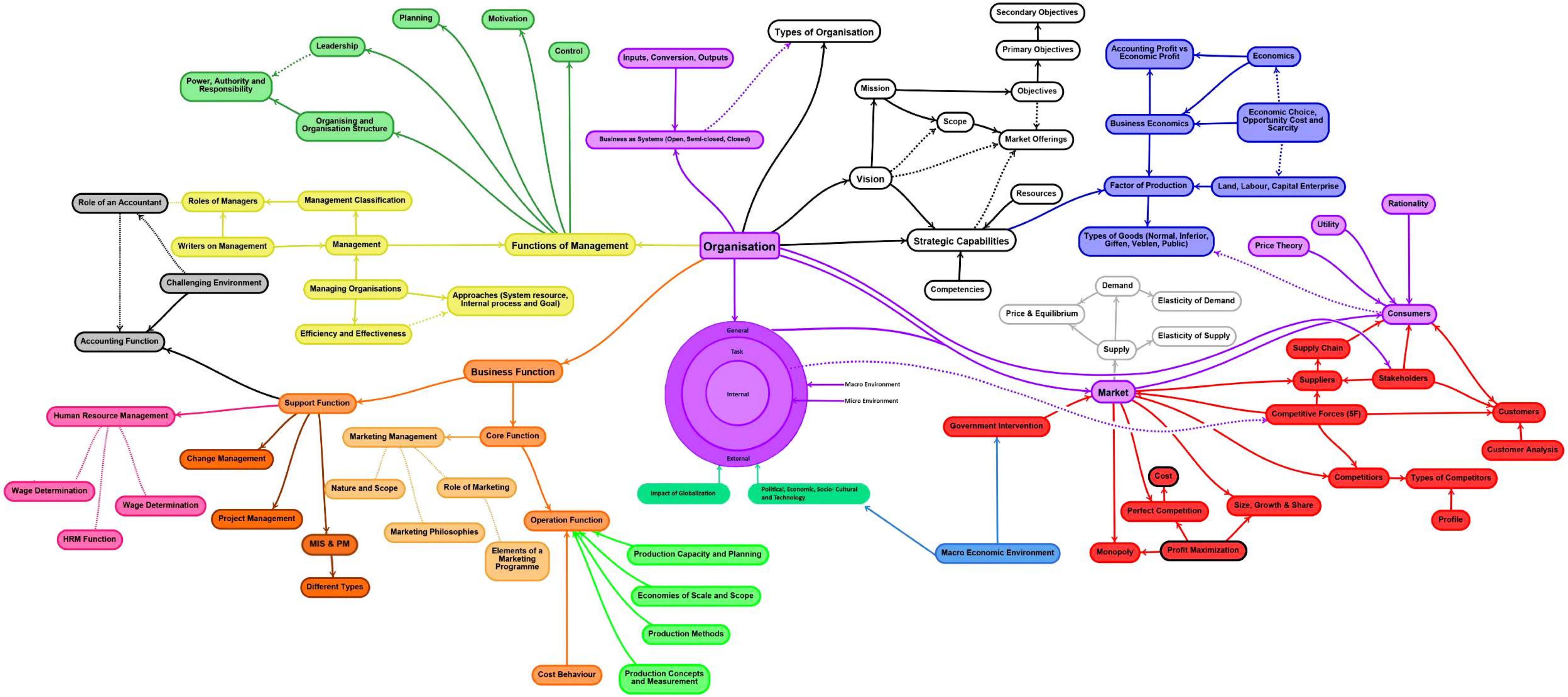
KE5 MIND MAP



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Vision and Mission

Vision : It is an organisations' strategic intent - the desired future state of the organisation. It is an aspiration around which a strategist, perhaps a chief executive, might seek to focus the attention and energies the members of the organisation. (Johnson, 2008)

Mission: A mission statement aims to provide employees and stakeholders with clarity about the overall purpose and raison d'être (rationale) of the organisation (Johnson, 2008). This is the way to achieve it's vision. This could be translated into goals and objectives.

Cargills (Ceylon) PLC Vision & Mission

Vision : To be a global corporate role model in community – friendly national development (Cargills (Ceylon) Plc, 2014/15).

Mission : Serve the rural community, our customers and all other stakeholders, through our core business – Food with love – and other related businesses, based on the three main principles of reducing the cost of living, enhancing youth skills and bridging regional disparity by enhancing local and global markets (Cargills (Ceylon) Plc, 2014/15).

Objectives

These are statements of specific outcomes that are to be achieved (Johnson, 2008).
Primary objectives: The primary objectives of any business are the objectives which would directly reflect the long term aspects or goals that are visibly aligned with the mission achievement.

15% of profit growth

Secondary objectives: The secondary objectives of a business are linked towards the achievement of primary objectives.

Achieve 10% cost reduction in operational expenses
Achieve 15% sales increase etc.

Refer below note in addition to the content presented on "Resources in an organisation" in the Study Text.

Resources in an Organistion

The resources could be categorized into tangible and intangible resources.

Further, these could be subcategorized as Physical Resources, Human Resources , Financial Resources and Intellectual resources.

Examples for intellectual resources are as follow:

Brands, Goodwill, Contracts, Patent rights, licenses

Human resources comprise the productive services people offer to the organisation. They are an essential ingredient to a firm's **strategic capability.** Human resources, more generally, can include the following.

- Headcount
- Skills base
- Culture
- Knowledge
- Workforce structure

The word **"Strategic capability"** has been defined as follows:
Strategic capabilities could said as an organisations ability and capacity to survive, prosper and achieve its mission That means they are the resources, activities and processes. Some will be unique and provide 'competitive advantages'.
In other words, the strategic capabilities are the Resources and competencies an organization has.
Resources are the **assets** that organizations have or can call upon, that is, 'what we have'.
Competences are the **ways** those assets are used or deployed effectively, that is, 'what we do well'.

A Bank could have assets such as land, building, network (IT) facilities etc. Also They could have competencies. Competencies are the Skills and Abilities required to manage the assets in-order to provide the necessary services to their customers.
For example, how they could align their processes to approve a personal loan for a customer within 24 hours.
They must make use of their resources such as office, IT facilities to process necessary documents and approvals.
Further this could be explained how the bank is geared to open a new account with in 15 minutes. They need to use their competencies as well as their resources to provide these services to their customers

Chapter 1
An Introduction to Business Organisations

1. Businesses and organisations
- 1.1 Nature of businesses
- 1.2 Nature of organisations
- 1.3 Why do orgnisations exist?
- 1.4 How organisations differ
- 1.5 What the organisation does

These sections are adequately covered in the study text.

2. Types of business organisation
- 2.1 Profit versus not-for-profit orientation
  - ***Profit oriented:*** Hameedia
  - ***Not-for-Profit:*** The Institute of Chartered Accountants of Sri Lanka
- 2.2 Private vs public sector
  - ***Private:*** Perera & Sons (Bakers) Ltd, Seylan Bank PLC
  - ***Public:*** Industry Technology Institute
- 2.3 Private sector commercial business organisations
  - 2.3.1 Legal status
  - 2.3.2 Limited companies
  - 2.3.3 Types of limited company
    - ***Private Limited:*** Perera & Sons (Bakers) Ltd.
    - ***Public Limited:*** Seylan Bank PLC
  - 2.3.4 Advantages and disadvantages of limited company status
- 2.4 The public sector
  - 2.4.1 Key characteristics of the public sector
  - 2.4.2 Benefits of public sector
  - 2.4.3 Problems with public sector organisations
- 2.5 Non-governmental organisations
  - Save the Children Fund World Vision
- 2.6 Co-operative societies and mutual associations
  - Consumer Co-operative Societies Federation of Sri Lanka Ltd.

3. Nature of market offerings
- 3.1 Products
  - 3.1.1 Product attributes
- 3.2 Services
- 3.3 Other value offerings

These sections are adequately covered in the study text.

4. Business resources
- 4.1 Resources in an organisation
- 4.2 Physical resources
- 4.3 Human resources
- 4.4 Financial resources
- 4.5 Integration of resources

5. Future directions of businesses
- 5.1 Business and the future
- 5.2 What is 'mission'?
  - 5.2.1 Vision
- 5.3 Mission statements
- 5.4 The role of mission
- 5.5 The nature of goals and objectives
- 5.6 The purpose of organisational objective setting
- 5.7 The hierarchy of objectives
  - 5.7.1 Primary objectives
  - 5.7.2 Secondary objectives
  - 5.7.3 Balanced scorecard
- 5.8 Trade-off between objectives
  - 5.8.1 Long-term and short-term objectives

Chapter 2
The Role of Accounting

1. The purpose of accounting information

- 1.1 What is accounting?
- 1.2 The need for accounts
- 1.3 Users of financial statements and accounting information
  - 1.3.1 Non-commercial undertakings
  - 1.3.2 Sustainability and integrated reports
- 1.4 Qualities of accounting information
- 1.5 The structure of the accounting function

These sections are adequately covered in the study text.

2. Nature, principles and scope of accounting

- 2.1 Financial accounting and management accounting
- 2.2 The application of information
  - 2.2.1 Control and stewardship
- 2.3 Financial management
- 2.4 Auditing
  - 2.4.1 Internal audit
- 2.5 Risk management
- 2.6 Business generalist
- 2.7 Other departments and sections

The students are advised to check for more functions such as marketing, manufacturing, after sales services, etc.

3. The dynamics of the work environment

- 3.1 The changing work environment
- 3.2 New technologies
- 3.3 Skills needed by accountants
- 3.4 Role of accountant
  - 3.4.1 Criticisms of traditional role
  - 3.4.2 The finance function as business partner
  - 3.4.3 Problems with the business partner model
  - 3.4.4 Independent business partner

!

Refer below note in addition to the content presented on "Role of accountant "in the Study Text.

Role of an accountant

Until late 20th century an accountant's role was to get involved in tallying ledgers and checking numbers. However, today they play a different role and that role encompasses numerous other disciplines. We could identify the following functions,

Financial reporting: compliance role: Financial Reports are one of the key outputs of an accountant. Whether public or private, all companies need to prepare and issue financial statements that clearly present the financial results, financial position and cash flows of the business as per the statutory requirements.

Management reporting: These reports are mainly produced to support the operations of an organisation and produced to the internal stakeholders. The challenge is to come up with and monitor operational measures that explain the underlying financial results of the business.

Internal auditing: The internal audit function is primarily concerned with whether there are controls in place in the financial reporting process, and if correct procedures have been followed to enable accurate and timely financial statements.

Finance operational risk analyst/manager (analysing risks of operations): In businesses where accounting software plays a big role in the financial reporting process, there is often a need to identify and manage the risks involved in the day to day operations (Ex: Error in data entry) of these computerised accounting systems.

Accounting information systems (designing and implementing accounting systems): Certain Accountants have specialised in designing and implementing accounting systems, which can be manual or computerised. When dealing with computerised accounting systems, the accountant becomes a link between management and IT developers, as he or she translates management needs to requirements that the IT department can understand.

Link with the business world (networking with the business world): Presently accountants use their networks to identify the challenges and the opportunities presented by the industry and the environment. Accountants then inform the top management about the impact of these challenges and the short and long term opportunities those challenges can bring to the business.

Chapter 3
An Introduction to Management

1. The purpose and process of management

- 1.1 Management
- 1.2 Managing organisations
- 1.3 The management process
- 1.4 Management classification
  - 1.4.1 Senior management
  - 1.4.2 Middle managers
  - 1.4.3 Junior managers
  - 1.4.4 Line and staff managers
  - 1.4.5 Functional authority
  - 1.4.6 Value stream managers
- 1.5 The manager's role in organising work
  - 1.5.1 Work planning
  - 1.5.2 Assesing where resources are most usefully allocated

Refer below note in addition to the content presented on "The management process "in the Study Text.

2. Writers on Management

- 2.1 Henri Fayol: five functions of management
  - 2.1.1 Fayol's fourteen principles
- 2.2 F W Taylor: scientific management
- 2.3 Elton Mayo: human relations
  - 2.3.1 Neo-human relations
- 2.4 Modern writers on management
- 2.5 Peter Drucker: the management process
  - 2.5.1 Management tasks
  - 2.5.2 Management processes
- 2.6 Mintzberg: The manger's role
- 2.7 Katz: management skills

These sections are adequately covered in the study text.

3. Efficiency and effectiveness

- 3.1 Economy, efficiency and effectiveness
- 3.2 Systems resource approach to effectiveness
- 3.3 Internal processes approach
- 3.4 The goal approach

Refer below note in addition to the content presented on "Value stream managers "in the Study Text.

The management process is further elaborated as follows:

Management process (Robbins, De Cenzo & Coulter, 2012)

The main functions of management are interrelated.

Planning: Planning involves in what needs to be done by looking ahead at company goals and making decisions based on what will be achieved by targeting those goals. This also involves the details of certain tasks, such as who will do something, how they will do it and how long it is expected to take. A good plan is vital for efficiency and success when managing employees or projects.

Organising: Organising is a function in management in which the manager begins to synchronise all his resources: people, equipment and money. These resources are all important to complete a task or a project and it is the manager's role to ensure all the three resources are being used as effectively and efficiently as possible. It is very clear that the base of being organised is planning. Since planning involves the details of tasks, the manager can organise his resources accordingly.

Leading: This involves the use of positive reinforcement to give employees more self-confidence, which usually improves the overall performance. The continuous improvement of the performance is required so that the organisational goals would be achieved as per the plan.

Controlling: Controlling means making sure that the work is being performed according to the overall plan. As a manager, you must carefully pay attention to the work being done as compared to the work planned.

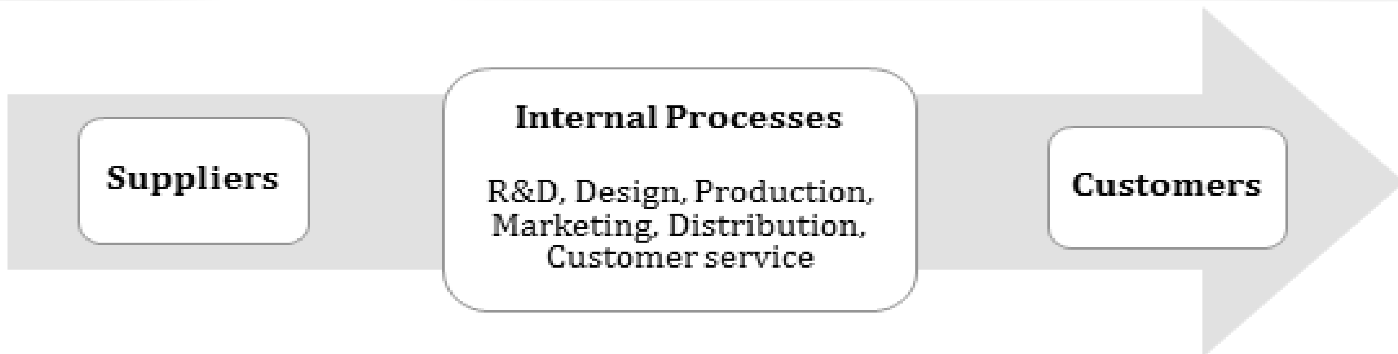
A further explanation on **"Value Stream"** and **"Value Stream Managers"** are given below:

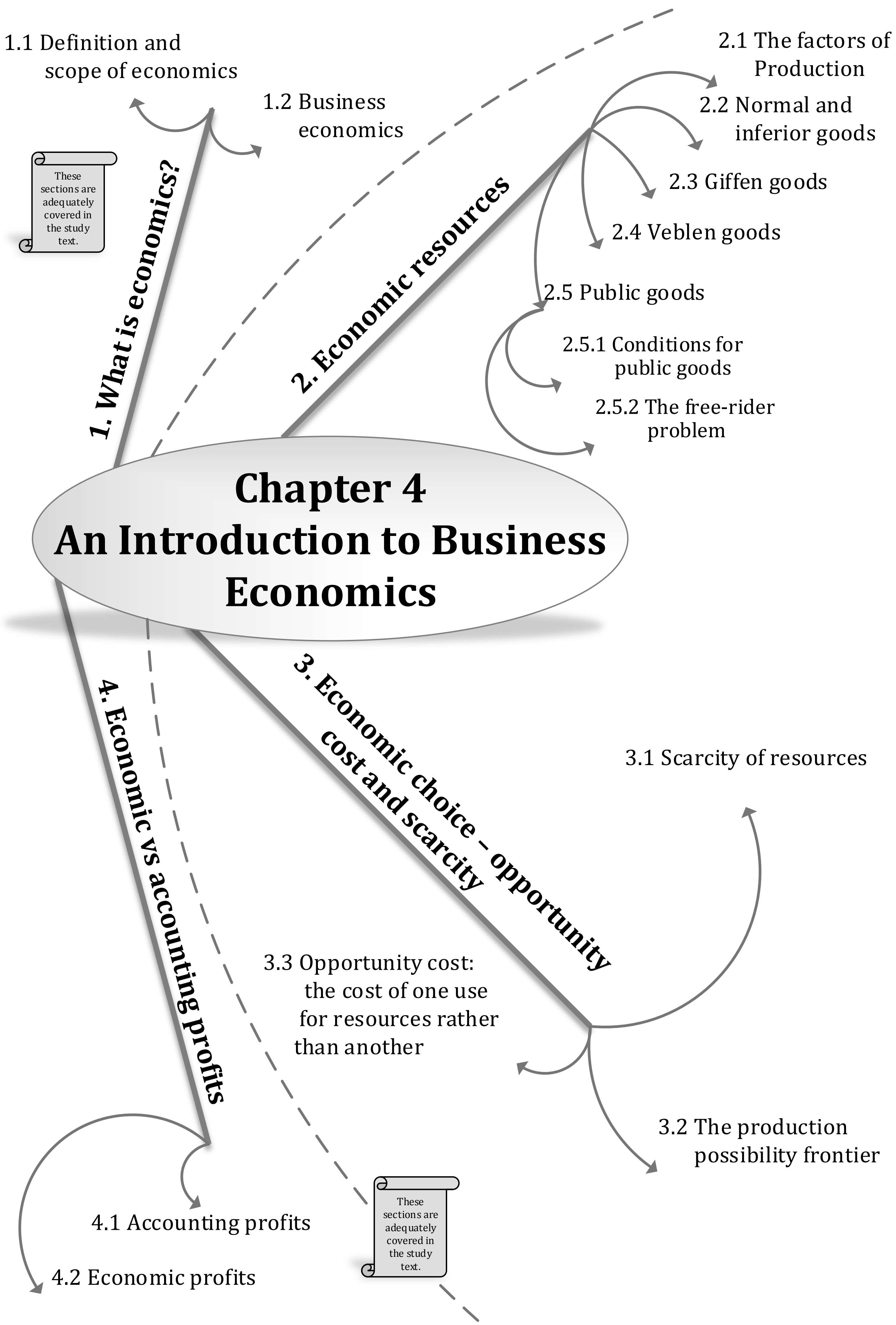
The value stream is the series of steps that involves in providing the product or service that the customer desires. The managers who are involved in these steps, add value to the products or services by eliminating waste in the system. These series of steps begin externally with the suppliers and end with the customers. ***The suppliers and customers are linked through the internal functions of an organisation such as design, production, marketing, distribution and customer service*** as shown in the diagram.

An organisation obtains its relevant raw materials from the external suppliers and converts them into finish products or services through the internal processes and serve/deliver to the external customers.

The Internal processes add value to the raw materials and coverts them into desired products or services of the organisation's customers.

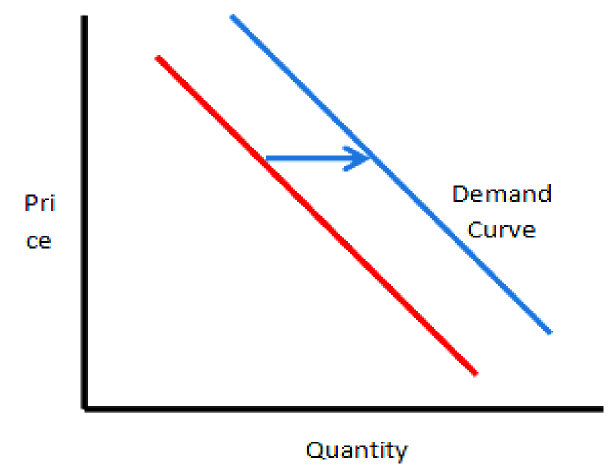
The managers involve in the internal process are the **value stream managers** who would add value and eliminate any waste in the process.





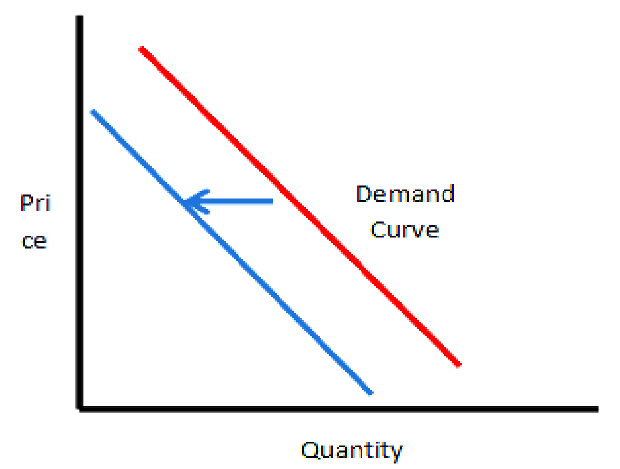
Refer below additional graphical illustrations to the content presented on "Economic resources" in the Study Text.

"Normal and Inferior goods" are further explained using local examples with graphical illustrations.



Normal Goods – Demand increases when income increases

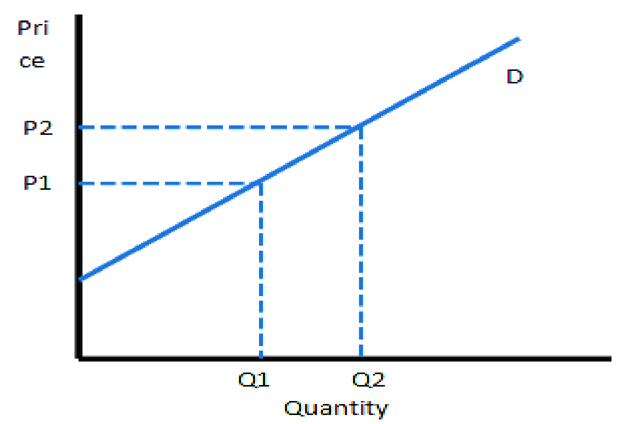
Example: Cars, television



Inferior Goods – Demand decreases when income increases

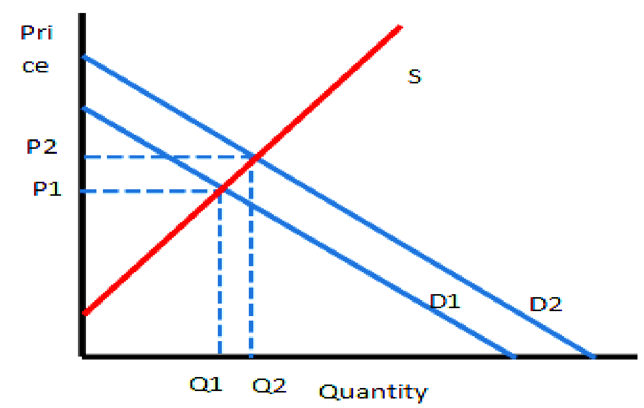
Example: Low Quality rice, Public transport

"Giffen goods" are further explained using graphical illustrations.



Giffen Goods – Demand increases when Price increases, Generally Giffen goods are highly inferior goods and are affected by income

"Veblen goods" are further explained using graphical illustrations.



Veblen Goods – Demand increases when Price increases, but these are highly status goods that's why there is a shift in demand

Chapter 5
Micro Economic Factors

1. The organisational environment

Fundamental structure of a System
1. Input
2. Process
3. Output

Closed System
There is no input from the environment and no output to the environment.

1.1 The systems approach to organisations

1.2 The system boundary and its environment

1.3 Closed and open systems

1.4 Businesses as systems of transformation

1.5 Stakeholders

2. Classification of organisational environments

2.1 Internal environment

2.2 Task environment

2.3 General environments

2.4 Direct and indirect action environments

2.5 Micro and macro environments

On a Broad categorisation, there are three layers in an organisation's environment.

1. Internal Environment
2. Micro/Task Environment
3. Macro/General Environment

!

Refer below note in addition to the content presented on "Micro and macro environments "in the Study Text.

The **Macro environment** could be defined as General Environment. This environment is common to all the industries. Since the decisions are made in a political-legal arena, they will impact positively or negatively in all the industries operating in that economy.

Thus, changes in other factors such as economic, socio-cultural and technology also will have an impact on all the industries operating in that environment. Macro environmental analysis is important since the organisation does not have any control over it. Therefore, it is necessary to understand the changes and trends in order to manage the organization effectively and efficiently.

If government raises the corporate tax, it will have an impact on all the organisations (Legal)

3. The micro environment

3.1. Elements of the micro environment

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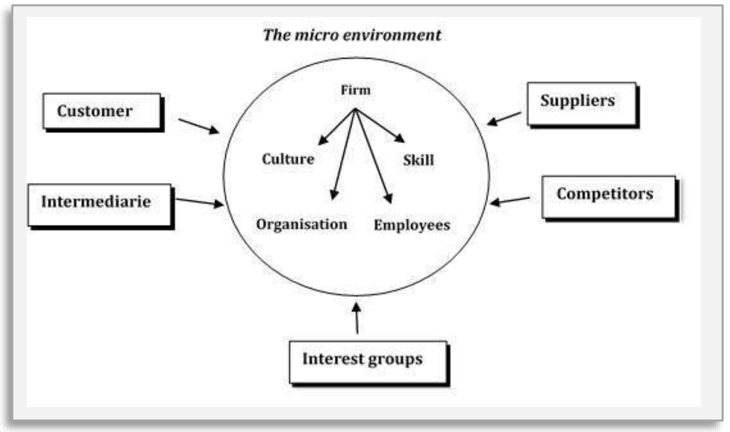
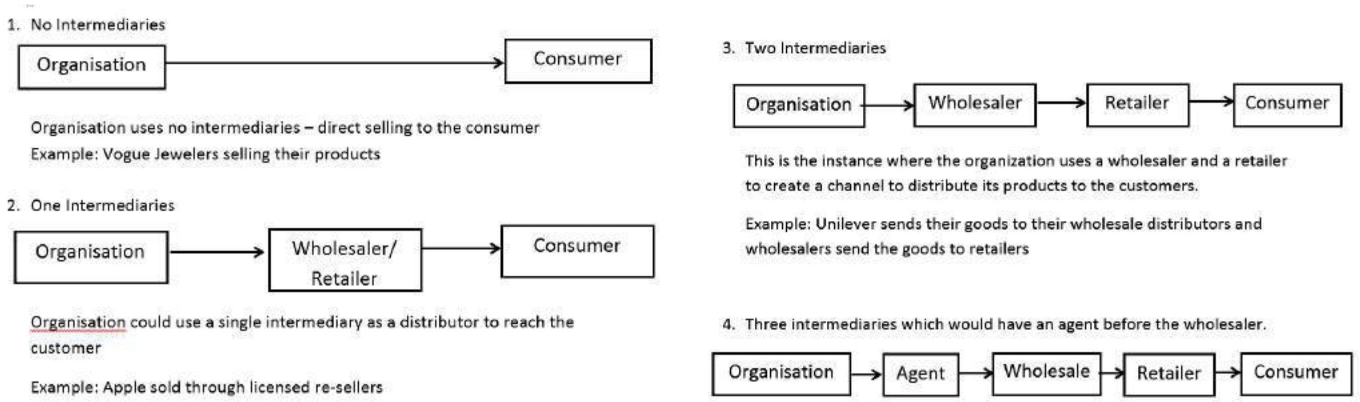
Refer below note in addition to the content presented on "Intermediaries "in the Study Text.



Intermediaries - Distributors

Organisations can choose intermediaries to reach and distribute their products to consumers. They can also reach their consumers without any intermediaries .

These intermediaries could be retailers or wholesalers. The following diagrams would describe the use of intermediaries. (Refer chapter 7)



4. The concept of a market and consumer behaviour

These sections are adequately covered in the study text.

4.1 What is a market?

4.2 Price theory and the market

4.3 Utility

4.4 Assumptions about consumer rationality

4.4.1 Cardinal utility

4.4.2 Ordinal utility

Chapter 6
Demand, Supply and Market Equilibrium

1. The demand schedule

1.1 The concept of demand
1.2 The demand schedule and the demand curve
1.3 The market demand curve
1.4 Substitutes and complements
1.5 The price elasticity of demand
1.6 Example: Arc elasticity of demand
1.7 Example: point elasticity of demand
1.8 Income elasticity of demand
1.9 Cross elasticity of demand
1.10 Advertising elasticity of demand
1.11 Factors influencing price elasticity of demand for a good
- 1.11.1 Percentage of income spent on the good
- 1.11.2 Availability of substitutes
- 1.11.3 Degree of necessity
- 1.11.4 The time horizon
- 1.11.5 Habitual purchasing

1.12 Household income and demand : normal goods and inferior goods
1.13 Market demand and the distribution of income
1.14 Shifts of the demand curve
1.15 Demand, fashion and expectations

These sections are adequately covered in the study text.

2. The supply schedule

2.1 The concept of supply
2.2 The supply curve
2.3 Short run supply curve
2.4 Long run supply curve
2.5 Factors influencing the supply quantity
2.6 Shifts of the market supply curve
2.7 Price elasticity of supply
2.8 Factors affecting elasticity of supply
2.9 Elasticity of supply and time
2.10 Response to changes in demand

3. The equilibrium price

3.1 Functions of the price mechanism
3.2 The price mechanism and the equilibrium price
3.3 Consumer surplus and producer surplus
3.4 Deadweight loss

4. Demand and supply analysis

4.1 Case example
4.2 Analysis
4.3 Price as a signal

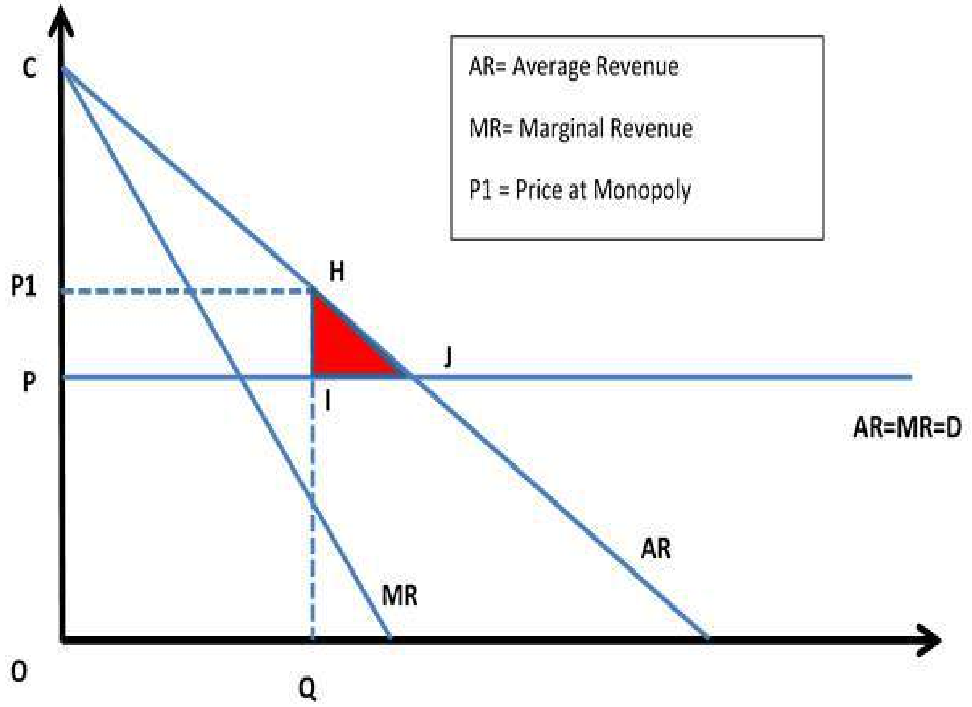
These sections are adequately covered in the study text.

!

Refer below note in addition to the content presented on "Consumer surplus and Deadweight loss "in the Study Text.

Consumer Surplus and Deadweight loss

Perfect Competition CJP is consumer surplus (refer P148), CHP1 is the surplus under monopoly when price charged is P1. HIJ is deadweight loss under monopoly since it's a benefit totally lost.



Chapter 7 Competitors, Customers and Suppliers

Refer below note in addition to the content presented on "Choice of suppliers " in the Study Text.

These sections are adequately covered in the study text.

Types of Suppliers

There are different types of suppliers. For Example :-

Manufacturers–The main source of the supply chain and these companies conduct research, develop products as well as manufacture the products. A good source since you can get a better price from these suppliers.

Wholesalers and Distributors – The second source and these organisations purchase goods in bulk from the manufacturers. They warehouse the goods for reselling to smaller local distributors, wholesalers and retailers. Distributors and wholesalers may also supply larger quantities to organisations or government departments directly.

Importers and exporters – These suppliers will purchase products from manufacturers in one country and either export them to a distributor in a different country, or import them from an exporter into their country. Some may travel abroad to buy goods directly from suppliers in another country.

Independent crafts people – These are normally manufacturers of products they have designed or produced on smaller unique scales of economy and will usually sell directly to retailers or the end consumer through agents or trade shows.

1. Competitors and their impact on organisations

- 1.1 Who are competitors?
  - 1.1.1 Types of competitor
- 1.2 Analysing competitors
  - 1.2.1 Market size, market growth and market share
  - 1.2.2 Competitor response profiles
  - 1.2.3 Competitive significance

2. Competitive forces

- 2.1 Porter's Five forces model
- 2.2 The threat of new entrants
- 2.3 The threat from substitute products
- 2.4 The bargaining power of customers
- 2.5 The bargaining power of suppliers
- 2.6 The rivalry amongst current competitors in the industry

Refer below note in addition to the content presented on "Competitive forces "in the Study Text.

Porter's Five forces model

The threat of new entrants

If the industry does not have any constraints or any barriers to entry built, then the new entrants will join the current players. Then the industry will not be attractive since these new entrants are capable of increasing the supply and that can have an impact on the profitability of the existing players in the industry. But in Sri Lankan context, the threat of new entrants can be rated as low, since there are already 5 players in the industry.

By 2008, we had 4 players and in January 2009 Airtel entered as a new player. They were able to overcome the barriers to entry such as license fee and infrastructure cost.

The Bargaining Power of Suppliers

The equipment suppliers can be taken as an example in mobile telecommunication industry. Since this is a specialised equipment, the supplier can hold an upper hand because the organisations have to depend on these suppliers when there are limited number of suppliers to provide these specialised equipments. Suppliers play a vital role in any organisation; especially if they are involved in supplying raw material. Most of the organisations do not have the capacity to hold unlimited stocks of raw materials and they need to rely on the suppliers for the timely supply. Few questions should be answered before selecting a supplier. The reputation, who are the other clients of the supplier, the quality standard of machineries and materials, experience in meeting the deadlines and also the price of the goods should be checked.

The threat of existing rivalry/Competitors

The Sri Lanka Telecom industry is a classic example because the factors like price competition, advertising battles, promotional campaigns are visibly taking place in order to attract customers. The threat of existing rivalry can be thus rated as high.

The Bargaining power of buyers / Customers

The buyers have more freedom to switch between the mobile communication service providers in Sri Lanka. Today you can use one number from a service provider and at the same time, you can have another telephone connection from a different service provider. The service providers are introducing and using various marketing tactics (Ex:Phone+Package, Value Added Services) to bind the buyers.

Still, bargaining power of buyers can be rated as high.

The threat of substitutes

Substitutes for the mobile telecommunication are the face-to-face meetings. Since this might be time consuming and difficult due to other factors such as life style, the threat of substitutes can be rated as low for this industry.

3. Types of competition

- 3.1 Perfect competition
- 3.2 characteristics of perfect competition
- 3.3 Equilibrium in the short run
- 3.4 Monopoly
- 3.5 Evaluation of monopolies
- 3.6 Monopolistic competition
- 3.7 Implications of monopolistic competition
- 3.8 The nature of oligopoly
- 3.9 Price cartels by oligopolistic producers
- 3.10 Establishing a cartel

These sections are adequately covered in the study text.

It is advisable to refer further to understand the impact of perfect competition

4. Government intervention in competitive markets

- 4.1 Indirect taxes
- 4.2 Elasticity effects
- 4.3 Subsidies
- 4.4 Quotas
- 4.5 Price regulation
- 4.6 Maximum prices
- 4.7 Minimum prices
- 4.8 Minimum wages
- 4.9 Competition policy
- 4.10 The approaches to competition policy
  - 4.10.1 Rule-based approaches to competition policy
  - 4.10.2 Discretionary approach

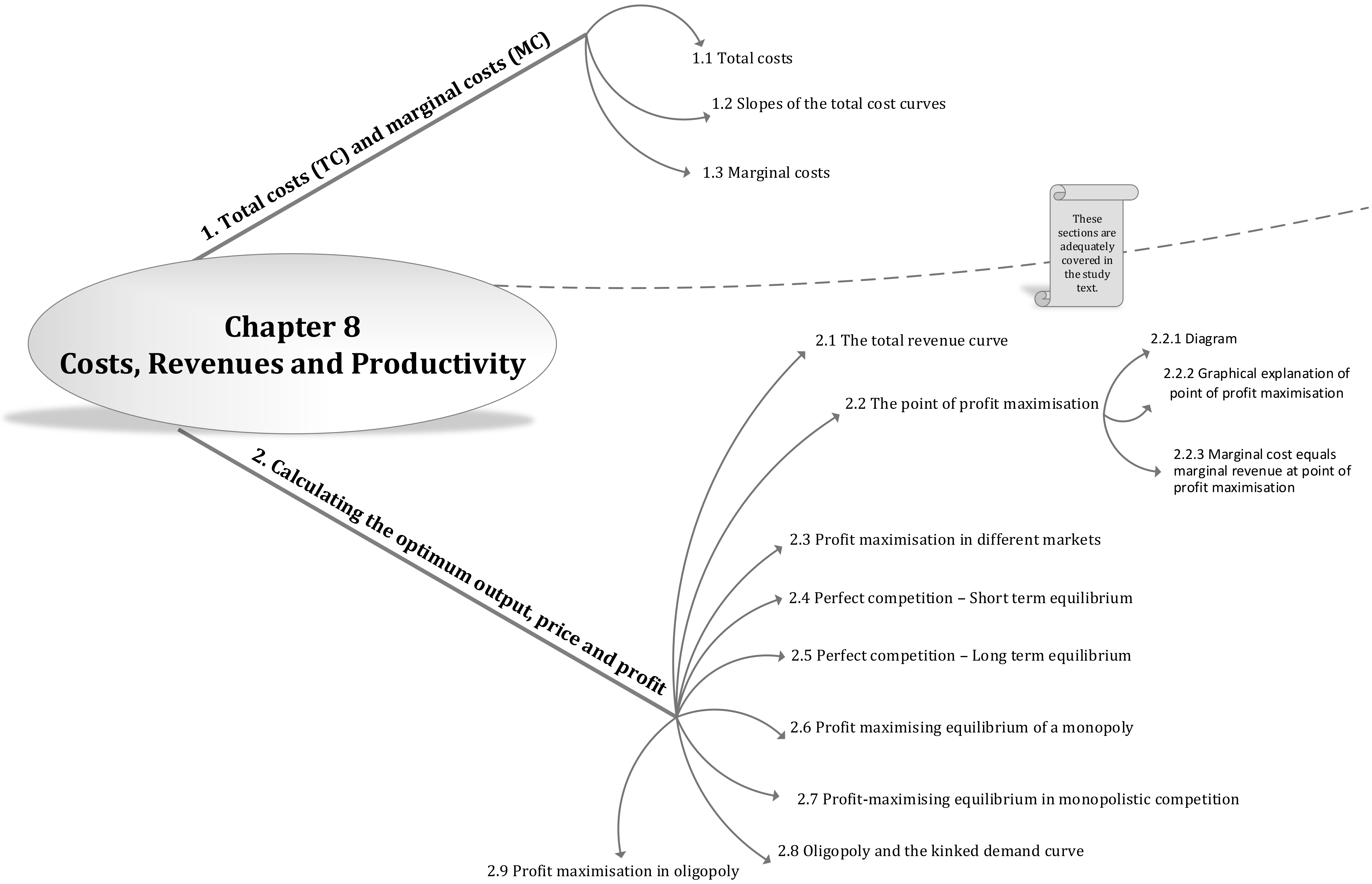
5. Customers and customer values

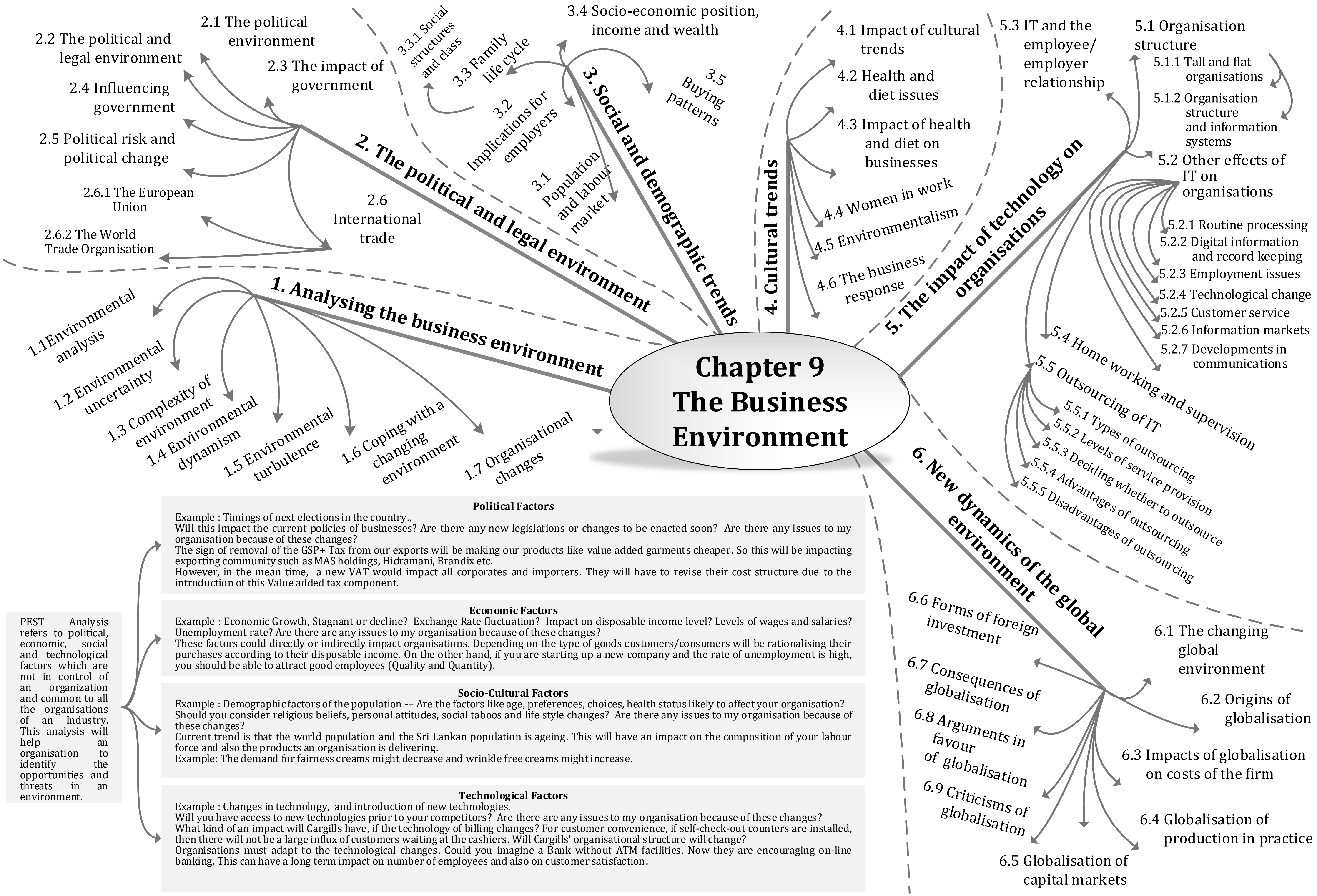
- 5.1 Types of customers
  - 5.1.1 Consumer goods
  - 5.1.2 Industrial or business-to-business (B2B) markets
  - 5.1.3 Organisational buying behaviour
  - 5.1.4 The decision-making unit
  - 5.1.5 Factors in the motivation mix of business or government buyers
- 5.2 What customers value – critical success factors
- 5.3 Customer analysis
- 5.4 Customer profitability analysis

These sections are adequately covered in the study text.

6. Suppliers and distributors

- 6.1 Choice of suppliers
- 6.2 Supply chain management
- 6.3 Distribution functions
- 6.4 Intermediaries
- 6.5 Choosing a distribution channel


Chapter 8
Costs, Revenues and Productivity
1. Total costs (TC) and marginal costs (MC)
1.1 Total costs
1.2 Slopes of the total cost curves
1.3 Marginal costs
These sections are adequately covered in the study text.
2. Calculating the optimum output, price and profit
2.1 The total revenue curve
2.2 The point of profit maximisation
2.2.1 Diagram
2.2.2 Graphical explanation of point of profit maximisation
2.2.3 Marginal cost equals marginal revenue at point of profit maximisation
2.3 Profit maximisation in different markets
2.4 Perfect competition – Short term equilibrium
2.5 Perfect competition – Long term equilibrium
2.6 Profit maximising equilibrium of a monopoly
2.7 Profit-maximising equilibrium in monopolistic competition
2.8 Oligopoly and the kinked demand curve
2.9 Profit maximisation in oligopoly



PEST Analysis refers to political, economic, social and technological factors which are not in control of an organization and common to all the organisations of an Industry. This analysis will help an organisation to identify the opportunities and threats in an environment.

Political Factors

Example : Timings of next elections in the country.,
Will this impact the current policies of businesses? Are there any new legislations or changes to be enacted soon? Are there any issues to my organisation because of these changes?
The sign of removal of the GSP+ Tax from our exports will be making our products like value added garments cheaper. So this will be impacting exporting community such as MAS holdings, Hidramani, Brandix etc.
However, in the mean time, a new VAT would impact all corporates and importers. They will have to revise their cost structure due to the introduction of this Value added tax component.

Economic Factors

Example : Economic Growth, Stagnant or decline? Exchange Rate fluctuation? Impact on disposable income level? Levels of wages and salaries? Unemployment rate? Are there are any issues to my organisation because of these changes?
These factors could directly or indirectly impact organisations. Depending on the type of goods customers/consumers will be rationalising their purchases according to their disposable income. On the other hand, if you are starting up a new company and the rate of unemployment is high, you should be able to attract good employees (Quality and Quantity).

Socio-Cultural Factors

Example : Demographic factors of the population -– Are the factors like age, preferences, choices, health status likely to affect your organisation?
Should you consider religious beliefs, personal attitudes, social taboos and life style changes? Are there any issues to my organisation because of these changes?
Current trend is that the world population and the Sri Lankan population is ageing. This will have an impact on the composition of your labour force and also the products an organisation is delivering.
Example: The demand for fairness creams might decrease and wrinkle free creams might increase.

Technological Factors

Example : Changes in technology, and introduction of new technologies.
Will you have access to new technologies prior to your competitors? Are there are any issues to my organisation because of these changes?
What kind of an impact will Cargills have, if the technology of billing changes? For customer convenience, if self-check-out counters are installed, then there will not be a large influx of customers waiting at the cashiers. Will Cargills' organisational structure will change?
Organisations must adapt to the technological changes. Could you imagine a Bank without ATM facilities. Now they are encouraging on-line banking. This can have a long term impact on number of employees and also on customer satisfaction.

Chapter 10
The Macro Economic Environment

1. The Structure and objectives of the economy
- 1.1 Nature of macro economics
- 1.2 Income and expenditure flows
- 1.3 Withdrawals and injections into the circular flow of income

All these sections are adequately covered in the study text.

2. Factors which affect the economy
- 2.1 Importance of factors
- 2.2 The multiplier in the national economy
- 2.3 Aggregate supply and demand
  - 2.3.1 Aggregate demand
  - 2.3.2 Aggregate supply
  - 2.3.3 A shift in aggregate demand
- 2.4 Aggregate demand and supply equilibrium
- 2.5 Full-employment national income
- 2.6 Inflationary gaps
- 2.7 Example
- 2.8 Deflationary gap
- 2.9 Stagflation
- 2.10 Summary

3. National income
- 3.1 Definition of national income
- 3.2 Gross domestic product (GDP)
- 3.3 Gross national product (GNP)
- 3.4 Relationship between GDP, GNP and NNP
- 3.5 Nominal and real GNP/GDP

NNP – Net National Product

NNP (Net National Product) = Gross Domestic Product (GDP) + Net Property income from Abroad – Consumption of fixed capital and national resource depletion

GNP = GDP + Net Property income from abroad

NNP= GNP - Consumption of fixed capital and national resource depletion

In other words, NNP is the net value of the total value of products and services produced by the assets of a country and the depreciation of those assets used in the process of products and services production.

4. The business cycle
- 4.1 Phases in the business cycle
- 4.2 Diagrammatic explanation

5. Inflation and its consequences
- 5.1 Inflation
- 5.2 Why is inflation a problem?
  - 5.2.1 Redistribution of income and wealth
  - 5.2.2 Balance of payments effects
  - 5.2.3 Uncertainty of the value of money and prices
  - 5.2.4 Resource costs of changing prices
  - 5.2.5 Economic growth and investment
- 5.3 Consumer price indices
- 5.4 Causes of inflation
  - 5.4.1 Demand-pull inflation
  - 5.4.2 Cost-push inflation
  - 5.4.3 Import cost factors
  - 5.4.4 Expectations and inflation
  - 5.4.5 Money supply growth
- 5.5 Government policies towards inflation
- 5.6 Inflation and interest rates

6. Unemployment
- 6.1 The rate of unemployment
- 6.2 Consequences of unemployment
- 6.3 Causes of unemployment
- 6.4 Government employment policies

7. The objective of economic growth
- 7.1 Economic growth
- 7.2 Actual growth
- 7.3 Potential growth
- 7.4 Factors needed for sustained economic growth
- 7.5 Natural resources
- 7.6 Technological progress
- 7.7 External trade influences on economic growth
- 7.8 Advantages and disadvantages of economic growth

8. Government policies for managing the economy
- 8.1 Government policies
  - 8.1.1 Fiscal and monetary policy
- 8.2 Government spending
- 8.3 Significance of government tax and spending decisions to companies
- 8.4 Economic planning
- 8.5 State influences over organisations
- 8.6 Government influence over commercial decisions
- 8.7 Government influence over operational decisions

9. Fiscal policy
- 9.1 Definition of fiscal policy
- 9.2 Fiscal policy and the budget
- 9.3 Budget surplus and budget deficit
- 9.4 Functions of taxation
- 9.5 Direct and indirect taxes
- 9.6 Tax and income levels

10. Monetary policy
- 10.1 Nature of monetary policy
- 10.2 Objectives of monetary policy
- 10.3 The money supply as a target of monetary policy
- 10.4 Interest rates as a target for monetary policy
  - 10.4.1 Other effects of raising interest rates
- 10.5 The exchange rate as a target of monetary policy
- 10.6 Targets and indicators
- 10.7 Monetary policy and fiscal policy
- 10.8 Monetary policy, inflation control and economic growth

11 The balance of payments
- 11.1 The nature of the balance of payments
- 11.2 Equilibrium in the balance of payments
- 11.3 Surplus or deficit in the current account
- 11.4 How can a government rectify a current account deficit?

12 The importance of exchange rates on business
- 12.1 Exchange rates
- 12.2 Factors influencing the exchange rate of a currency
- 12.3 Consequences of an exchange rate policy
- 12.4 Fixed exchange rates
  - 12.4.1 Advantages of fixed exchange rates
  - 12.4.2 Disadvantages of fixed rates
- 12.5 Floating exchange rates
  - 12.5.1 Advantages of floating exchange rates
  - 12.5.2 Disadvantages of floating exchange rates
- 12.6 Exchange rates and business

13 Money and financial markets
- 13.1 Money markets
- 13.2 Capital markets

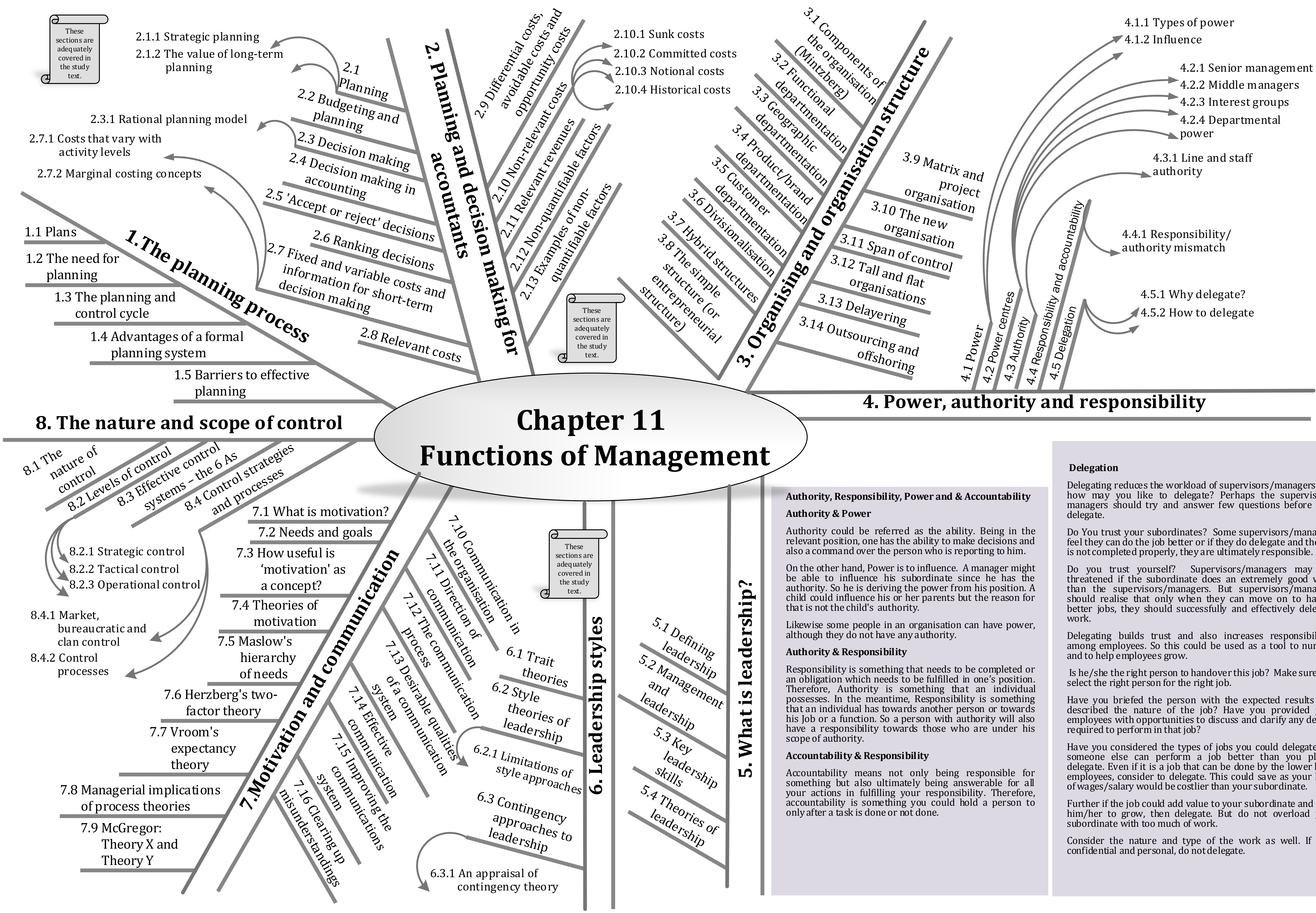
The relationship between money supply, inflation and Interest rates

R. C. P. Padmasiri and O. G. Dayaratna-Banda conducted a research on "The Relationship between Money Supply and Interest Rates: An Empirical Investigation in Sri Lanka" and followings are the extracts of their conclusion.

The Research Extract

"This study examined the relationship between money supply and interest rates. Findings revealed that there is negative relationship between excess money supply and saving interest rates and positive relationship between excess money supply and fixed deposits interest rates in the long run. Furthermore, the condusion of this research verifies the meaning of both Fisher and liquidity effect views. It is clear that there is a long term reciprocal relationship between money supply and saving interest rates and positive relationship between fixed deposit rates and money supply. The Fisher effect view suggested that there are positive relationships between money and interest rates. Increasing interest rates requires an increase in the rate of money growth. The Fisher equation states that the nominal interest rate equals the real interest rate plus the expected rate of inflation. The increase of money supply leads to increase in expected rate of inflation. According to Fisher's, the view when the expected rate of inflation increases, the fixed deposit interest rates increase. Therefore fixed deposit interest rates are very sensitive to money supply and expected rate of inflation. The increase of excess money supply leads to increase in commercial banks liquidity power. The increased liquidity power can be controlled by the Central Bank statutory reserve requirement (SRR). When Central Bank increases their SRR, commercial banks will decrease their saving rates. We conclude that there is a negative relationship between excess money supply and saving rates in Sri Lanka".

Available at http://www.pdn.ac.lk/arts/econ/persweb/Proceedings/PERS%202013%20-%20The%20Relationship%20between%20Money%20Supply%20and%20Interest%20Rates_%20An%20Empirical%20Investigation%20in%20Sri%20Lanka.pdf



Authority, Responsibility, Power and & Accountability

Authority & Power

Authority could be referred as the ability. Being in the relevant position, one has the ability to make decisions and also a command over the person who is reporting to him.

On the other hand, Power is to influence. A manager might be able to influence his subordinate since he has the authority. So he is deriving the power from his position. A child could influence his or her parents but the reason for that is not the child's authority.

Likewise some people in an organisation can have power, although they do not have any authority.

Authority & Responsibility

Responsibility is something that needs to be completed or an obligation which needs to be fulfilled in one's position. Therefore, Authority is something that an individual possesses. In the meantime, Responsibility is something that an individual has towards another person or towards his Job or a function. So a person with authority will also have a responsibility towards those who are under his scope of authority.

Accountability & Responsibility

Accountability means not only being responsible for something but also ultimately being answerable for all your actions in fulfilling your responsibility. Therefore, accountability is something you could hold a person to only after a task is done or not done.

Delegation

Delegating reduces the workload of supervisors/managers. But how may you like to delegate? Perhaps the supervisors/ managers should try and answer few questions before they delegate.

Do You trust your subordinates? Some supervisors/managers feel they can do the job better or if they do delegate and the job is not completed properly, they are ultimately responsible.

Do you trust yourself? Supervisors/managers may feel threatened if the subordinate does an extremely good work than the supervisors/managers. But supervisors/managers should realise that only when they can move on to handle better jobs, they should successfully and effectively delegate work.

Delegating builds trust and also increases responsibilities among employees. So this could be used as a tool to nurture and to help employees grow.

Is he/she the right person to handover this job? Make sure you select the right person for the right job.

Have you briefed the person with the expected results and described the nature of the job? Have you provided your employees with opportunities to discuss and clarify any details required to perform in that job?

Have you considered the types of jobs you could delegate? If someone else can perform a job better than you please delegate. Even if it is a job that can be done by the lower level employees, consider to delegate. This could save as your hour of wages/salary would be costlier than your subordinate.

Further if the job could add value to your subordinate and help him/her to grow, then delegate. But do not overload your subordinate with too much of work.

Consider the nature and type of the work as well. If it is confidential and personal, do not delegate.

Average Cost

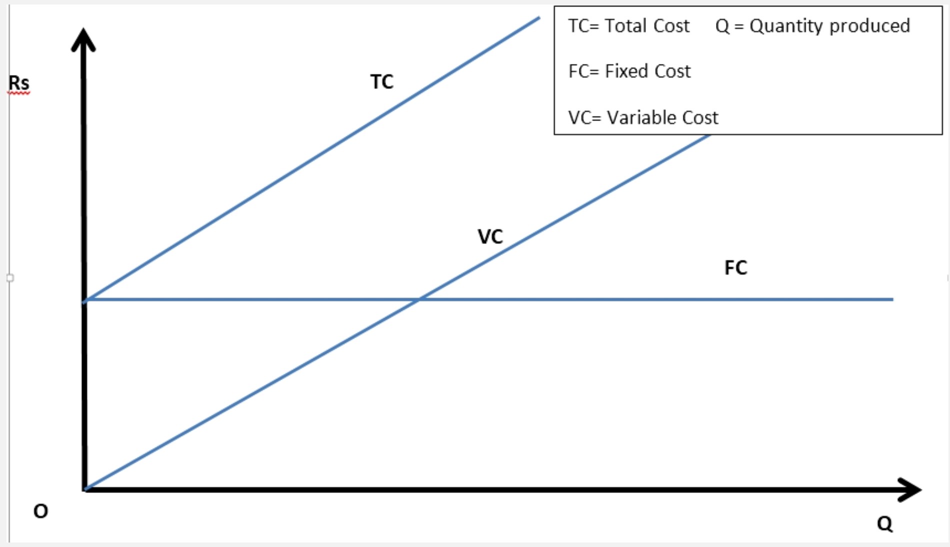
Average cost is the total cost of the quantity produced/purchased divided by the quantity produced/purchased.

The Total cost = Total fixed cost(FC)+ Total variable cost(VC)

AC = TC/Q

AC = (FC+VC)/Q

AC= Average cost, TC= Total cost, Q= Quantity produced



Short term cost behaviour and its implication

If profit maximisation is the goal of an organisation, it will increase the production when its marginal cost of production is less than the marginal revenue. Further it will decrease production , if its marginal cost of production is higher than the marginal revenue it generates. Also it will continue its operation if the product's marginal variable cost is less than the price of that product.

On short term, it might even consider continuing its production even the average total cost is higher than the price since in the long run, the average cost could come down due to economies of scale.

However, on the other hand it might eliminate the product from its portfolio if the average variable cost is higher than the selling price at a given level of production.

Chapter 12
Business Functions and Controls

1.Business functions

- 1.1 Core functions
- 1.2 Support functions

Business functions and management process

Each business function needs to perform the steps of the management process separately and also align them with other functions when it's required. For Example, marketing function must plan what it's going to do. This could be in consultation with finance function and production function because when the point of time they are planning will impact these departments directly. Further when production function does their planning, they must consider the impact on the functions like finance, supply chain etc.

When these departments organise themselves, they must link Human resources function. So when functions perform the management processes, they should consider other functions too.

2. Operations management

- 2.1 Objective of operations management
- 2.2 Operating core
- 2.3 The transformation process model
  - 2.3.1 Product and service outputs
  - 2.3.2 The Four Vs of operations

Operation

Operation could be described as the transformational process that converts inputs /resources (labour and raw materials) into goods and services /final product.

This transformational process could involve designing, operating and controlling the inputs and converting them into final products.

3. Cost concepts in business

- 3.1 Total and marginal costs
- 3.2 Short-term cost behaviour
- 3.3 Benefits of specialisation
- 3.4 Curvilinear total cost curve
- 3.5 Causes of falling efficiency at higher volumes
- 3.6 Implications of curvilinear cost curves
- 3.7 Long-run cost behaviour
- 3.8 Returns to scale

Chapter 13 Production Concepts in Business

All the sections in this chapter are adequately covered in the study text.

1.Introduction to production capacity planning

- 1.1 Capacity
- 1.2 Overcapacity
- 1.3 Undercapacity
- 1.4 Capacity management
  - 1.4.1 Loading
  - 1.4.2 Sequencing
  - 1.4.3 Scheduling
  - 1.4.4 Monitoring and controlling
- 1.5 Capacity planning and control
- 1.6 Measuring demand and capacity
  - 1.6.1 Forecasting demand
  - 1.6.2 Measuring capacity
- 1.7 Planning for capacity
  - 1.7.1 Level capacity plan
  - 1.7.2 Chase demand plan
  - 1.7.3 Demand management planning
  - 1.7.4 Mixed plans
- 1.8 Materials requirements planning (MRP I)
- 1.9 Manufacturing resource planning (MRP II)

Basic Steps in Capacity Planning

1. Determine Service Level/Production Level Requirements.
2. Analyse Current Capacity, Next the current capacity of the production system.
3. Plan for the future; forecasts of future organisational activity and future production system requirements are determined. Implementing the required changes in production system configuration will ensure that sufficient capacity will be available to maintain service/production levels, even as circumstances change in the future

(Rich & Hill, 2010,2013).

2. Economies of scale and scope

- 2.1 Economies of scale
- 2.2 Sources of economies of scale
- 2.3 Internal economies of scale
  - 2.3.1 Technical economies
  - 2.3.2 Commercial or marketing economies
  - 2.3.3 Organisational economies
  - 2.3.4 Financial economies
- 2.4 External economies of scale
- 2.5 Diseconomies of scale
- 2.6 Minimum efficient scale

Economies of Scope

"..factors that make it cheaper to produce a range of products together than to produce each one of them on its own. Such economies can come from businesses sharing centralised functions, such as finance or marketing. Or they can come from interrelationships elsewhere in the business process, such as cross-selling one product alongside another, or using the outputs of one business as the inputs of another" (The Economist, 2008)

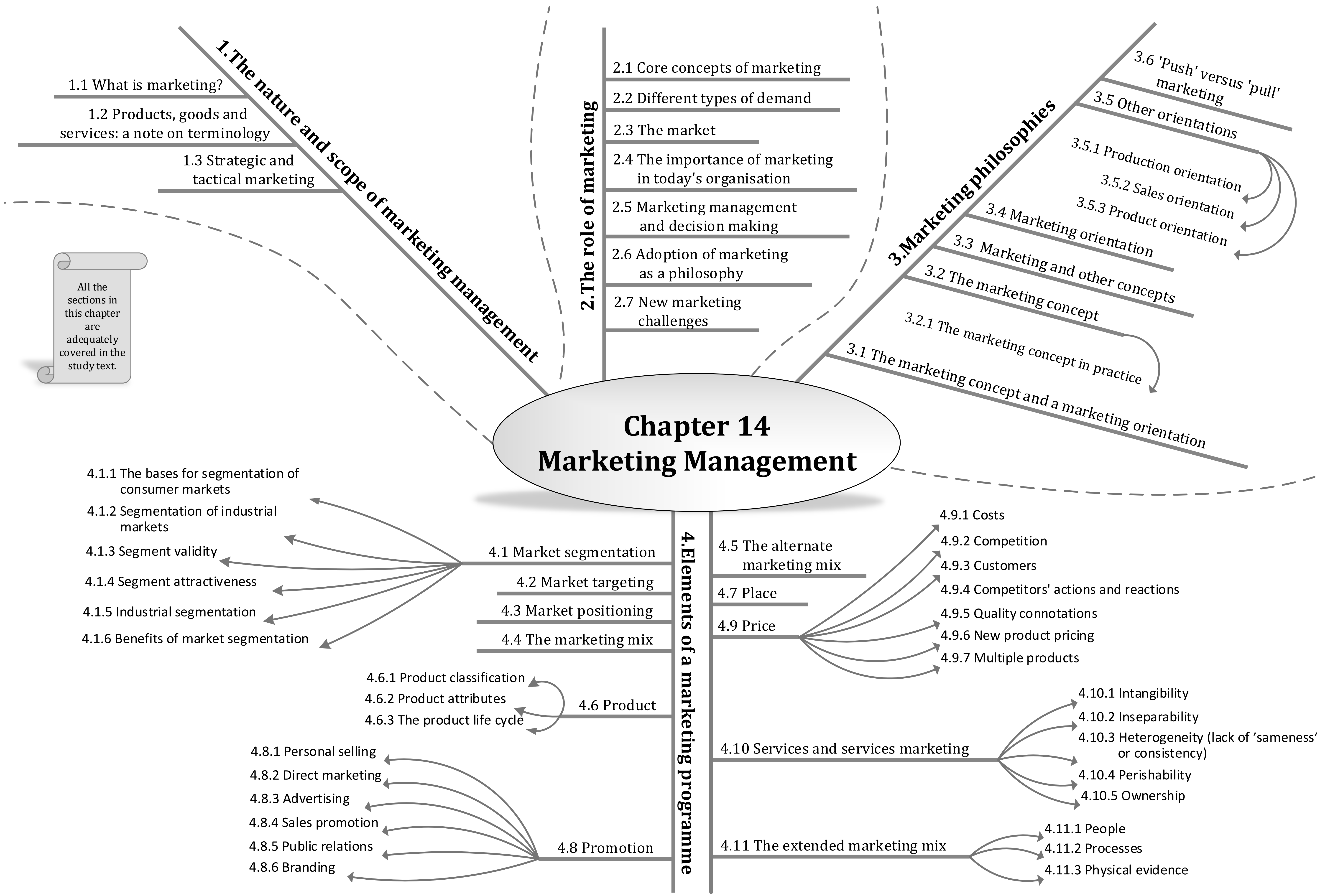
3.Production methods

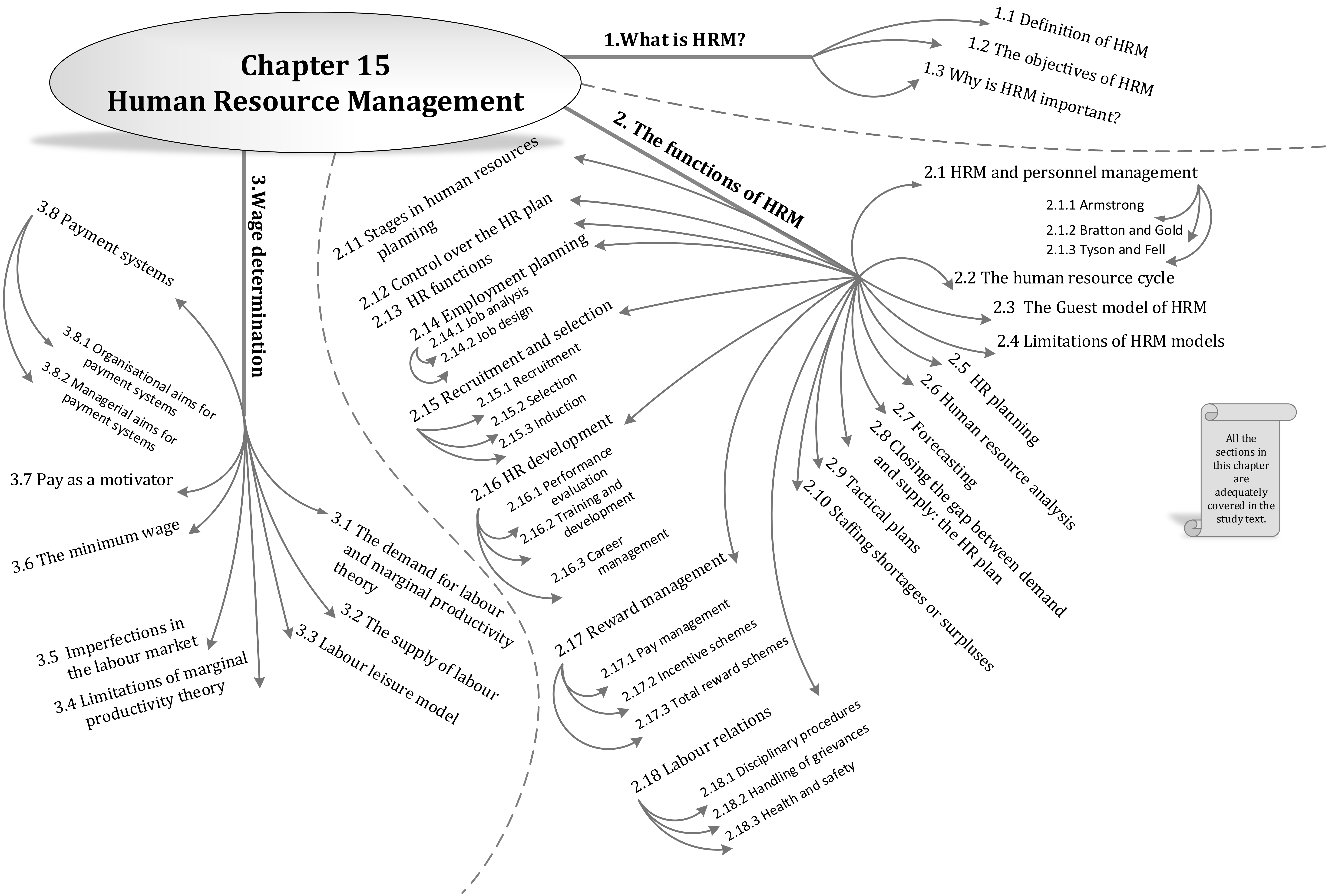
These sections are adequately covered in the study text.

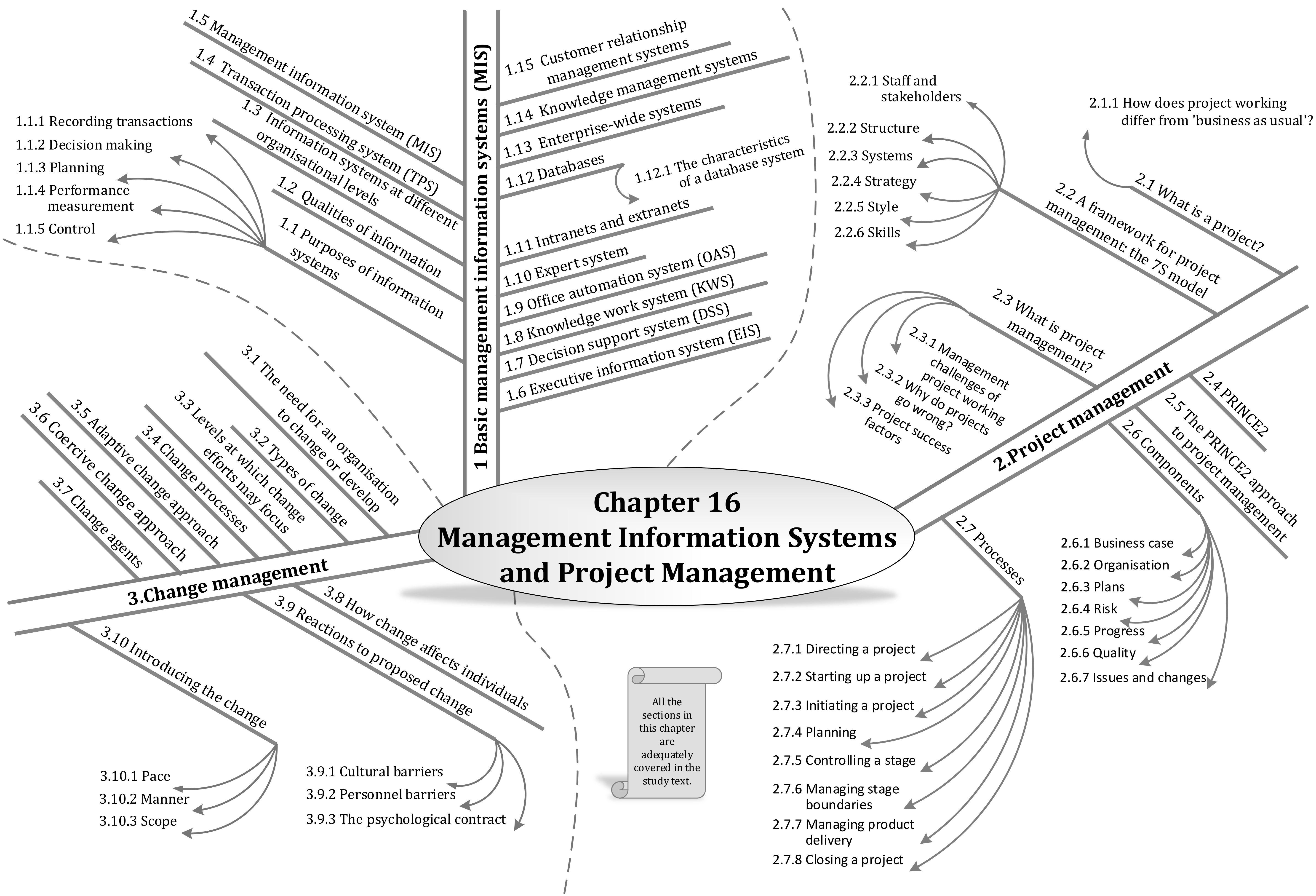
- 3.1 Job production
- 3.2 Job processing
- 3.3 Batch production
- 3.4 Batch processing
- 3.5 Line production
- 3.6 Continuous flow production
- 3.7 Line and continuous flow processing

4.Production concepts and measurements

- 4.1 Total, average and marginal products
  - 4.1.1 Total product
  - 4.1.2 Average product
  - 4.1.3 Marginal product
- 4.2 Short run and long run production function
  - 4.2.1 Short run production function
  - 4.2.2 Long run production function
- 4.3 Law of diminishing marginal returns
  - 4.3.1 Criticism of diminishing marginal returns
- 4.4 Relationship between diminishing marginal returns and short-run costs


Chapter 14
Marketing Management
1.The nature and scope of marketing management
1.1 What is marketing?
1.2 Products, goods and services: a note on terminology
1.3 Strategic and tactical marketing
2.The role of marketing
2.1 Core concepts of marketing
2.2 Different types of demand
2.3 The market
2.4 The importance of marketing in today's organisation
2.5 Marketing management and decision making
2.6 Adoption of marketing as a philosophy
2.7 New marketing challenges
3.Marketing philosophies
3.6 'Push' versus 'pull' marketing
3.5 Other orientations
3.5.1 Production orientation
3.5.2 Sales orientation
3.5.3 Product orientation
3.4 Marketing orientation
3.3 Marketing and other concepts
3.2 The marketing concept
3.2.1 The marketing concept in practice
3.1 The marketing concept and a marketing orientation
All the sections in this chapter are adequately covered in the study text.
4.Elements of a marketing programme
4.1 Market segmentation
4.1.1 The bases for segmentation of consumer markets
4.1.2 Segmentation of industrial markets
4.1.3 Segment validity
4.1.4 Segment attractiveness
4.1.5 Industrial segmentation
4.1.6 Benefits of market segmentation
4.2 Market targeting
4.3 Market positioning
4.4 The marketing mix
4.6 Product
4.6.1 Product classification
4.6.2 Product attributes
4.6.3 The product life cycle
4.8 Promotion
4.8.1 Personal selling
4.8.2 Direct marketing
4.8.3 Advertising
4.8.4 Sales promotion
4.8.5 Public relations
4.8.6 Branding
4.5 The alternate marketing mix
4.7 Place
4.9 Price
4.9.1 Costs
4.9.2 Competition
4.9.3 Customers
4.9.4 Competitors' actions and reactions
4.9.5 Quality connotations
4.9.6 New product pricing
4.9.7 Multiple products
4.10 Services and services marketing
4.10.1 Intangibility
4.10.2 Inseparability
4.10.3 Heterogeneity (lack of 'sameness' or consistency)
4.10.4 Perishability
4.10.5 Ownership
4.11 The extended marketing mix
4.11.1 People
4.11.2 Processes
4.11.3 Physical evidence


Chapter 15
Human Resource Management
1.What is HRM?
1.1 Definition of HRM
1.2 The objectives of HRM
1.3 Why is HRM important?
2. The functions of HRM
2.1 HRM and personnel management
2.1.1 Armstrong
2.1.2 Bratton and Gold
2.1.3 Tyson and Fell
2.2 The human resource cycle
2.3 The Guest model of HRM
2.4 Limitations of HRM models
2.5 HR planning
2.6 Human resource analysis
2.7 Forecasting
2.8 Closing the gap between demand and supply: the HR plan
2.9 Tactical plans
2.10 Staffing shortages or surpluses
2.11 Stages in human resources planning
2.12 Control over the HR plan
2.13 HR functions
2.14 Employment planning
2.14.1 Job analysis
2.14.2 Job design
2.15 Recruitment and selection
2.15.1 Recruitment
2.15.2 Selection
2.15.3 Induction
2.16 HR development
2.16.1 Performance evaluation
2.16.2 Training and development
2.16.3 Career management
2.17 Reward management
2.17.1 Pay management
2.17.2 Incentive schemes
2.17.3 Total reward schemes
2.18 Labour relations
2.18.1 Disciplinary procedures
2.18.2 Handling of grievances
2.18.3 Health and safety
3.Wage determination
3.1 The demand for labour and marginal productivity theory
3.2 The supply of labour
3.3 Labour leisure model
3.4 Limitations of marginal productivity theory
3.5 Imperfections in the labour market
3.6 The minimum wage
3.7 Pay as a motivator
3.8 Payment systems
3.8.1 Organisational aims for payment systems
3.8.2 Managerial aims for payment systems
All the sections in this chapter are adequately covered in the study text.


Chapter 16
Management Information Systems and Project Management
1 Basic management information systems (MIS)
1.1 Purposes of information systems
1.1.1 Recording transactions
1.1.2 Decision making
1.1.3 Planning
1.1.4 Performance measurement
1.1.5 Control
1.2 Qualities of information
1.3 Information systems at different organisational levels
1.4 Transaction processing system (TPS)
1.5 Management information system (MIS)
1.6 Executive information system (EIS)
1.7 Decision support system (DSS)
1.8 Knowledge work system (KWS)
1.9 Office automation system (OAS)
1.10 Expert system
1.11 Intranets and extranets
1.12 Databases
1.12.1 The characteristics of a database system
1.13 Enterprise-wide systems
1.14 Knowledge management systems
1.15 Customer relationship management systems
2.Project management
2.1 What is a project?
2.1.1 How does project working differ from 'business as usual'?
2.2 A framework for project management: the 7S model
2.2.1 Staff and stakeholders
2.2.2 Structure
2.2.3 Systems
2.2.4 Strategy
2.2.5 Style
2.2.6 Skills
2.3 What is project management?
2.3.1 Management challenges of project working
2.3.2 Why do projects go wrong?
2.3.3 Project success factors
2.4 PRINCE2
2.5 The PRINCE2 approach to project management
2.6 Components
2.6.1 Business case
2.6.2 Organisation
2.6.3 Plans
2.6.4 Risk
2.6.5 Progress
2.6.6 Quality
2.6.7 Issues and changes
2.7 Processes
2.7.1 Directing a project
2.7.2 Starting up a project
2.7.3 Initiating a project
2.7.4 Planning
2.7.5 Controlling a stage
2.7.6 Managing stage boundaries
2.7.7 Managing product delivery
2.7.8 Closing a project
3.Change management
3.1 The need for an organisation to change or develop
3.2 Types of change
3.3 Levels at which change efforts may focus
3.4 Change processes
3.5 Adaptive change approach
3.6 Coercive change approach
3.7 Change agents
3.8 How change affects individuals
3.9 Reactions to proposed change
3.9.1 Cultural barriers
3.9.2 Personnel barriers
3.9.3 The psychological contract
3.10 Introducing the change
3.10.1 Pace
3.10.2 Manner
3.10.3 Scope
All the sections in this chapter are adequately covered in the study text.