

## **Supplement to AAT Paper 2**

### **Chapter 9 Management and Control**

#### **(I) Replace 5.2 Line and Staff with the following paragraph**

Generally speaking, a line and staff structure is a variation of the line structure by adding specialists or functional staffs to it. A line manager often needs the assistance of specialists or functional staff to cope with the growth of the line structured organisation. These specialist or functional staff are designated to provide advice or support to their line managers; i.e. the role authority of the specialists or functional staff are limit to making recommendations.

Compared to the line structure, the line and staff structure allows flexibility and enhanced specialisation. The disadvantage of the line and staff structure is that it induces and promotes conflicts between the line managers to the specialists or functional staff. Because line managers are fully responsible for the goods or services instead of the specialist or functional staff, the line manager may not unwilling to listen to specialists or functional staff. It may demotespecialists or functional staff as their voices is never heard.

### **Chapter 15 International**

#### **(I) Replace 12 Protectionism from beginning to point (a), (b) and (c) with the following:**

All countries in general can benefit from international trade. Even a country that can produce ALL goods more efficiently than any other countries can benefit because it can concentrate on producing what this country produces best. This is similar to the concept of division of labor in which one person can be the best qualified for ALL tasks; but despite this, it would still be optimal for everyone to specialize because each person can focus completing tasks that he or she can complete in a relatively most efficient manner. This is the concept of comparative advantage. For example, many foreign manufacturers set up factories in China to produce the lower end products so that they can focus their own resources at home on the higher end, more complex, more expensive, and more profitable products.

Although international trade benefits the whole country in general, there are small selected groups within the country who might be worse off. While everyone can benefit from cheaper import prices, the existing local producers are hurt because they are not as efficient as their global competitors. For example, country A's locally produced radio sells for \$100 each because that is what it cost to produce by the local manufacturer. If imported Chinese radios are selling at \$50 each, then everyone in country A will benefit because they save \$50 each. However, the local radio producer will be worse off because he is no longer competitive against the importer. The usual route for these non-competitive producers would be for them to reallocate their resources to other industries

of which they would have the advantage of producing for. Unfortunately, if the producer is wealthy or politically powerful, it can lobby the government to "disadvantage" the importer by imposing tariff, quota, or local content rules on the importer. When this happens, the general population suffers because they no longer have access to cheaper products but are instead forced to buy more expensive outputs from the local producer.

- a. A tariff is a government imposed tax on an item when it is imported into the country. After paying for the tariff, the importer would have to sell at a higher price. This will reduce the price advantage of the importer and allows the local producer more room to compete. Compare to quota, tariff is more beneficial to the local governments because they collect the tariff which is another source of tax revenue for the government. Currently, the US impose tariff on steel and automobile tires imports, which results in all consumers in the US paying a slightly higher price for these products while the benefits of lower competition all accrues to the few selected domestic producers.
- b. A quota is a government imposed limit on the quantity of goods that can be imported into the country. By limiting the quantity imported, the market price will be higher due to reduced supply. The domestic producer benefit from having a higher market price with more room for profit. However, quota is not used very much now because the government realized that the importers who hold the quota receive all the benefits of the quota system. The government does not receive any tax or recurring revenue from the imports.
- c. Embargo is the total disallowance of business, trade, and other activities with a particular country. Embargoes are generally politically motivated and the effects on the global and local trade are industry and country specific. However, as the globalization of trade permeates throughout the world economies, the effectiveness of embargoes is also in question due to the difficulty of enforcement.

## AAT Paper 2 Bibliography

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