



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Accountancy
DEPARTMENT	Accountancy
CAMPUS(ES)	APK
MODULE NAME	Enterprise Operations
MODULE CODE	ADFM008
SEMESTER	First
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Final Summative Assessment Opportunity June 2019

ASSESSMENT DATE	11 June 2019	SESSION	08:30 – 11:30
ASSESSOR(S)	Ms L Mphahlele, Ms A Mhlongo		
MODERATOR(S)	Mr T Fusire		
DURATION	3 hours (180 min)	TOTAL MARKS	100

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	15
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INFORMATION/INSTRUCTIONS:

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- This paper consists of 15 pages (including this page).
 - Answer ALL questions in the answer book provided.
 - Answer multiple choice questions in the front of the answer books.
 - Answers with Tippex and in pencil will not be marked.
 - Scratch out all open spaces and empty pages.
 - Hand in the question paper with the answer sheet. Do not take the question paper home.
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SECTION A**25 marks****Select the correct answer:**

1. Mission is an organisation's fundamental objectives, expressed in general terms. Identify with **ONE** of the following mission statement relates to the University of Johannesburg?
 - A. To be an international University of choice, anchored in Africa, dynamically shaping the future.
 - B. Inspiring its community to transform and serve humanity through innovation and the collaborative pursuit of knowledge.
 - C. Is to grow its global stature as a leading research-intensive university and a gateway to research engagement and intellectual achievement in Africa.
 - D. Is committed to engaging with the key issues of our natural and social worlds through outstanding teaching, research and scholarship.
 - E. Develop, educate and empower through quality teaching-learning well-rounded graduates able to think laterally and critically and to serve the country and its entire people.

(1)
2. Goals and objectives are derived from the mission statement and they support it. When organisations set their objectives they must ensure that they are SMART. Identify which of the following does **NOT** form part of the SMART objectives?
 - A. Strategic
 - B. Measurable
 - C. Achievable
 - D. Relevant
 - E. Time-related

(1)
3. Interest rates (price of money) may be charged by governments in an attempt to influence the level of expenditure and/or inflation in the economy. Identify which of the following is/are impact/s of a rise in interest rates?
 - A. Exchange rates may decrease
 - B. Investment may increase
 - C. Inflation rate may rise
 - D. Spending may fall
 - E. All of the above

(1)
4. Regulation is any form of government interference with the operation of the free market and may result in unintended costs. Identify which of the following descriptions refers to regulatory capture costs?
 - A. A process where organisations try to limit the regulators effectiveness.
 - B. Direct costs of enforcements which include the setting of regulatory agencies.
 - C. Direct costs of enforcements which include the running of regulatory agencies.
 - D. A process where the regulator becomes dominated and controlled by the government.

- E. A process where the regulator becomes dominated and controlled by the regulated companies. (1)
5. Management accounting and Financial accounting are two different fields and there is a clear distinction between them. Identify which of the following are key points of Management accounting?
- A. It is mainly for external use
 - B. It is for planning and control
 - C. It is for recording financial performance
 - D. Both B and C are correct
 - E. All of the above are correct (1)
6. A transaction cost is incurred by an organisation as a consequence of having a business activity performed by a third party. Identify which of the following is/are transaction cost/s?
- A. Search and information costs
 - B. Policing and enforcement costs
 - C. Process and service failure costs
 - D. Both A and B are correct
 - E. Both B and C are correct (1)
7. Information requires a number of specific qualities to be useful. The mnemonic *ACCURATE* is used for the eight specific qualities. Identify which of **ONE** of the following is **NOT** a quality required for information?
- A. Relevant
 - B. Accurate
 - C. Accessible
 - D. Comparable
 - E. Easy to use (1)
8. Social networking or media sites such as Facebook and Twitter are part of Web 2.0 movement. Identify which of the following are **NOT** benefits of social media?
- A. Customer feedback
 - B. Advertising and branding
 - C. Recruitment and Selection
 - D. Reducing opportunity costs
 - E. Communicating with employees (1)
9. Users' every action online is being recorded without their explicit permission and most of the time the manner in which information is sometimes questionable. Identify which of the following are examples of internet privacy violators?
- A. Cookies
 - B. Spyware
 - C. Web bugs
 - D. Both A and C
 - E. All of the above (1)
10. After the implementation of the IT system, it will require regular maintenance and there are three types of system maintenance. Identify which three are

- A. Ad-hoc, partial and total maintenance
- B. Hoaxes, operator and human maintenance
- C. Drafting, Updating and checked maintenance
- D. Time-share, service and facilities maintenance
- E. Corrective, perfective and adaptive maintenance (1)

11. The basis of a psychological contract is

- A. An understanding of mutual obligations between a worker and the organisation.
- B. A corporate responsibility to act in a way that does not harm the environment.
- C. An emotional affinity for a particular product brand.
- D. An organisation-wide commitment to listen to customer views.
- E. Contract accepted voluntarily by the individual. (1)

12. Which human resource management theory states that authority is bestowed by dividing an organisation into jurisdictional area each with specified duties?

- A. Maximising prosperity
- B. Scientific management
- C. Contingency theory
- D. Bureaucracy
- E. Human relations (1)

13. Maslow's hierarchy of needs stated that this level comes **after** the 'safety needs' such as predictability and freedom from threat. Which level is this?

- A. Love/social needs
- B. Esteem Needs
- C. Safety needs
- D. Self actualisation
- E. Psychological needs (1)

14. One of the characteristics of services that distinguishes it from goods is that they cannot be stored; which makes anticipating and responding to levels of demand important in services. Which characteristic of a service is represented here?

- A. Perishability
- B. Intangibility
- C. Heterogeneity
- D. Ownership
- E. Inseparability (1)

15. Which one of the following is **not** one of the characteristic that makes a segment valid?

- A. Measurable
- B. Stability
- C. Accessibility
- D. Profitability
- E. None of the above (1)

16. Zoleka has a small tailoring business and deems communicating directly with her customers is very important for her business to make tailored outfits. Which distribution method would be best for her business?
- A. Zero level distribution
 - B. One level distribution
 - C. Three level distribution
 - D. Indirect distribution
 - E. Intermediary distribution
- (1)
17. Nompumelelo and Kevin share the same job. Nompumelelo comes in on Monday to Wednesday and Kevin on Thursday to Friday. Which flexible work arrangement is this
- A. Shift working
 - B. Compressed week
 - C. Job Sharing
 - D. Telecommuting
 - E. Part time
- (1)
18. In the Motivation Potential Score, which core characteristics relates to whether the job is a whole piece of work with a visible outcome?
- A. Skill variety
 - B. Task identity
 - C. Autonomy
 - D. Task significance
 - E. Feedback
- (1)
19. Which one of these is **not** a potential advantage to the EMPLOYER for flexible working arrangements?
- A. Increased employee motivation
 - B. Increased productivity
 - C. Attract high performing individuals
 - D. Increase employee commitment
 - E. Increased staff turnover
- (1)
20. Identify which of the following constitute aspects of Human Resource Development
- i. Providing formal training courses
 - ii. On the job training
 - iii. Succession and career planning
 - iv. Job design
- A. (i) only
 - B. (i) and (ii) only
 - C. (i), (ii) and (iii)
 - D. (i), (ii), (iii) and (iv)
 - E. None of the above
- (1)
21. In internal marketing, which element in the marketing mix relates to “the marketing plan and the strategies that are being proposed to employees or other functions together with the values, attitudes and actions needed to make the plan successful”?
- A. Product
 - B. Promotion
 - C. Place

- D. Process
- E. People (1)

22. In internal marketing segmentation, according to Jobber, this group of people are likely to gain from plan and are already committed. What is this group called?

- A. Isolates
- B. Influencers
- C. Supporters
- D. Opposers
- E. Modifiers (1)

23. Which one of the following is **not** one of the target market as per the marketing mix for charity and not for profit organisations ?

- A. Beneficiaries
- B. Supporters
- C. Regulators
- D. All of the above
- E. None of the above (1)

24. All new staff should go through a proper process of induction which can be carried out by the recruitment supervisor, department trainer or a combination of both.

Identify which of the following is/are **NOT** elements of an induction programme?

- A. Welcome
- B. Salary negotiations
- C. Introductions to colleagues
- D. Safety rules and procedures
- E. Training, coaching and mentoring (1)

25. Tests are used to supplement interviews or select applicants for interviews. Identify which **ONE** of the following tests aims to provide information about the candidate's abilities in different areas?

- A. Psychological Test
- B. Intelligence Test
- C. Personality Test
- D. Arithmetic Test
- E. Aptitude Test (1)

End of Section A

SECTION B

40

marks

Select the correct answer:

26. Nike has done away with levels of the organisation that lengthen lines of communication and decision-making, making the company more responsive as a result of the direct relationship between higher levels of management and the operational units.

Nike is an example of a ...

- A. Output-focused structure
- B. Horizontal structure
- C. Chunked structure
- D. Unglued structure
- E. Flat structure

(2)

27. Consider the following statements regarding corporate political activity (CPA):

Statement 1: Corporate political activity (CPA) refers to the involvement of companies in the in the political process with the aim of influencing policies towards their preference.

Statement 2: One of CPA's classification is 'buffering' which refers to the proactive actions that attempt to influence the content.

Statement 3: One of CPA's classification is 'bridging' which is more reactive and ensures that an organisation is compliant to new legislation.

Select the correct answer.

- A. All statements are TRUE
- B. All statement are FALSE
- C. Statement 1 is FALSE, Statement 2 is TRUE and Statement 3 is TRUE
- D. Statement 1 is TRUE, Statement 2 is TRUE and Statement 3 is FALSE
- E. Statement 1 is TRUE, Statement 2 is FALSE and Statement 3 is FALSE

(2)

28. The LVMH Group is a luxury goods producer and bring to life a new definition of luxury to their customers with deeper values expressed through social, and environmental excellence. It is important for LVMH to classify their stakeholders according to the *Mandelow* Matrix. If they have classified their customers as 'Key players', it means that the customers have....

- A. High Interest, Low Power
- B. High Interest, High Power
- C. High Power, Low Interest
- D. Low Interest, Low Power
- E. None of the above

(2)

29. The most recent price to earnings ratio (PE Ratio) for SAMSUNG is 15.64, while that of its major competitor, APPLE is 16.76. Identify which of the following is correct regarding the PE Ratio analysis?

- A. Apple shares are less attractive that Samsung shares as they are more expensive.
- B. Prospective investors will be prepared to pay a higher price for an Apple share compared to a SAMSUNG share.

- C. The higher PE Ratio for Apple may result in lower future earnings for those that purchase shares.
- D. The lower PE Ratio for Samsung may result in a lower gearing in the future as debt will be decreased.
- E. Both Samsung and Apple PE Ratios are extremely high and will lose their value over time resulting in a decrease in the share price.

(2)

30. In 2006, Siemens AG found itself in the wake of a corruption scandal that ultimately resulted in an estimated €2.5bn in fines from several markets. Factors that contributed to the corruption were increased fraud and poor controls for internal auditing. Identify some of the causes that might have contributed to fraud?

- A. Low staff morale where unhappiness could have led Siemens AGs staff to defraud the company.
- B. Lack of segregation of tasks where fraud is increased because tasks are not shared.
- C. Necessary complex structures where some managers may avoid controls and procedures.
- D. All of the above
- E. Only A and B are correct.

(2)

31. Stacey is considering opening a new coffee shop at Melville called Moonbucks but she is worried that she does not have enough information about the area to be able to make a decision. As a result she will use the PEST analysis (Political, Economic, Social and Technological) to consider the four major environmental factors.

She might also require additional information relating to the...

- A. Customers that she might attract from the Melville area
- B. Competitors around the Melville and how successful they are
- C. Suppliers which will include their prices and quality of their products
- D. All of the above
- E. Only A and C

(2)

32. The Coca-Cola Company has created barriers of entry (i.e. Porters Five Forces) in the soft drink industry and have done so defensively. Consider the following barriers and select those that relate to the Coca-Cola Company - Coke?

- i. Brand loyalty – customers have high loyalty to the Coke brand
- ii. Economies of scale – Coke has low average costs as a result of size
- iii. Being the only mover – Coke is the only soft drink manufacturer that is profitable
- iv. Patents – Coke has a legal barrier preventing their competitors for copying their product

Select the correct options.

- A. (i), (ii), (iii)
- B. (i), (ii), (iv)
- C. (i), (iii), (iv)
- D. (ii), (iii), (iv)

E. (i), (ii), (iii), (iv) (2)

33. Motorola invested cell-phones – i.e. the fastest growing market in all of technology yet they have failed because of their inability to quickly adjust to changing markets and trends. According to Lewin's force field analysis, it was important for Motorola to reduce restraining forces. Identify which of the following are examples of restraining forces that Motorola should have reduced?

- A. Motorola missed the movement to 3G
- B. Motorola never had the sense of urgency
- C. Motorola stopped innovating and growing
- D. Motorola got out of the right business at the wrong time
- E. All of the above are restraining forces for Motorola (2)

34. At Shoprite, Procurement strategies are developed and purchasing is fully integrated in the major business activities of the organisation. According to Reck and Long's four phase of procurement development, which phase is their procurement at?

- A. Integrative
- B. Passive
- C. Active
- D. Supportive
- E. Independent (2)

35. Mansako is a luxury leather bags company. Their supplier sourcing strategy includes sourcing their raw materials from one supplier and sourcing the other components used in their bags from multiple suppliers. Which sourcing strategy are they employing?

- A. Integrative
- B. Parallel
- C. Single
- D. Multiple
- E. Delegated (2)

Please use the following scenario to answer Question 36-43:

Zara is a Spanish fast fashion retailer group owned by Inditex, one of the world's largest fashion retailer which owns 8 distinct brands. Zara was founded in 1975. It is present in more than 88 countries with over 6500 outlets. Zara sells both men, women and children's clothes. They also sell shoes, cosmetics and accessories.

Zara opened its first clothing store in South Africa in 2011 and currently has 9 stores in the country with most of them in major malls such as Eastgate, Sandton City and V&A Waterfront in Cape Town.

Zara's strategy is "fresh baked clothes" which means getting access to fashion as you would to fresh baked bread. The brand makes new designs and puts them in stores in 2 to 4 weeks. Most other fashion brands would take a whole six months to get their new designs into the market.

Zara concentrates on 3 formulas to bake its fashion brand.

- Short lead times = more fashionable clothes. This is to ensure that stores carry clothes that customers want at that specific time.
- Lower quantities = Scarce supply. In fashion, the less available an item, the more desirable the item becomes.
- More styles = more choice and more chances of hitting it right. Zara produces more than 12000 styles a year, so that even if a style runs out, there is already new styles available.

36. Taking into account the short lead time that is required by Zara, which inventory management approach would be suitable for their operations?

- A. Perpetual inventory system
- B. Level capacity plan
- C. Just In Time
- D. ABC system
- E. FIFO

(2)

37. Zara's strategy requires a purchasing function that fully integrates all major business activities of the organization. Which phase should their purchasing function be at according to Reck & Longs strategic positioning tool?

- A. Passive
- B. Integrative
- C. Independent
- D. Supportive
- E. Independent

(2)

38. The fashion industry is very unpredictable and it's possible that you may end up selling a large proportion of your products at a discount if they are not bought, a waste Zara is trying to eliminate with its "fresh baked clothing" concept.

Which TWO wastes, as per JIT, are reflected above that Zara is trying to eliminate with their "fresh baked clothing concept" ?

- I. Waiting time
- II. Overproduction
- III. Defective goods
- IV. Transport
- V. Inventory

Choose **TWO** of the above.

- A. I & II
- B. II & V
- C. III & IV
- D. IV & V
- E. II & V

(2)

39. In the fashion industry, there are always new trends that have to be catered to. As a result, Zara is continuously producing new products in the existing markets to cater to their customers changing needs. As per Ansoff's matrix, which positioning strategy does Zara pursue?

- A. Product development
- B. Market development
- C. Market penetration
- D. Product penetration
- E. Diversification

(2)

40. The jacket product line is the best performing in their product portfolio as these are sold throughout the year in all seasons. The Jacket product line has a high market share in a mature slow growth market. According to the BCG Matrix, in which category is the jacket product line?

- A. Dog
- B. Cash Cow
- C. Problem Child
- D. Question mark
- E. Star

(2)

41. The jacket product line can be considered to be in the maturity stage with Zara making minor variations to the offering in this category in line with the fashion trend. According to the product life cycle and promotional strategy, which promotional activities will be suited for the jacket product line?

- A. Advertising
- B. Direct marketing
- C. Sales promotion
- D. Personal selling
- E. All of the above

(2)

42. As part of their scarce supply strategy of producing lower quantities, Zara charges premium prices for their clothes for their differentiated products. Which price setting strategy does Zara pursue?

- A. Price discrimination
- B. Target costing
- C. Market skimming
- D. Market penetration
- E. Quantum pricing

(2)

43. Zara has also noticed that a customer is more likely to purchase a clothing item that ends with R9 and not a whole number. Therefore their items are often priced R349, R549 R749 instead of R350, R550 and R750.

Which other price setting strategy do they use?

- A. Price discrimination
- B. Target costing
- C. Market skimming
- D. Market penetration
- E. Quantum pricing

(2)

44. With this type of marketing, the aim is to maximise customer retention by building customer relationships. Which type of marketing is this?

- A. Direct marketing

- B. Guerrilla marketing
- C. Viral marketing
- D. Relationship marketing
- E. Experiential marketing

(2)

45. Consider the steps in an appraisal system and match them to the terminology they refer to in column A and select the correct order?

COLUMN A	COLUMN B
(A) Step 1	(i) Follow-up
(B) Step 2	(ii) Review of assessment by the assessor's superior
(C) Step 3	(iii) Identification of criteria for assessment
(D) Step 4	(iv) Appraisal interview
(E) Step 5	(v) Preparation by the subordinate's manager of appraisal report
(F) Step 6	(vi) Preparation and implementation of action plans

- A. Step 1 (v); Step 2 (iii); Step 3 (iv); Step 4 (ii); Step 5 (i); Step 6 (vi)
- B. Step 1 (ii); Step 2 (vi); Step 3 (iv); Step 4 (i); Step 5 (v); Step 6 (iii)
- C. Step 1 (ii); Step 2 (vi); Step 3 (iv); Step 4 (v); Step 5 (iii); Step 6 (i)
- D. Step 1 (iii); Step 2 (v); Step 3 (iv); Step 4 (ii); Step 5 (vi); Step 6 (i)
- E. Step 1 (v); Step 2 (iii); Step 3 (iv); Step 4 (ii); Step 5 (iv); Step 6 (i)

(2)

End of Section

SECTION C**35 marks****Question 1:****15 marks**

Founded in 1971 in Lowerland, Western Europe, Mansako is a vertically integrated luxury leather goods brand. The company designs, manufactures, markets and sells their luxury leather products for women, under the Mansako brand name. Mansako's customers expect high quality products and excellent service. They admit to conspicuous consumption, buying luxury products for the status that comes with their possession. Status is now less about 'what I have' and more about 'who I am'. Most customers avoid buying luxury products that do not have ecological sustainability.

Millennials demographic grouping present the strongest demand for this affordable luxury price category, seeking value for money whilst simultaneously seeking a higher quality of life. As a result, a significant proportion of Mansako customers are well-informed about, and proficient in the use of, technology and are just as likely to make purchases using Mansako's app on their mobile phones as in a store.

Majority of the company's finances are directed at ensuring a premium brand product (i.e. luxury bags) and to excellent customer aftersales service. At yesterday's Board of Directors meeting, the projected financial results for the first half of 2017 were reviewed. The Board of Directors is very concerned by the figures and has asked for a review of each operational area.

The Support Services and Administration Manager, has been looking at the possibility of outsourcing some of Mansako's non-core operations. He has had some initial discussions with an IT outsourcing company and has asked the Finance Department to carry out an appraisal of this option.

REQUIRED:

- | | | |
|------------|--|-------------|
| 1.1 | Identify Mansako's generic strategy? | (1) |
| 1.2 | Discuss your reasons that support your answer for 1.1 (above). | (2) |
| 1.3 | Discuss benefits and limitations of outsourcing the IT processes and any other factors that the Mansako must consider when outsourcing the IT function. (<i>Hint: Answer must be in line with the company's generic strategy</i>) | (12) |

Question 2**20 marks**

Mansako introduced a new range of clutch bags and shoulder bags called the Edge range. The range combines very current colours with elegant lines and many useful features. The new range grew so popular that it is currently sold out and Mansako cannot give its customers an estimate of when this range will be available in their stores again. While the edge range is in demand and out of stock, their Classic range is not as popular as it used to be and there is more stock in the different shops than there is demand.

Jonathan Young, Operations Director is keen to make improvements in the supply chain so that production scheduling is more closely tied to demand.

Jonathan believes there may also be benefits to be gained by introducing lean manufacturing to reduce waste. He has encouraged staff to provide ideas for improvements and has suggested that we introduce quality circles.

REQUIRED:

- | | |
|---|-------------|
| 2.1 <u>Explain</u> what quality circles are and how they could benefit Mansako? | (5) |
| 2.2 <u>Explain</u> the need for capacity management (include supply and demand and aim of capacity management) | (5) |
| 2.3 <u>Explain</u> the implications of different capacity planning strategies. | (10) |

End of assessment

Learning Objective	Verbs	Definition
1. Knowledge What you are expected to know	List State Define	Make a list of Express, fully or clearly, the details of / facts of Provide the exact meaning of
2. Comprehension What you are expected to understand	Describe Distinguish Explain Identify Illustrate	Communicate the key features Highlight the differences between Make clear or intelligible / State the meaning of Recognise, establish or select after consideration Use an example to describe or explain something
3. Application How you are expected to apply your knowledge	Apply Calculate / Compute Demonstrate Prepare Reconcile Solve Tabulate	To put to practical use To ascertain or reckon mathematically To prove with certainty or to exhibit by practical means To make or get ready for use To make or prove consistent / compatible Find an answer to Arrange in a table
4. Analysis How are you expected to analyse the detail of what you have learned	Analyse Categorise Compare and Contrast Construct Discuss Interpret Prioritise Produce	Examine in detail the structure of Place into a defined class or division Show the similarities and/or differences between To build up or compile To examine in detail by argument To translate into intelligible or familiar terms Place in order of priority or sequence for action To create or bring into existence
5. Evaluation How are you expected to use your learning to evaluate, make decisions or recommendations	Advise Evaluate Recommend	To counsel, inform or notify To appraise or assess the value of To advise on a course of action.