

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

COMMERCIAL ENVIRONMENT - PAPER 4

THURSDAY, 23 JUNE 2005

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 COMMUNICATION

Question 1

- (i) Punctuation in any piece of writing serves to:
 - (a) complete unsaid meaning.
 - (b) illustrate ideas in written work.
 - (c) interpret vague statements.
 - (d) make clear what is written.
- (ii) When writing a formal letter, the writer's signature should be written;
 - (a) before the reason for writing the letter.
 - (b) before the name but after, yours faithfully.
 - (c) after the writer's designation.
 - (d) after the name, but before the designation.
- (iii) Which of the following is not a duty of a secretary for a meeting?
 - (a) Recording the minutes.
 - (b) Calling the meeting to order.
 - (c) Sending correspondences to members.
 - (d) Notifying members about the meeting.
- (iv) An action paper in a meeting:
 - (a) serves as a reminder about what was discussed.
 - (b) specifies the duties of the members.
 - (c) indicates what will be done in the next meeting.
 - (d) gives a follow-up on resolutions of the previous meeting.
- (v) Which of the following media involves more communication skills (listening, speaking, writing and reading)?
 - (a) Television.
 - (b) Radio.
 - (c) Posters.
 - (d) Newspaper.
- (vi) A memo is a:
 - (a) descriptive note written within an organization.
 - (b) detailed description of a company profile.
 - (c) simple communication written informally in an organization.
 - (d) short form of communication giving specific information.

- (vii) Management becomes more effective when:
- (a) information flows from top-downwards.
 - (b) communication is horizontally distributed.
 - (c) information flows from bottom-upwards.
 - (d) there is communication feedback.
- (viii) Which of the following is not a method of communication?
- (a) Oral.
 - (b) Graphics.
 - (c) Gestures.
 - (d) Mumbling.
- (ix) Good presentation skills are characterized by:
- (a) effective use of listening skills and clear language.
 - (b) forcing your audience to accept your ideas.
 - (c) criticising those who do not know what you are talking about.
 - (d) acceptance of other people's views.
- (x) A formal report should have:
- (a) terms of reference, summary and appendices.
 - (b) heading, sub-topic and reference.
 - (c) title, introduction, results and conclusion.
 - (d) contents, preface and personal opinion.

COMMERCE

- (xi) What form of integration is involved when Century Bottling Company Ltd (Coca Cola), and Crown Bottling Company Ltd (Pepsi Cola) form one soft drinks industry?
- (a) Forward integration.
 - (b) Horizontal integration.
 - (c) Backward integration.
 - (d) Vertical integration.
- (xii) The principle of insurance that requires one to disclose all relevant information about what is to be insured is called:
- (a) Utmost good faith.
 - (b) Proximate cause.
 - (c) Insurable interest.
 - (d) Indemnity.

- (xiii) helps one to know the financial position of his customer before transacting a business.
- (a) Letter of credit.
 - (b) Bank financial statement.
 - (c) Credit transfer.
 - (d) Credit status inquiry.
- (xiv) A Quasi partner:
- (a) Plays an active role in the running of the business.
 - (b) Does not share in the payment of any liabilities of the business.
 - (c) Enters into contracts on behalf of the firm.
 - (d) Must have his or her name registered with the registrar of companies.
- (xv) Which of the following is not an advantage of sole proprietorship?
- (a) Enjoyment of all profits.
 - (b) Quick decision making.
 - (c) High level of flexibility.
 - (d) Enjoyment of limited liability.
- (xvi) A Mansion who builds his own house is engaged in:
- (a) Indirect service.
 - (b) Direct service.
 - (c) Direct production.
 - (d) Indirect production.
- (xvii) Which of the following is not an objective of advertising?
- (a) To give information on price changes.
 - (b) To discourage consumption of a product on sale.
 - (c) To indicate new uses of a product.
 - (d) Informing the potential buyers of a new product.
- (xviii) A client in the stock exchange market requires the services of:
- (a) A banker.
 - (b) An insurer.
 - (c) A bull.
 - (d) Government.
- (xix) Why is consumer protection essential in advertising?
- (a) Checks the dangers of misleading advertisements.
 - (b) Promotes market research.
 - (c) Helps in reducing prices.
 - (d) Creates demand for goods.

- (xx) Warranty in business means a:
- (a) seller sells on cash terms only.
 - (b) seller gives more than what is paid for by the buyer.
 - (c) good can be withdrawn and given to another buyer.
 - (d) buyer can claim compensation from the seller when goods are found to be defective.

SECTION B : COMMUNICATION

Question 2

The majority of builders still obtain much of their work by the system of tendering, especially for new work or work of some importance as opposed to smaller or repair work where the **client** will generally approach the local builder or recommended one to **carry out work**.

Under the package deal, a client will provide brief details as to his requirements and either select a builder or offer it to open or selected methods leaving the **onus** of design and costs to the builder. Generally this will **concern** the industrial type building and may **leave the client little choices** of design, resulting in his not always getting what he hoped for. More critically, the client has no independent consultant to **advise** him on design or costs. On the other hand the possibility of extra tender figure should be nil and completion should be on time as no problems should arise due to various organizations taking part. Costs should be low because of the **repetitive** work of the company.

Much work may come to the builder through other ways than that of tendering or the various methods **already dealt with**. One of the most likely sources is of course reputation of the builder, which has taken possibly many years to build, and all members in the organization have to play their part in achieving this from management to operatives.

Another method closely related to a firm's reputation is that of receiving work on the **recommendation of a satisfied client**. This can also result in work of a continuous nature such as **maintaining** various properties for example banks, supermarkets and the like, after showing competency for the work of this type. Speculative building as it is often termed is now quite common and this generally means that the builder takes a gamble (usually a very calculated one) of building houses, office blocks, etc, before having a client.

These methods of obtaining work **all hold a place** in the makeup of a progressive company and to create a steady flow of work all must be **exploited** to the full.

*Extract adopted from **Elements of Administration for Building Students** 3rd Edition (1983) by Boutler T. John. Hutchinson, London*

Required:

- (a) In less than four words give a suitable heading for the passage. **(3 marks)**
- (b) Provide a suitable word or phrase to replace each of the following words as used in the passage:
- (i) client.
 - (ii) onus.
 - (iii) concern.
 - (iv) advise.
 - (v) repetitive.
 - (vi) maintaining.
 - (vii) exploited.
- (7 marks)**
- (c) Explain the meaning of each of the following phrases as used in the passage:
- (i) to carry out. (paragraph 1)
 - (ii) leave a client little choice. (paragraph 2)
 - (iii) already dealt with. (paragraph 3)
 - (iv) recommendation of satisfied client. (paragraph 4)
 - (v) all hold a place. (paragraph 5)
- (10 marks)**
(Total 20 marks)

SECTION C : COMMUNICATION

Question 3

Read the following letter from a buyer, Mr Karamagi, to a clearing and forwarding company of Mr Odongo

Dear Mr Odongo

Reference :Consignment 00235/1

Sent: 11/3/2005

I have received your invoice for the above consignment. I am sure that it should read Shs 2,000,000 (Two Million Shillings only) not Shs 1,800,000 (One Million eight hundred thousand shillings only) as shown. It is possible there has been a miscalculation.

Would you please look into this as soon as you can and send us a correct invoice?

Yours faithfully,

K.I Karamagi
MANAGING DIRECTOR

Required

- (a) After drafting the letter, Mr Karamagi feels the matter is urgent, so he decides to send a telex. As a representative of the company, write a short telex on behalf of Mr Karamagi. (8 marks)
- (b) Which expressions and individual words did you omit? (4 marks)
- (c) Give two advantages and one disadvantage of a telex over a letter. (3 marks)
- (Total 15 marks)**

Question 4

You have decided to open a small business in your local area.

Required:

- (a) Design an attractive Poster using persuasive language to advertise the business you intend to start. (10 marks)
- (b) Give at least three qualities of a good advertisement. (3 marks)
- (c) (i) What is the difference between an advertisement and a notice? (1 mark)
- (ii) What quality do the two above have in common? (1 mark)
- (Total 15 marks)**

Question 5

- (a) It is your graduation party. Prepare a short speech you will deliver on that occasion as a graduate of ATC. You may use some of the following ideas:
- A brief account of your course.
 - Your achievements.
 - Challenges.
 - Appreciation.
- Assume your name is Pat Birungi. (10 marks)
- (b) In a paragraph each, describe **two** qualities of a good speaker. (5 marks)
- (Total 15 marks)**

SECTION D: COMMERCE

Question 6

- (a) Distinguish between:
- (i) Bank loan and bank overdraft. (4 marks)
 - (ii) Stale cheque and post dated cheque. (4 marks)
- (b) What factors will a Bank Manager consider before giving a loan to an applicant? (7 marks)
- (Total 15 marks)**

Question 7

- (a) Define retail trade. (2 marks)
- (b) Explain the factors that should be considered when setting up a retail business. (8 marks)
- (c) Explain the functions of a wholesaler. (5 marks)
- (Total 15 marks)**

Question 8

- (a) Define a partnership deed. (2 marks)
- (b) State any eight items contained in a partnership deed. (8 marks)
- (c) Explain five advantages of a partnership over sole proprietorship. (5 marks)
- (Total 15 marks)**