

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO

**CIMA**

Enterprise Pillar

## E1 – Enterprise Operations

20 May 2014 – Tuesday Morning Session

### *Instructions to candidates*

You are allowed three hours to answer this question paper.

You are allowed 20 minutes reading time **before the examination begins** during which you should read the question paper and, if you wish, highlight and/or make notes on the question paper. However, you will **not** be allowed, **under any circumstances**, to open the answer book and start writing or use your calculator during the reading time.

You are strongly advised to carefully read ALL the question requirements before attempting the question concerned (that is all parts and/or sub-questions). The requirements for questions 3 and 4 are highlighted in a dotted box.

ALL answers must be written in the answer book. Answers or notes written on the question paper will **not** be submitted for marking.

ALL QUESTIONS ARE COMPULSORY.

Section A comprises 10 sub-questions and is on pages 2 to 4.

Section B comprises 6 sub-questions and is on page 5.

Section C comprises 2 questions and is on pages 6 and 7.

The list of verbs as published in the syllabus is given for reference on page 11.

Write your candidate number, the paper number and examination subject title in the spaces provided on the front of the answer book. Also write your contact ID and name in the space provided in the right hand margin and seal to close.

Tick the appropriate boxes on the front of the answer book to indicate the questions you have answered.

# E1 – Enterprise Operations

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## SECTION A – 20 MARKS

[You are advised to spend no longer than 36 minutes on this question]

ANSWER ALL TEN SUB-QUESTIONS

### *Instructions for answering Section A*

The answers to the ten sub-questions in Section A should ALL be written in your answer book.

Your answers should be clearly numbered with the sub-question number and ruled off so the markers know which sub-question you are answering. **For multiple choice questions you need only write the sub-question number and the answer option you have chosen.** You do not need to start a new page for each sub-question.

Each of the sub-questions numbered from **1.1** to **1.10** inclusive, given below, has only ONE correct answer. Each is worth two marks.

### **Question One**

1.1 Which ONE of the following is NOT normally associated with the (rational) staged decision making purchasing process?

- A Need recognition
- B Loyalty to a brand
- C Information searching
- D Post-purchase evaluation

*(2 marks)*

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1.2 Transaction costs are expenses resulting from which ONE of the following?

- A Outsourcing of services
- B Off-shoring of organisational functions
- C Penetration pricing
- D Organisational downsizing

*(2 marks)*

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1.3 Subsidies for home industries, quotas and embargoes are mechanisms associated with which ONE of the following?

- A Fiscal policies
- B Free trade
- C Liberalisation
- D Protectionism

*(2 marks)*

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1.4 When segmenting a market based on demographic factors, which ONE of the following would NOT be considered?

- A Age
- B Gender
- C Stage in the family life cycle
- D Frequency of purchase

*(2 marks)*

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1.5 Diagrams which present the flow of information and products across supply networks are known as which ONE of the following?

- A Process maps
- B Fishbone 'cause and effect' diagrams
- C Job analysis outlines
- D Statistical control maps

*(2 marks)*

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1.6 Queuing theory analysis and flexible manufacturing systems represent methods of which ONE of the following?

- A Process design
- B Managing operational capacity
- C Quality control
- D Quality assurance

*(2 marks)*

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1.7 The outsourcing of an Information Technology service by an organisation can lead to which ONE of the following?

- A Increased reliance on the IT department
- B Increased reliance on central departments generally
- C Certain staff having responsibility for monitoring contracts
- D Recruitment of additional programmers

*(2 marks)*

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*Section A continues on the next page*

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- 1.8 Social networking and blogging are normally associated with which ONE of the following?
- A Web 2.0 tools
  - B Management information systems
  - C Distributed data processing systems
  - D An open database

(2 marks)

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- 1.9 Which ONE of the following is NOT normally associated with Total Quality Management (TQM)?
- A Six sigma
  - B 5-S
  - C Kaizen
  - D Insourcing

(2 marks)

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- 1.10 The terms 'guerilla' and 'viral' are often applied to which ONE of the following?
- A Different organisational forms
  - B Predatory take-over tactics
  - C Marketing communications
  - D Stakeholder groupings

(2 marks)

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(Total for Section A = 20 marks)

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*Reminder*

**All** answers to Section A must be written in your answer book  
Answers or notes to Section A written on the question paper will **not**  
be submitted for marking

*End of Section A*

*Section B starts on the opposite page*

SECTION B – 30 MARKS

[You are advised to spend no longer than 9 minutes on each sub-question in this section]

ANSWER ALL SIX SUB-QUESTIONS IN THIS SECTION - 5 MARKS EACH

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**Question Two**

(a) **Describe** FIVE main benefits of free trade. *(5 marks)*

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(b) **Explain** FIVE different ways in which operations management thinking and techniques may benefit a hospital. *(5 marks)*

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(c) **Describe** FIVE different systems for managing inventory (stock). *(5 marks)*

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(d) **Explain** FIVE reasons for the growth in geographically dispersed (virtual) teams. *(5 marks)*

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(e) **Explain** FIVE reasons why a firm might attempt to actively manage its relationships with its suppliers. *(5 marks)*

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(f) **Explain** FIVE risks associated with a direct approach to changeover from one system to another. *(5 marks)*

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*(Total for Section B = 30 marks)*

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*End of Section B*

*Section C starts on the next page*

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## SECTION C – 50 MARKS

[You are advised to spend no longer than 45 minutes on each question in this section]

ANSWER *BOTH* QUESTIONS IN THIS SECTION – 25 MARKS EACH

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### Question Three

Relative to other nations on the same continent, the country of Oland performs poorly on many measures of social and health wellbeing. For instance, Oland has the highest rate of both alcohol related disease and also unwanted pregnancies amongst teenagers. Successive governments have presided over worsening social conditions in the country. High levels of taxation on individuals and heavy regulation of businesses have led to a lack of innovation and economic prosperity. However, change is promised with the election of a new Government which has policy aims of economic regeneration, tax reforms and the introduction of a set of policies and measures to help address the country's social problems.

You work for an international marketing agency with expertise in social marketing and you have been asked to advise the new Government ministers on the potential for introducing appropriate social marketing programmes which could be used alongside other government measures.

*Required:*

(a) **Explain** what would be involved in introducing a social marketing programme in Oland. *(10 marks)*

(b) **Explain** the range of different measures Oland's Government could introduce to discourage excessive alcohol consumption (apart from social marketing). *(10 marks)*

(c) **Describe** the different forms of taxation that are available to Oland's new Government in order to raise the revenue necessary to finance its spending plans. *(5 marks)*

*(Total for Question Three = 25 marks)*

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*Section C continues on the opposite page*

#### Question Four

The CM group is organised into geographical regions and managed through Strategic Business Units (SBUs). The group has a small but skilled central core of service departments including Human Resources (HR), Marketing, Finance and Purchasing but power and responsibility is devolved to the SBUs' general managers. In addition to maintaining and providing standard information systems such as inventory, payroll, debtors and accounting systems, each central service provides monthly performance data and management reports to SBU general managers and offers additional 'consultancy' advice and services to individual SBUs on request.

BP has been the general manager of the North Western SBU for many years and is very traditional in his approach. He distrusts the monthly reports from the central service departments calling them 'ineffective' and prefers to trust his own instinct and judgement instead. He is also personally involved in the selection of all staff to the SBU as he believes he is a good judge of character. This involves conducting a twenty minute one-to-one conversation with candidates.

Although BP's methods seem to have worked in the past, North Western SBU's productivity and financial performance have fallen recently. BP believes this to be due to certain staffing problems, including abnormally high levels of staff turnover and a failure of new workers to fit into the patterns of work within the SBU. The SBU has been unable to retain its most valued workers who have often gone to join competitor organisations. When replacement staff have been appointed, BP finds that most do not perform their role to a very high standard and many leave after a short period of time.

BP calls a meeting of his assistant general managers who suggest consulting with the HR department about ways of improving the SBU's recruitment and selection processes so that only suitable candidates are appointed. One assistant explains that she has recently read a management article about the use of assessment centres in selection and wonders if this might help when replacing supervisors and more senior staff.

*Required:*

- (a) **Describe** the factors that might be contributing towards the high levels of staff turnover in North Western SBU, apart from failures in its recruitment and selection processes. *(10 marks)*
- (b) **Explain** the benefits to North Western SBU of using an assessment centre approach to recruitment. *(10 marks)*
- (c) **Describe** the features that should be present in any organisational information system for it to be considered effective by its users. *(5 marks)*

*(Total for Question Four = 25 marks)*

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*(Total marks for Section C = 50 marks)*

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*End of Question Paper*

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## LIST OF VERBS USED IN THE QUESTION REQUIREMENTS

A list of the learning objectives and verbs that appear in the syllabus and in the question requirements for each question in this paper.

It is important that you answer the question according to the definition of the verb.

LEARNING OBJECTIVE	VERBS USED	DEFINITION
<b>Level 1 - KNOWLEDGE</b> What you are expected to know.	List State Define	Make a list of Express, fully or clearly, the details/facts of Give the exact meaning of
<b>Level 2 - COMPREHENSION</b> 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 or purpose of Recognise, establish or select after consideration Use an example to describe or explain something
<b>Level 3 - APPLICATION</b> How you are expected to apply your knowledge.	Apply Calculate Demonstrate  Prepare Reconcile Solve Tabulate	To put to practical use Ascertain or reckon mathematically To prove with certainty or to exhibit by practical means Make or get ready for use Make or prove consistent/compatible Find an answer to Arrange in a table
<b>Level 4 - ANALYSIS</b> How you are 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 Build up or compile Examine in detail by argument Translate into intelligible or familiar terms Place in order of priority or sequence for action Create or bring into existence
<b>Level 5 - EVALUATION</b> How you are expected to use your learning to evaluate, make decisions or recommendations.	Advise Evaluate Recommend	Counsel, inform or notify Appraise or assess the value of Propose a course of action

*Enterprise Pillar*

*Operational Level Paper*

*E1 – Enterprise Operations*

*May 2014*

*Tuesday Morning Session*