

UNIVERSITY OF GREATER MANCHESTER
OFF CAMPUS DIVISION
WESTERN INTERNATIONAL COLLEGE
BA (HONS) ACCOUNTANCY
SEMESTER TWO EXAMINATION 2024/2025
CONTEMPORARY BUSINESS MANAGEMENT
MODULE NO: ACC5006

Date: Thursday, 15 May 2025

Time: 1:00 pm – 4:00 pm

INSTRUCTIONS TO CANDIDATES:

There are THREE (3) questions on this paper.

Answer ALL questions.

Section A question is a case study and Section B questions carry equal marks.

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Section A

QUESTION 1

Introduction

The Cultural Zone was established 60 years ago to house collections of art, music, textiles and metal ware for the country. The building it is situated in is of architectural importance. It has continually required repair and maintenance as the condition of the building has deteriorated due to the passage of time. Essential compliance with the health and safety regulations which led to modifications to the building, has been met with criticism (out of character with the rest of the building). The district the building is situated in is now crippling with an increasing crime rate. As what were once large middle-class family houses have now become multi-occupied apartments and the socio-economic structure of the area has radically changed. A visitor to the Zone was recently assaulted whilst waiting for a bus to take her home. The assault was reported in both local and national newspapers.

Three distinguished collection was identified by the government in the cultural zone 20 years ago. These are collections are deemed to be very significant to the country and the numbers has risen to seven in the intervening years as new items have been acquired.

Funding change

A newly appointed Minister for Culture implemented the government's election manifesto commitment to make cultural zones more self-funded. The minister has declared that in five years' time the zone must cover 70% of its own costs and only 30% will be directly funded by government. This change in funding will gradually be phased in over the next five years.

The 30% government grant will be linked to the zone achieving specified targets for disability access, social inclusion and electronic commerce and access. The government is committed to increasing footprints by lower socio-economic classes and younger people so that they are more aware of their heritage. Furthermore, it also wishes to give increasing access of exhibits to disabled people who cannot physically visit the site. The ministry has asked for a strategy document showing how the zones intend to meet these financial, accessibility and technological objectives. This agenda has received support from even the current government opposition.

Exhibit 1 – Funding and structure

The zone is currently 90% funded by direct grants from government. The rest of its income comes from a nominal admission charge and from private sponsorship of exhibitions. The direct funding from the government is based on a number of factors, but the number of Distinguished Collections held is a significant funding influence. The Board of Trustees of the zone divide the income between departments roughly on the basis of the previous year's budget plus an inflation percentage. The division of money between departments is heavily influenced by the Distinguished Collections. Departments with Distinguished Collections tend to be allocated a larger budget.

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The budgets for 20X4 and 20X5 are shown in Figure 1.

Collection	Number of	Budget (£000s)	Budget
Sections	Heritage	20X4	(£000s)
	Collections		20X5
Architecture	2	120.00	125.00
Art and Music	2	135.00	140.00
Metalwork	1	37.50	39.00
Glass		23.00	24.00
Textiles	1	45.00	47.50
Ceramics		35.00	36.00
Furniture		30.00	31.50
Print and books		35.00	36.50
Photography		15.00	15.50
Fashion		10.00	10.50
Jewellery	1	50.00	52.50
Sculpture		25.00	26.00
Administration		60.50	63.00
Total		621.00	647.00

Exhibit 2 – Organisational structure

The head of each collection section is an important position and enjoys many privileges, including a large office, a special section heads' dining room and a dedicated personal assistant (PA). The heads of sections which have 'Heritage Collections' also hold the title of professor from a distinguished University.

The departmental structure of the Zone (see Figure 2) is largely built around the twelve main sections of the collection. These sections are grouped into three departments, each of which has a Director. The Board of Directors is made up of the three directors of these departments, together with the Director of Administration and the Director General. The Cultural Zone is a charity run by a Board of Trustees. There are currently eight trustees, two of whom have been recently appointed by the government. The other six trustees are people well-known and respected in academic fields relevant to collections.

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The organisational structure is illustrated in the following organisational chart:

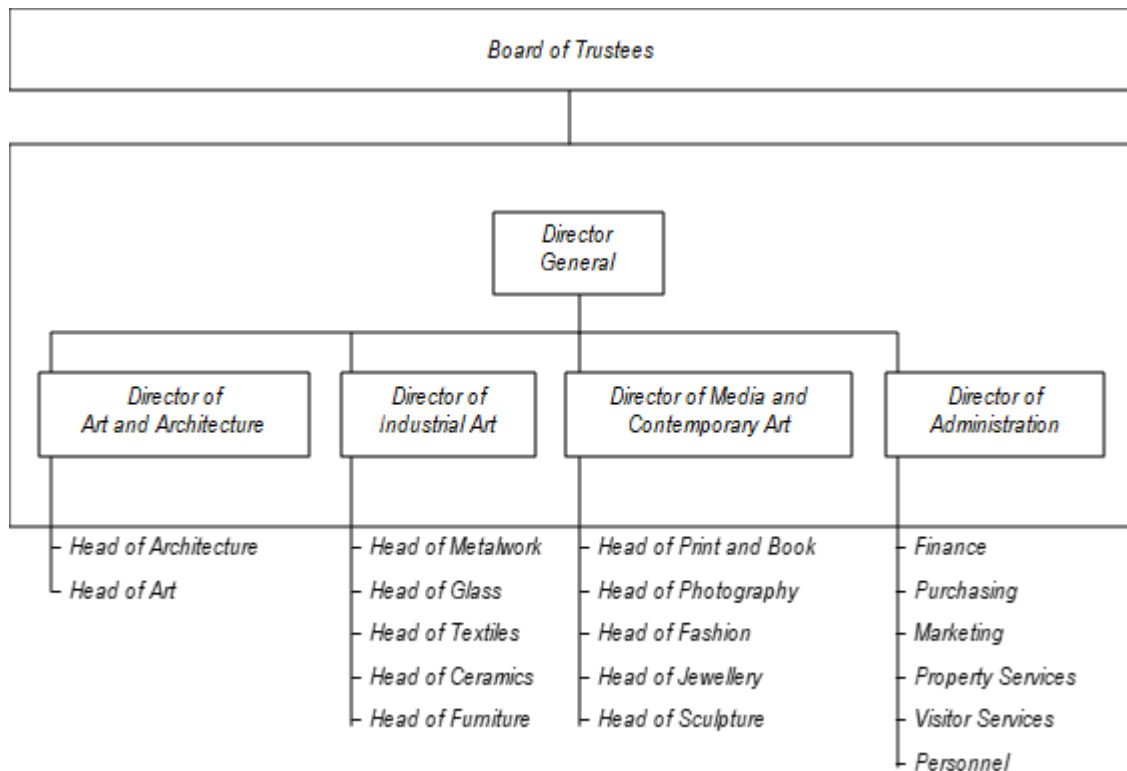


Exhibit 3 – Director General’s proposal

Traditionally, the Zone has provided administrative support for sections and departments, grouped together beneath a Director of Administration. The role of the Director General has been a part-time post. However, the funding changes introduced by the government and the need to produce a strategy document, has spurred the Board of Trustees to appoint a full-time Director General from the private sector. The trustees felt they needed private industry expertise to develop and implement a strategy to achieve the government’s objectives. The new Director General was previously the CEO of a major chain of supermarkets.

The new Director General has produced a strategic planning document showing how the Zone intends to meet the government’s objectives. Proposals in this document include:

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1. Allocating budgets (from 20X6) to sections based on visitor popularity. The most visited collections will receive the most money. The idea is to stimulate sections to come up with innovative ideas that will attract more visitors. Visitor numbers have been declining since 20X1.

Visitor numbers 20X0–20X3

Visitor numbers (000s)	20X3	20X2	20X1	20X0
Age 17 or less	10	12	15	15
Age 18–22	5	8	12	10
Age 23–30	10	15	20	20
Age 31–45	20	20	18	25
Age 46–59	35	35	30	30
Age 60 or more	40	35	35	30
Total	120	125	130	130

2. Increasing entrance charges to increase income, but to make entry free to pensioners, students, children and people receiving government benefit payments.
3. Removing the head of sections' dining room and turning this into a restaurant for visitors. An increase in income from catering is also proposed in the document.
4. Removing the head of sections' personal assistants and introducing a support staff pool to reduce administrative costs.
5. Increasing the display of exhibits. Only 10% of the zone's collection is open to the public. The rest is held in storage.
6. Increasing commercial income from selling posters, postcards and other souvenirs.

Exhibit 4 – Proposed organisational structure

The Director General has also suggested a major re-structuring of the organisation as:

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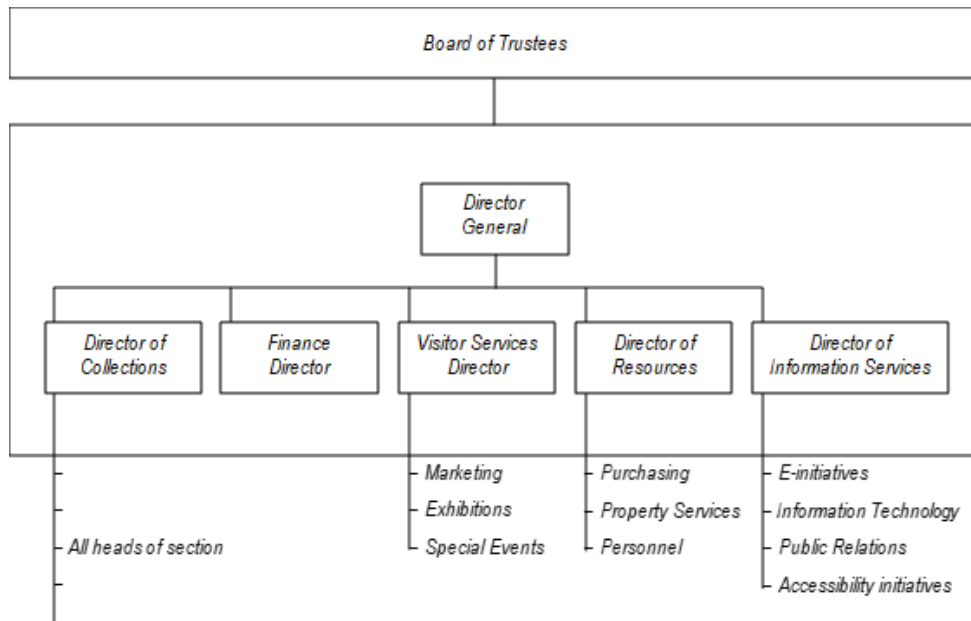


Exhibit 5 – Reaction to the proposals

Employees have reacted furiously to the Director General's suggestions. The idea of linking budgets to visitor numbers has been greeted with dismay by the Director of Art and Architecture. 'This is a dreadful idea and confuses popularity with historical significance. As previous governments have realised, what is important is the value of the collection. Distinguished Collections recognise this significance by putting the nation's interests before those of an undiscerning public.

As far as I am concerned, if they want to see fashion, they can look in the high street shops. Unlike fashion, great art and architecture remains.' The Director of Art and Architecture and the two professors who hold the Head of Architecture and Head of Art posts have also lobbied individual members of the Board of Trustees with their concerns about the Director General's proposals.

The Director of Industrial Arts and the Director of Media and Contemporary Art have contacted powerful figures in both television and the press and as a result a number of articles and letters critical of the Director General's proposals have appeared. A recent television programme called 'Trouble at the Zone' also featured interviews with various heads of collections criticising the proposed changes. They were particularly critical of the lack of consultation; 'these proposals have been produced with no input from staff. They have been handed down from on high by an ex-grocer', said one anonymous contributor.

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Eventually, the criticism of staff and their lack of cooperation prompted the Director General to ask the Board of Trustees to publicly back him. However, only the two trustees appointed by the government were prepared to do so. Consequently, the Director General resigned. This has prompted an angry response from the government which has now threatened to cut the Zone's funding dramatically next year and to change the composition of the Board of Trustees so that the majority of trustees are appointed directly by the government. The Minister of Culture has asked the Cultural Zone to develop and recommend a new strategy within one month.

Required:

- a) Outline an email to the Board analysing the macro-environment of the Cultural Zone.

(25 marks)

- b) The failure of the Director General's strategy has been explained by one of the trustees as 'a failure to understand our organisational culture; the way we do things around here'.

Assess the underlying organisational cultural issues that would explain the failure of the Director General's strategy at the Cultural Zone

(25 marks)

[TOTAL 50 MARKS]

Section B

QUESTION 2

Core and Green (C&G), a major listed North American civil engineering company, was successful in its bid to become principal (lead) contractor to build the Giant Dam Project in a West African country. The board of C&G prided itself in observing the highest standards of corporate governance. C&G's client, the government of the West Asian country, had taken into account several factors in appointing the principal contractor including each bidder's track record in large civil engineering projects, the value of the bid and a statement, required from each bidder, on how it would deal with the 'sensitive issues' and publicity that might arise as a result of the project.

The Giant Dam Project was seen as vital to the country's economic development as it would provide a large amount of hydroelectric power. This was seen as a 'clean energy' driver of future economic growth. The government was keen to point out that because hydroelectric power did not involve the burning of fossil fuels, the power would be environmentally clean and would contribute to the its ability to meet its internationally agreed carbon emission targets. This, in turn, would contribute to the reduction of greenhouse gases in the environment.

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Critics, such as the environmental pressure group 'End-the-dam', however, argued that the project was far too large and the cost to the local environment would be unacceptable. End-the-dam was highly organised and, according to press reports around the world, was capable of disrupting progress on the dam by measures such as creating 'human barriers' to the site and hiding people in tunnels who would have to be physically removed before proceeding. A spokesman for End-the-dam said it would definitely be attempting to resist the Giant Dam Project when construction started.

The project was intended to dam one of the region's largest rivers, thus creating a massive lake behind it. The lake would, the critics claimed, not only displace an estimated 80,000 people from their homes, but would also flood productive farmland and destroy several rare plant and animal habitats.

A number of important archaeological sites would also be lost. The largest community to be relocated was the indigenous First Nation people who had lived on and farmed the land for an estimated thousand years. A spokesman for the First Nation community said that the 'true price' of hydroelectric power was 'misery and cruelty'. A press report said that whilst the First Nation would be unlikely to disrupt the building of the dam, it was highly likely that they would protest and also attempt to mobilise opinion in other parts of the world against the Giant Dam Project.

When it was announced that C&G had won the contract to build the Giant Dam Project, some of its institutional shareholders contacted Noor Yates, the chairman. They wanted reassurance that the company had fully taken the environmental issues and other risks into account.

One fund manager asked if Dr Yates could explain the sustainability implications of the project to assess whether C&G shares were still suitable for his environmentally sensitive clients. Dr Yates said, through the company's investor relations department that he intended to give a statement at the next annual general meeting (AGM) that he hoped would address these environmental concerns.

These and other issues were discussed at the last Board meeting where it was agreed that as part of a detailed risk assessment for the project, a preliminary step should be to identify key external stakeholders and assess their claims and potential influence.

As an external consultant you have been approached by the Board to assist with this step.

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Required:

- a) Prepare a report extract for the Board of C&G that identifies key external stakeholders, using Mendelow Matrix describes their claims and evaluates their potential level of influence on the project's success.
(17 marks)
- b) Explain two out of the Corporate Governance characteristics
(8 marks)

[TOTAL 25 MARKS]

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QUESTION 3

The board of Bolton Group (BG) had a consensus that timely risk information is important for the business. The agreement of the meeting was that risk consultants should be involved to review the risks facing the company. One director, Zoe Ali, said that she felt that this would be a waste of money as the company needed to concentrate its resources on improving organisational efficiency rather than on gathering risk information. She said that many risks 'didn't change much' and 'hardly ever materialised' and so can mostly be ignored. However, the rest of the board believed that a number of risks had recently emerged whilst others had become less significant and so the board wanted a current assessment as it believed previous assessments might now be obsolete.

The team of risk consultants completed the risk audit. They identified and assessed six potential risks (A, B, C, D, E and F) and the following information was discussed when the findings were presented to the BG board:

Risk A was assessed as unlikely and low impact whilst Risk B was assessed as highly likely to occur and with a high impact. The activities giving rise to both A and B, however, are seen as marginal in that whilst the activities do have value and are capable of making good returns, neither is strategically vital.

Risk C was assessed as low probability but with a high potential impact and also arises from an activity that must not be discontinued although alternative arrangements for bearing the risks are possible. The activity giving rise to Risk C was recently introduced by BG as a result of a new product launch.

Risk D was assessed as highly likely but with a low potential impact, and arose as a result of a recent change in legislation. It cannot be insured against nor can it be outsourced. It is strategically important that the company continues to engage in the activity that gives rise to Risk D although not necessarily at the same level as is currently the case.

In addition, Risks E and F were identified. Risk E was an environmental risk and Risk F was classed as a reputation risk. The risk consultants said that risks E and F could be related risks. In the formal feedback to the board of BG, the consultants said that the company had to develop a culture of risk awareness and that this should permeate all levels of the company.

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Required:

- a) Criticise Zoe Ali's beliefs about the need for risk assessment. Discuss why risks are dynamic and therefore need to be assessed regularly. **(10 marks)**
- b) Using the TARA framework, select and explain the appropriate strategy for managing each risk (A, B, C and D). Justify your selection in each case. **(8 marks)**
- c) Elucidate what 'related risks' are and describe how Risks E and F might be positively correlated. **(7 marks)**

[TOTAL 25 MARKS]

END OF QUESTIONS