out the recruitment exercise using internet facility.

SOLUTION FOUR

(a) Economical factors

The economic environment affects the operations of the business either positively or negatively. Therefore, management should critically assess the economic factors in order to make sound business decisions. The factors are rate of inflation, foreign currency exchange rate, taxation rate, foreign investment policy, interest rates, employment levels etc

- Inflation rate:** When it is increasing it erodes the purchasing power and pushes up prices of commodities therefore, decreasing sales. Decreasing inflation rate has the opposite effect as long as other factors remain the same.
- Foreign exchange rate:** Depreciation of the currency kwacha causes the cost of importing goods to become more costly and vice versa. This may either increase or decrease the sales revenue.
- Taxation:** low taxation reduces the cost of operation therefore; it increases profits of business organizations. Increase in tax has a negative effect on the performance of the business.
- Employment levels:** When more citizens are employed their disposable income increases resulting into increased demand for goods and services from business organisations.

Social factors

The social environment comprises of demographics and cultural factors associated with the society which are:

- The education levels of the society where employees will be hired from. The availability of skilled and unskilled labour.
- The population distribution in terms of age, sex etc. If the population is composed of old people the company may find it difficult to find employees to do certain jobs that require energetic people.
- Beliefs and values of the society influence their behaviour toward work and goods being offered by the organisation. For instance some belief in hard working and for many hours.
- The impact of HIV/AIDS and how it affect productivity of employees.

(b) Factors that hinder effective recruitment

- i) Failing to attract potential candidates to apply for the vacant position because the job is not well paying.
- ii) Failure to develop the job requirements effectively through the development of a job description and specification.
- iii) The use of wrong media to advertise the vacant position which is not easily accessible. This will make few potential candidates to apply for the position.
- iv) The use of unqualified staff in the recruitment exercise.

Factors that hinder effective selection

- i) A poorly designed application form that does not capture all the required personal, educational and experience details.
- ii) The personnel involved in the selection process such as interviews are not trained.
- iii) The use of inappropriate selection tests in relation to the vacant job.
- iv) The practice of unprofessional conduct in the selection process such as employing on nepotism bases, corruption etc.

SOLUTION FIVE

- (a) A span of control** is the number of subordinates reporting directly to a superior represented through the organizational structure. The span of control has an effect of either having a tall or flat organizational structure.

Tall Organizational Structure

In this organizational structure, the span of control is narrow resulting into many levels of management. This also results into the communication becoming inefficient because of many hierarchical levels.

Flat Organizational Structure

It has a wider span of control resulting into few hierarchical levels. This structure is more efficient as because of a few management levels and it is less costly as labour costs are reduced.

(b)

i) **Training**

This is the acquisition of specific skills and knowledge required to perform the current job. For instance a new employee may be trained on how to operate high tech machine.

ii) **Development**

It is the process that enables employees to progress from the present state of understanding and capability to a future in which higher level skills, knowledge and competencies are required. Development involves acquiring skills and knowledge that improves the employee's ability to meet future demands of his or her brought about by changes in the environment.

iii) **Learning**

This is the process by which an individual acquires and develops new knowledge, skills, capabilities and attitude that is used in all aspects of life. Learning can either be formal or informal.

(c) **Formal organization**

This is the total pattern of working relationships among organization members that is official. This relationship is represented through an organizational chart that shows the hierarchy of authority, tasks, procedures, communication system, reporting system etc. In a formal organization, all activities are well defined and planned. The following are the characteristics:

- Well defined objectives that the organization is pursuing to achieve.
- Well documented policies and other copies
- A well-defined structure where relationships exists
- A formal organization usually has a long life span.
- There is division of work

(d) **Informal organization**

This is the structure that evolves out of the formal organization. The relationships in an informal organization are not defined and structured. The organization functions irregularly, characterized not by any complex patterned structure but rather by social relationships. The following are the characteristics.

- They come into existence without pre-planning
- The objectives are not clear or well defined.
- The structure is loose where relationships are less defined.
- Informal organizations are usually small
- There is flexibility in terms of changing the rules and regulations.

END OF SOLUTIONS