

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## ATC(U) EXAMINATIONS

### LEVEL ONE

#### COMMERCIAL ENVIRONMENT - PAPER 4

**THURSDAY, 14 DECEMBER 2006**

#### 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 function of communication in business is comparable to the function of the nervous system in the human body in the following ways except:
  - (a) If communication is healthy, the message travels fast.
  - (b) Communication enables the message to be clearly understood.
  - (c) The predetermined response is correctly made if there is effective communication.
  - (d) Communication enables confusion to grow fast.
- (ii) Effective written communication is important to an Accounting Technician in order to:
  - (a) express himself/herself clearly and concisely.
  - (b) do something about his/her performance.
  - (c) avoid feeling inadequate.
  - (d) complain about other people's writing skills.
- (iii) When communication fails to be effective the following is the result except:
  - (a) mistakes are made.
  - (b) orders are lost.
  - (c) goods worth millions are wasted/spoilt.
  - (d) our knowledge, instructions or observations are affected.
- (iv) In organizations, meetings are held to:
  - (a) send away absentees.
  - (b) enjoy sitting allowances.
  - (c) make decisions and solve problems.
  - (d) select new clientele.
- (v) The letter of application is very important because it tests our:
  - (a) interpersonal relationships and socialization.
  - (b) technical skills in speaking.
  - (c) ability to express ourselves and shows our capabilities for the job.
  - (d) ability to use vocabulary appropriately.

- (vi) Horizontal communication in an organization is a channel through which:
- (a) top management can reach middle and lower cadres in a firm.
  - (b) middle management can reach other members in different departments within the firm.
  - (c) managers can show authority to subordinates.
  - (d) top managers can force workers to produce good results.
- (vii) In effective communication feedback means that:
- (a) the right channel of communication is being used.
  - (b) plan for future activities is ready.
  - (c) decisions to resolve conflicts are implemented.
  - (d) the message has been received back by the sender from the receiver and is understood.
- (viii) Which of the following is not an element of communication skills?
- (a) The message or content of what is being communicated.
  - (b) The medium or means by which the communication travels.
  - (c) The audience or people who receive the message.
  - (d) Local languages or dialects.
- (ix) Good telephone users require specialist skills like:
- (a) audibility for other officers to hear.
  - (b) interpretation of messages.
  - (c) articulation of spoken words.
  - (d) identification of who is speaking.
- (x) A big advantage of speech over the written word is that it:
- (a) can convey the speaker's moods effectively and there is immediate feedback.
  - (b) helps the boss to get information.
  - (c) is the only way to use your desired accent and you will be admired.
  - (d) encourages close relationships among company workers.

**COMMERCE**

- (xi) Assignment as used in insurance means:
- (a) one over-values the goods by declaring a value higher than the real value of insurable interest.
  - (b) one under-values the goods i.e declares a value lower than the real value of insurable interest.
  - (c) the act of transferring the title of ownership of insurable interest to another person interested in holding it.
  - (d) insurance that deals with people injured or killed by an insured car.
- (xii) Which of the following is not an aim of specialized banks?
- (a) Serving a special type of customers.
  - (b) Serving a special country.
  - (c) Providing a special type of service.
  - (d) Serving co-operatives.
- (xiii) Firms promote their sales by the following apart from:
- (a) price increase.
  - (b) intensive advertising.
  - (c) offering prizes to lucky winners.
  - (d) price reductions.
- (xiv) Which of the following is not one of the contents of a partnership deed?
- (a) The name of the firm.
  - (b) The purpose for its establishment.
  - (c) Duties of each partner.
  - (d) Strategy of advertising.
- (xv) When an individual produces goods for his own consumption, then it is termed as:
- (a) self service.
  - (b) direct service.
  - (c) indirect production.
  - (d) direct production.
- (xvi) The production process as a means of increasing utility is when:
- (a) the manufacturing process ends.
  - (b) goods reach the retailer's premises.
  - (c) goods are stocked in the warehouse.
  - (d) goods reach the final consumer.

- (xvii) The reward for an entrepreneur is:
- (a) rent.
  - (b) wages.
  - (c) profit.
  - (d) interest.
- (xviii) The main aim of the stock exchange is to allow people to:
- (a) advise government on how to control inflation.
  - (b) give advice to international financial institutions.
  - (c) buy or sell shares and other securities.
  - (d) exchange slow-moving stock of goods.
- (xix) Which of the following is not true about a stale cheque?
- (a) It has been forged.
  - (b) It has stayed for more than six months without being cashed.
  - (c) Will not be accepted by a bank.
  - (d) The date can be changed and countersigned by the relevant signatories.
- (xx) For a limited liability company to be a legal entity, it must possess:
- (a) a certificate of incorporation.
  - (b) a certificate of insurance.
  - (c) the articles of association.
  - (d) a prospectus.

## SECTION B: COMMUNICATION

### Question 2

When we talk about work, one's domain is his or her area of responsibility, authority and activity. At work, social relationships are **determined** by organizational hierarchies. In a hierarchy, those at the top have a greater sphere of authority than those at the bottom. However, their domain of activity is different from the domain of those at the bottom. For example, a president of the company **has authority over all members of the organization**, including clerks and maintenance personnel; however, a president would not think of filing papers or sweeping the floor, because a president's activity domain is different from that of other people in the organization. Consequently, domain refers to those activities that are properly part of one's job.

One formal way of defining an employee's normal domain of duties and responsibilities is the job description. A job description is a written statement that explains what you are normally **expected** to do. Sometimes when employees are asked to do something they feel is clearly outside their job description, they will complain or **seek for clarification**. For example if you were a chief accountant, you might find it **strange** if you were asked to type some memos for your boss because typing letters or memos is usually the responsibility of clerical employees. If you were a female administrative assistant, you might **resent** being asked to serve coffee/tea to a group of men, because serving is the job of a waiter or waitress. You might feel that **you were being taken advantage of** just because you were a woman.

We can think of domain as being related not only to what we do, as in the case of job duties, but also as being related to the kinds of things we normally may or may not talk about. In this sense domain is related to what is considered personal or private information as opposed to what is considered non personal or open information. Ideas about what is personal and what is non personal are **influenced** by one's native culture. In some cultures it is all right to ask an acquaintance how much he or she has paid for something. In the United States we may ask someone only under certain conditions. For example, if you did not know a co-worker extremely well, it would be **inappropriate** to ask how much his or her suit cost. This information is usually considered part of one's personal domain. However, if you ask a co-worker if he or she knows how much a new computer costs (and he or she does not own one), then your question is within an impersonal domain and the question is appropriate.

At work there is one **dimension** of what we normally talk about and what we may not talk about. Here the distinction not only is between personal and non-

personal information, but is one of work-related as opposed to purely social or **non-work-related information**.

At work most of the conversation is related to the job. However, there is also a social dimension to work that we **should not overlook**. In many work environments, some casual conversation frequently takes place, not only during lunches and breaks but also during working hours. Each work environment usually has a slightly different view of what amount of socializing is permissible during working hours. Some organizations may not allow any, whereas others may **tolerate** quite a bit as long as it does not interfere with getting the job done.

*Adapted from "Communication in the Real World" Developing Communication Skills for Business and the Professions.*

**Required:**

- (a) In not more than **three** words give an appropriate heading/title to the passage.

**(2 marks)**

- (b) Write the meaning of the highlighted words as used in the passage.

- (i) Determined (paragraph 1)
- (ii) Expected (paragraph 2)
- (iii) Strange (paragraph 2)
- (iv) Resent (paragraph 2)
- (v) Influenced (paragraph 3)
- (vi) Inappropriate (paragraph 3)
- (vii) Dimension (paragraph 4)
- (viii) Tolerate (paragraph 5)

**(8 marks)**

- (c) Using your own words, explain the meaning of the following phrases as used in the passage:

- (i) "has authority over all members of the organization".
- (ii) "seek for clarification".
- (iii) "you were being taken advantage of".
- (iv) "non work-related information".
- (v) "should not overlook".

**(10 marks)**

**(Total 20 marks)**

## SECTION C: COMMUNICATION

### Question 3

You work with BAATI Co. Ltd. As a Sales Manager, and you received the following letter of inquiry:

Owiny John  
P.O Box 008  
GULU

2 November 2006

The Sales Manager  
BAATI Co. Ltd.  
P.O Box 3554  
KAMPALA

Dear Sir/Madam,

### INQUIRY

We are interested in prestigious roofing tiles preferably versatile make. We will be pleased if you send us information on the quality, durability and supply requirements. Please quote your lowest price and let us know if you can supply us from your Christmas season stock offer.

Yours faithfully,

John Owiny

### Required:

Write a reply indicating the current price list, explain about the quality and be as persuasive as possible. Your company hopes to make good sales from this company order.

**(15 marks)**

### Question 4

Job descriptions are formal written summaries of what employees are required to do while on the job. You are employed by company X as Assistant Accountant. Your company wants to recruit an Administrative Assistant to provide clerical support to the Administrative Officer.



**Required:**

Design an advertisement calling for applications for the position of Administrative Assistant. Include the following:

- (a) Job description.
- (b) Skills required.
- (c) Qualifications.
- (d) Experience of at least five years.
- (e) Latest date of submitting applications.
- (f) When and where to check for the shortlisted candidates.

**(15 marks)**

**Question 5**

You have been at UMA Trade Fair Exhibition held at UMA Show Grounds between 2 - 10 October 2006, as a sales representative of a computer company. Several orders were placed and you got the best stall award.

**Required:**

Write a short report to your company about the proceedings of the exhibition. Include the following:

- Introduction – your name and that of the company.
- Organisations represented.
- Venue of exhibition.
- Duration of the exhibition.
- Products at the exhibition.
- Types of orders and quantity.
- Future exhibitions.
- Recommendations / suggestions as a way forward.

**(15 marks)**

## SECTION D – COMMERCE

### Question 6

- (a) Distinguish between a Public Enterprise and a Private Enterprise.  
(5 marks)
  - (b) Give **five** reasons why the government participates in the ownership of productive ventures.  
(10 marks)
- (Total 15 marks)

### Question 7

- (a) Give **three** reasons why commerce is important.  
(3 marks)
  - (b) Explain **six** factors affecting the choice of channels of distribution of consumer goods.  
(12 marks)
- (Total 15 marks)

### Question 8

- (a) What is meant by advertising?  
(3 marks)
  - (b) Explain **six** major aims of advertising.  
(12 marks)
- (Total 15 marks)