

EASTERN UNIVERSITY SRI LANKA  
FACULTY OF COMMERCE AND MANAGEMENT  
FIRST YEAR FIRST SEMESTER EXAMINATION IN BACHELOR OF BUSINESS  
ADMINISTRATION / BACHELOR OF COMMERCE – 2013/2014  
PROPER/REPEAT/RE-REPEAT (September 2015)

MGT 1024 Principles of Management

Answer all Questions

Time: 3 hours



Q1. Read the case study and answer the questions given below.

### **Border Tweed to Border Tea'd**

#### **Background**

Sandy and Gillian have been happily married for just over seven years. They met eight years ago at a textile factory in Hawick, where they both started work after leaving school. The textile factory was the biggest employer in the area.

During these years they saved hard and finally bought their dream house – a four-bedroom detached traditional bungalow. The house needed upgrading, so the couple managed to get it at a bargain price. They put down a good deposit and took a mortgage for £60,000. They were looking forward to renovate the house over time.

#### **The present situation**

The textile trade was the main industry in the Scottish Borders. In the past few years, however, factors such as high prices for cashmere wool and declining orders from Japan and America have led to short-time working and some redundancies within the industry.

Last year Sandy and Gillian were both made redundant at the same time. Faced with the prospect of moving away to find work or being unemployed, they decided they would start up their own business. They would run a Bed and Breakfast guesthouse. The Scottish Borders is a popular tourist area and the couple lived in a very beautiful spot. It was also on the main route for travellers to both sides of the border. They decided to use their redundancy money to upgrade the accommodation immediately to the required standard.

Sandy and Gillian know nothing about running a business. They are hoping to find some useful information on running a Bed and Breakfast business and whether there are any government grants available to help them get started.

Sandy arranged a meeting with the bank manager to have a talk about their new business. They would need a new business account and help in preparing a business plan.

The couple are aware of the importance of information technology to help them run their business. They have set aside £2,000 for a new computer, any software they might need and a good quality printer. They have decided what tasks each of them will be responsible for. Sandy will look after the accounts and negotiate any grants that may be available for the business. Gillian has agreed to look after bookings, customer correspondence and promotional material, including design of leaflets and business cards for the business. They have read a lot about advertising businesses on the internet and think this would offer a lot of opportunity for their Bed and Breakfast business.

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**Questions:**

- a) Suggest the most suitable type of business organisation for Sandy and Gillian to set up. Give reasons for your answer.  
(04 Marks)
  - b) Identify a possible **external** stakeholder in their business. State what interest that stakeholder would have.  
(04 Marks)
  - c) Describe **two** useful sources of information that would help Sandy and Gillian find out if their venture would be successful.  
(04 Marks)
  - d) Give **two** reasons why an IT training course would benefit Sandy and Gillian.  
(04 Marks)
  - e) Describe **two** ways they could use the internet to support their business.  
(04 Marks)
  - f) Sandy has agreed to be responsible for the business accounts. Explain why **financial planning** and **maintaining financial records** are essential for business survival.  
(04 Marks)
- (Total 24 Marks)

- Q2. a. *“Certain roles and skill are usually required of all managers, no matter what their specialty or level.”*

Based on the above statement explain the different skills a manager should have in achieving organizational success.

( 04 Marks)

- b. *“Management is universal in the modern industrial world and there is no substitute for good management.”*

Based on the above statement explain the term “Management” and explain its nature in the competitive environment.

(08 Marks)

- c. *“Planning is the process of setting goals, developing strategies, and outlining tasks and schedules to accomplish the goals.”*

Based on the above statement identify and explain the different techniques of planning

(08 Marks)

(Total 20 Marks)

- Q3. a. *“The organizing process deals with all those activities that result in the formal assignment of tasks and authority and a coordination of effort”.*

Based on the above statement explain the process of organizing in an organization,

(06 Marks)

- b. Define the term ‘Leadership’ and explain the different types of power a leader applies to influence the behaviour of a subordinate or group and persuade them to follow a particular course of action

(08 Marks)

- c. *“Controlling is directly related to planning. The controlling process ensures that plans are being implemented properly.”*

Based on the above statement list and explain the essentials of effective control system

(06 Marks)

(Total 20 Marks)

Q4.

- a. *"Just as there are different kinds of decisions, and different conditions in which decisions must be made."*

Based on the above statement, explain the different conditions with appropriate examples that affect the decision making process in an organization.

(06 Marks)

- b. Identify the content theories of motivation, and explain the contribution of two-factor theory of motivation in influencing the behaviour of employees towards organizational goal.

(08Marks)

(Total 14 Marks)

- Q5. a. *"Goal-setting theory has an impressive base of research support. But as a manager, how do you make goal setting operational? The best answer to that question is: Install a management by objectives (MBO) program."*

Based on the above statement explain the features of Management By Objective (MBO).

(08 Marks)

- b. Explain the process of MBO for accomplishing enterprise objectives, enhancement of employees' commitment and participation.

(06Marks)

- c. Identify and explain the advantages and Limitations of MBO.

(08 Marks)

(Total 22 Marks)