

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

COMMERCIAL ENVIRONMENT - PAPER 4

FRIDAY, 13 DECEMBER 2002

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.

SECTION A

Question 1

COMMUNICATION

- (i) The letterhead and logo contribute to make the impact of the business or public letters.
 - (a) mastery of skills in letter writing
 - (b) beauty and convention
 - (c) legally appropriate corporate image
 - (d) the difficulties the writer face
- (ii) In letter writing the function of the opening paragraph is to:
 - (a) Acknowledge the date, receipt and subject of the correspondence.
 - (b) State simply what action the writer needs from the recipient.
 - (c) Promote the recipient's desire to act upon the message.
 - (d) Provide additional information to the main points.
- (iii) The difference between a memo and a letter is that in a memo:
 - (a) the date is entered showing the day, month and year.
 - (b) the recipient's name is indicated.
 - (c) the theme is briefly stated as the subject.
 - (d) salutation and complementary clauses are not included.
- (iv) Communication skills help accounting technicians to:
 - (a) save labour, time and money.
 - (b) pass on messages to clients and fellow technicians.
 - (c) compete for jobs.
 - (d) maintain interest in their jobs.
- (v) The importance of feedback in the communication cycle is to:
 - (a) make the receiver retaliate and be prejudiced about the sender.
 - (b) ensure that the receiver's chosen language is difficult to understand.
 - (c) Reassure the sender that the message has been received, understood and a response is expected.
 - (d) select appropriate medium for sending the message.

- (vi) In a business letter, the salutation is written after:
- (a) The recipient's address but before the heading.
 - (b) The date but before the reference.
 - (c) The introduction but before the body.
 - (d) The signature but before the designation.
- (vii) When should the audience be acquainted with the purpose of your speech?
- (a) When providing information about yourself.
 - (b) When giving concluding remarks.
 - (c) When delivering the introduction to your speech.
 - (d) When the audience requests to know the purpose.
- (viii) Reports can be defined as:
- (a) Summaries helpful to those who take decisions and action.
 - (b) As communication means for collection of data.
 - (c) A written document of factual information required to make decisions.
 - (d) Terms of reference giving the scope for investigation.
- (ix) The phrase resume or curriculum vitae is often used to mean:
- (a) Letter of application.
 - (b) Personal data, educational and professional achievements.
 - (c) Written attitudes and attributes of an individual.
 - (d) Personality of an individual.
- (x) is a meeting convened by a committee or sub-committee to handle specific matters.
- (a) Annual General Meeting.
 - (b) Extra Ordinary General Meeting.
 - (c) Ad-hoc meeting.
 - (d) Board of Governors' meeting.

COMMERCE

- (xi)does not contribute any capital nor take any part in the business but allows the firm to use his name.
- (a) A quasi partner
 - (b) A limited partner
 - (c) A dormant partner
 - (d) An active partner
- (xii) A customer can issue ato his bank to effect specified regular payments to a named person for a specific period.
- (a) credit transfer
 - (b) standing order
 - (c) bank draft
 - (d) money order
- (xiii) Which of the following is not a function of commercial banks?
- (a) Exchanging currencies for their customers.
 - (b) Giving out loans and advances.
 - (c) Mobilising savings.
 - (d) Managing the public debt.
- (xiv) Production of goods for one's own consumption is known as:
- (a) self service.
 - (b) direct service.
 - (c) direct production.
 - (d) barter.
- (xv) An agreement where a buyer can claim compensation from the seller if goods are found to be defective is called:
- (a) a condition.
 - (b) caveat emptor.
 - (c) a warranty.
 - (d) subrogation.

- (xvi) A document which contains a list of goods offered for sale by a trader is known as:
- (a) a catalogue.
 - (b) an invoice.
 - (c) an order.
 - (d) a delivery note.
- (xvii) Which of the following is not an objective of advertising?
- (a) Informing the potential buyers of a new product.
 - (b) To indicate new uses of an existing product.
 - (c) To give information on price changes.
 - (d) To discourage consumption of a product on sale.
- (xviii) A client in the stock exchange market needs the services of:
- (a) a banker.
 - (b) a bull.
 - (c) government.
 - (d) an insurer.
- (xix) A cheque is crossed so that:
- (a) it may not be endorsed.
 - (b) payment is done through the payee's account only.
 - (c) it can be cashed across the counter.
 - (d) it cannot bounce.
- (xx) Why is consumer protection essential in advertising?
- (a) Checks the dangers of misleading advertisements.
 - (b) Creates demand for goods.
 - (c) Helps in reducing prices.
 - (d) Promotes market research.

SECTION B : COMMUNICATION**Question 2**

Read the passage below carefully and answer the questions that follow.

Designing an **integrated**, total management information system for an organisation is a complex task. Unless it is well handled, it may lead to a final product that **falls short of expectations**. Therefore management information system is better regarded as grouping of information subsystems. The presentation of information, its timeframe, level of accuracy, content and the person to whom the information is delivered must be **taken into account**. In other words, the whole process of designing management information systems is not standardised.

However if decision control and planning within an organisation is based on available authentic information produced by standard procedures, then the information is known as formal information. In addition to following established organisation structures, formal information can be processed from documents and presented in a standardised **format**. The data produced is usually quantitative and is presented on formal documents within an organisation. For example formal information on actual average materials' costs of production will be generated from records containing quantitative details of materials purchased and units produced. Formal information is an important component of the total information available to management. This is because of its standardised representation using known rules.

Informal information is also used extensively by management in its activities. It is often **subjective**, passed by word of mouth, involves opinions, grapevine, hunches and rumours. Generally such information is presented as explanatory or evaluative information likely to be qualitative in nature. Although informal information is an important **determinant of decisions**, it is less likely to be used for justification.

For instance a decision over job promotion from a junior to a more senior managerial post will be by variety of information. Such as the candidates formal qualifications, cost and revenue associated with the department over which the candidate has **current** control.

Although informal information may be subjective, qualitative and not generated by **standard procedures** or conveyed through established information channels, it can still be an essential component of decision making.

By its nature, informal information cannot be readily processed or transmitted by computer. There is great danger that in designing a computerised management information system, the role of informal information will be ignored and face-to-face contact between individuals will **diminish**. As a side effect this will cut down the informal information flows and may reduce the effectiveness of decision-making.

Source: Adapted from Graham Curtis (1998); Business Information System, 3rd Edition, Addison Wesley

Required:

- (a) Suggest another word with the same meaning as used in the passage for each of the following words:

- | | | |
|-------|------------|---------------|
| (i) | Integrated | (paragraph 1) |
| (ii) | Format | (paragraph 2) |
| (iii) | Subjective | (paragraph 3) |
| (iv) | Current | (paragraph 4) |
| (v) | Diminish | (paragraph 6) |

(5 marks)

- (b) In a sentence briefly explain the following phrases and expressions as used by the author:

- | | | |
|-------|-----------------------------|---------------|
| (i) | falls short of expectations | (paragraph 1) |
| (ii) | taken into account | (paragraph 1) |
| (iii) | determinant of decisions | (paragraph 4) |
| (iv) | standard procedures | (paragraph 5) |

(8 marks)

- (c) In not less than four words suggest an appropriate title for the passage.

(2 marks)

- (d) In 60 - 80 words, explain the difference between formal and informal information.

(5 marks)

(Total 20 marks)

SECTION C

Question 3

- (a) You are the Secretary to a Joint Venture Management Committee. According to last year's financial report, the business performed poorly because of some internal problems.

Required:

Write a notice inviting the management committee members for a special meeting. Include the following items on the agenda:

- (i) Record of attendance.
- (ii) Prayer.
- (iii) Communication from the chair.
- (iv) High costs of repair and maintenance of plant and equipment.
- (v) Increased theft of company property.
- (vi) Low staff morale.
- (vii) A.O.B.

(5 marks)

- (b) Using the above agenda write resolution minutes including at least two suggestions/recommendations for each item on the agenda.

(10 marks)

(Total 15 marks)

Question 4

You are a Secretary to a students' association. It is a tradition for your association to hold an end of year party for all its members.

Required:

Write a formal communication to all members informing them of the necessary arrangements and suitable programme of events for the occasion. The letter must be persuasive so as to entice the members to participate.

(15 marks)

Question 5

- (a) Outline the main components of a formal report.

(5 marks)

- (b) You are a middle manager of an organisation. Write a short formal report to the General Manager on the increasing complaints about the nature and quality of services currently provided by the Accounting Technicians in your department. Add recommendations.

(10 marks)

(Total 15 marks)

SECTION D: COMMERCE

Question 6

- (a) What is sole proprietorship?
(3 marks)
 - (b) Explain the advantages and disadvantages of sole proprietorship.
(12 marks)
- (Total 15 marks)**

Question 7

- (a) Define a Central Bank.
(3 marks)
 - (b) Discuss the role of the Central Bank in an economy.
(12 marks)
- (Total 15 marks)**

Question 8

- (a) Briefly explain the following principles of insurance:
 - (i) Utmost good faith.
 - (ii) Indemnity.
 - (iii) Insurable interest.
 - (iv) Proximate cause.
 - (v) Subrogation.
(10 marks)
 - (b) Give five advantages of insurance to the business community in Uganda.
(5 marks)
- (Total 15 marks)**