

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## COMMERCIAL ENVIRONMENT - PAPER 4

### EXAMINATION PAPER

#### INSTRUCTIONS TO CANDIDATES:

1. Time allowed: **3 hours**
2. Attempt **all** questions in Sections A and B, any **two** questions in Section C and any **two** questions in Section D.
3. Section A has **twenty** compulsory multiple-choice questions, each carrying 1 mark.
4. Section B has one compulsory comprehension question carrying 20 marks
5. Section C has **three** questions and only **two** are to be attempted. Each question carries 15 marks.
6. Section D has **three** questions and only **two** are to be attempted. Each question carries 15 marks.
7. Please read further instructions on the answer booklet.

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## SECTION A

### Question 1:

#### COMMUNICATION

- (i) Communication process can be defined as:-
  - (a) A complex way of exchanging ideas / messages.
  - (b) A human relationship.
  - (c) A sequence of events.
  - (d) A social aspect of human beings.
- (ii) Communication feedback takes place when:-
  - (a) The sender sends the message to the receiver.
  - (b) The medium used is straight forward.
  - (c) The receiver interprets the message and responds.
  - (d) The receiver receives the message from the sender.
- (iii) Choose three most appropriate elements of communication:-
  - (a) The idea, the medium and the listener.
  - (b) The source, the message and the destination.
  - (c) The response, the speaker and the purpose.
  - (d) The relationship, the appropriate language and the comprehension skill.
- (iv) The following are methods of communication except:-
  - (a) Oral / speech.
  - (b) Written and graphics.
  - (c) Body language / touch.
  - (d) Attitude and attributes.
- (v) In order to pass message effectively one must:-
  - (a) Carefully select the appropriate medium.
  - (b) Have additionally skill of comprehension and interpretation.
  - (c) Exchange views, opinions and attitudes.
  - (d) Have special skill to think and reach decisions.

- (vi) The following are internal communication methods except:-
- (a) Notice of a meeting.
  - (b) Letters to workers and bosses.
  - (c) Charts of a firm and newsletters.
  - (d) Advertisements in a local newspaper.
- (vii) The foremost of a memo includes the following:-
- (a) The date, the venue and the purpose.
  - (b) Communication from the chair, minutes of the previous meeting.
  - (c) Salutation, addresses and complementary clause.
  - (d) Receiver, sender, date and subject.
- (viii) When organizing for a conference / seminar the following should be considered:-
- (a) The audience, the venue and time.
  - (b) The age group, electricity and flowers.
  - (c) Hotel, facilitators and advertisement
  - (d) The presentation notes, the dress and refreshments.
- (ix) A simple report format consists of:-
- (a) Terms of reference, summary and appendices.
  - (b) Headings, sub-topics and reference,
  - (c) Title, introduction, results and conclusions.
  - (d) Contents, preface and personal.
- (x) Executive summary of a full report should show the following in order to satisfy body / committee that requested for the report:-
- (a) The problems encountered when collecting the information.
  - (b) The purpose, methodology, facts, conclusions and / or recommendations.
  - (c) How you collected and analysed the information.
  - (d) The title, the draft, the appendices and charts.

## COMMERCE

- (xi) What is the purpose of the Uganda Manufacturers' Association (UMA) show ground at Lugogo?
- (a) Reduce selling expenses
  - (b) Reduce prices of goods
  - (c) Discourage customers from purchasing imported goods
  - (d) Create market for goods.
- (xii) The phrase '*Standard of Living*' is often used to mean:-
- (a) The cost of living
  - (b) Condition in which people live or hope to live
  - (c) The general level of prices of goods
  - (d) The amount of goods and services a shilling can purchase in the market, under, date and subject.
- (xiii) Why is consumer protection essential in advertising?
- (a) Check on the dangers of misleading advertisements
  - (b) Creates demand for goods
  - (c) Helps in reducing prices
  - (d) Promotes market research
- (xiv) A Retail establishment stocking one class of goods under one management is called...
- (a) Departmental Store
  - (b) Variety Chain Store
  - (c) Multiple Shop
  - (d) Super Market
- (xv) Why is it necessary to create a Customs Union in East Africa?
- (a) To have one government and political union
  - (b) To create a longer market for producers
  - (c) To collect more money from imports
  - (d) To keep out foreign products.

- (xvi) Mr. Owiny insured his car against damage by accident for Shs. 560,000. When the accident occurred, he claimed compensation from his Insurer. It was found out that prior to the accident, the value of the car had been estimated at Shs... 480,000. The wreck was valued at Shs. 80,000. The Insurer paid him
- (a) Shs. 480,000 and the Insurer took the wreck.
  - (b) Shs. 560,000 and the Insured took the wreck
  - (c) Shs. 560,000 and the Insurer took the wreck
  - (d) Shs. 400,000 and the Insurer took the wreck
- (xvii) Value Added Tax (VAT) is
- (a) A tax levied on goods from other countries
  - (b) A tax paid by customer at the time of purchasing a commodity
  - (c) A Direct tax paid on the value added to the product
  - (d) An Indirect tax paid on the value added on the product.
- (xviii) Of what importance is a deposit account to the banker?
- (a) He earns high interest
  - (b) He uses it to get loans
  - (c) He uses it as a loan finance
  - (d) He uses it for settling his debts
- xix) Production for the international market is known as
- (a) Direct production
  - (b) Indirect production
  - (c) Self Sufficiency
  - (d) Specialization
- (xx) A situation where a business has more assets than liabilities is called
- (a) Bankruptcy
  - (b) Insolvency
  - (c) Solvency
  - (d) Liquidity

## SECTION B - COMMUNICATION

### Question 2

Read the following passage and answer the question that follow:-

Business people spend more than 50% of their revenue on purchase of both goods and services. Any savings on this expenditure goes to the profits. This makes procurement a key area of consideration when aiming at improving **productivity** of an organization.

Procurement can be public or private, in both cases however the policies must be **transparent** and be able to create value for the buying entity.

All of us as prospective customers, have higher expectations of value for money. As consumers of goods and services, we want time delivery, quality high level innovation at our convenience and in all cases at the lowest possible price.

The result of research carried out in the manufacturing sector of business is that branded and consumer products companies worldwide are experiencing the **growing pressure** of what has been termed as value retailing.

In Uganda the strategic measures adopted by **advanced** countries to increase value to the customer are becoming difficult to implement. This is because, Uganda being a landlocked country, most of the imported manufacturing inputs require foreign currency. In addition, the problem of poor **infrastructure** and high costs of production make production procurement a very difficult task.

Trading environments are becoming tougher and competitive, while at the same time there is much **greater price sensitivity** from customers. The economic improvements have changed a formally sellers' market into a buyers' market. There are more sellers than buyers.

Fundamental changes have been introduced in many organisations. These innovations have enabled customers to become more **demanding** in terms of standards of product, quality and delivery service, which they now expect while still looking for cost and price reductions

Procurement has evolved from the old traditional clerical, administrative activity to a strategic function in most companies. Therefore, purchasing can no longer be treated as a second order function. The way forward lies

with integrated materials management, pulling together supplies, production and distribution. In the years ahead, those who have not got their purchasing and supply operations right will not be competitive.

Source: Adapted from **The Uganda Accountants Newsletter, Volume 6 Issue No. 2, June 2001.**

**Required:**

- (a) Suggest another word of the same meaning to replace the following words:

(i)	Profitability	Paragraph 1
(ii)	Transparent	Paragraph 2
(iii)	Convenience	Paragraph 3
(iv)	Advanced	Paragraph 4
(v)	Infrastructure	Paragraph 4
(vi)	Demanding	Paragraph 5

**(6 marks)**

- (b) Explain briefly what each of these phrases means:

(i)	Growing pressure	Paragraph 3
(ii)	Very difficult task	Paragraph 4
(iii)	Greater price sensitivity	Paragraph 5
(iv)	The way forward	Paragraph 7

**(8 marks)**

- (c) In about five words suggest a suitable title to the extract.

**(2 marks)**

- (d) In about twenty words write key areas which the author suggests that the firm should observe to be competitive.

**(4 marks)**

**(Total 20 marks)**

**Question 3**

Write a curriculum vitae (cv) for a job that you would like to apply for in reply to the advertisement below:

Want to work with Hope and Co. Certified Public Accountants as an Accounting Technician? If you have a professional qualification. Skill or trade and experience we are looking for send your cv. to

Personnel Manager,  
Hope and Co. Certified Public Accountants,  
P.O. Box 8053,  
Kampala

**(15 marks)**

**Question 4:**

You are the Head of Finance Department in your organization. It has come to the attention of management that staff from different departments are complaining of poor services provided by the Finance Department.

The director has instructed that you as the head of the Finance Department should hold an adhoc meeting with the departmental staff under your supervision and provide solutions to the complaints raised.

- (a) Write a notice to invite the staff in the Finance department for an adhoc committee meeting.

**(5 marks)**

- (b) Write the agenda to include three substantive complaints to form items for discussion.

**(10 marks)**

**Question 5:**

- (a) Draw a diagram representing the communication cycle. (5 marks)
- (b) Differentiate between:  
(i) informal communication and  
(ii) formal communication. (5 marks)
- (c) What is oral method of communication? Give three advantages and three disadvantages of oral communication. (5 marks)
- (Total 15 marks)**

**SECTION D - COMMERCE**

**Question 6**

- (a) Distinguish between;  
(i) Home Trade and external trade (2 marks)
- (ii) Visible Trade and Invisible Trade (2 marks)
- (b) What is Multi-lateral Trade? (1 mark)
- (ii) Give five reasons why countries engage in International Trade. (5 marks)
- (c) (i) What is money? (2 marks)
- (i) Explain the qualities of good money. (3 marks)
- (Total 15 Marks)**

**Question 7**

- (a) (i) What is Sole Proprietorship? (2 marks)
- (ii) Explain how a firm can raise the initial capital to commence business. (6 marks)
- (b) Give **four** advantages and **three** disadvantages of Sole Proprietorship. (7 marks)
- (Total 15 marks)**

**Question 8**

- (a) Differentiate between;
- (i) Direct Tax and Indirect Tax **(2 marks)**
  - (ii) Give four major sources of government revenue. **(4 marks)**
- (b) (i) Give five reasons why government owns some enterprises. **(5 marks)**
- (ii) Why is the government of Uganda selling off some of her enterprises? **(4 marks)**
- (Total 15 Marks)**