

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

COMMERCIAL ENVIRONMENT - PAPER 4

THURSDAY, 22 JUNE 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.

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**SECTION A
COMMUNICATION**

Question 1

- (i) It is very important for a report to have a heading because it:
 - (a) states briefly what the recipient needs.
 - (b) provides guidelines on what is intended.
 - (c) compliments what is given as a major issue.
 - (d) provides a clue about the details.
- (ii) When delivering a speech, the speaker should:
 - (a) have a good accent.
 - (b) be very fluent and smart.
 - (c) be specific, relevant and audible.
 - (d) be competent and physically fit.
- (iii) It is the role of the chairman of the meeting to:
 - (a) invite members for the meeting.
 - (b) register members present.
 - (c) remind members of their commitments to the meeting.
 - (d) guide members through the meeting proceedings.
- (iv) Effective communication within an organization is very helpful because of the following, except:
 - (a) personal problems are exposed to other members in the company.
 - (b) members keep abreast with what is going on.
 - (c) costs of maintenance of unity among members are minimized.
 - (d) members' interests in their jobs are maintained.
- (v) A business report should bear the writer's signature in order to:
 - (a) provide information about oneself.
 - (b) show genuineness of the report.
 - (c) represent the members of the organization.
 - (d) specify its purpose.
- (vi) "Re" on an official letter stands for the:
 - (a) reference made to the letter writer.
 - (b) referees to be contacted where necessary.
 - (c) purpose of writing the letter.
 - (d) recipient's opening remarks.

- (vii) You are assigned the duty to design an advertisement for your company, rank the qualities you should bear in mind, as most important.
- (a) Brief information, specific idea, visible print, clear meaning.
 - (b) Visible print, clear meaning, specific idea, brief information.
 - (c) Clear meaning, brief information, visible print, specific idea.
 - (d) Specific idea, clear meaning, brief information, visible print.
- (viii) The purpose of an agenda for any given meeting is to:
- (a) provide a time limit for the meeting.
 - (b) show where and when the meeting will be conducted.
 - (c) highlight issues to be deliberated upon.
 - (d) state what the meeting is to decide on.
- (ix) Good and effective managerial skills include the following:
- (a) submissiveness and tolerance.
 - (b) delegation and absenteeism.
 - (c) communication and effective control.
 - (d) self-importance and being carefree.
- (x) Minute recording is very important for any business administration because of the following, except:
- (a) showing a record of attendance.
 - (b) providing clear information about the business.
 - (c) facilitating the day to day running of activities.
 - (d) promoting proper procedure and check-points of the business.

COMMERCE

- (xi) Which of the following companies is **not** listed on the Uganda Securities Exchange?
- (a) Bank of Baroda Uganda Ltd.
 - (b) Uganda Clays Ltd.
 - (c) MTN Uganda Ltd.
 - (d) The New Vision Printing and Publishing Co. Ltd.
- (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) indemnity.
 - (c) insurable interest.
 - (d) proximate cause.

- (xiii) Who bears the risks in the production process?
- (a) Land owners.
 - (b) Entrepreneurs.
 - (c) Labourers.
 - (d) Capital owners.
- (xiv) Caltex fuel stations in Uganda are examples of:
- (a) tied shops.
 - (b) departmental stores.
 - (c) discount stores.
 - (d) supermarkets.
- (xv) A business organization that is created by an Act of parliament is called:
- (a) partnership.
 - (b) limited liability company.
 - (c) public limited company.
 - (d) state Corporation.
- (xvi) Re-insurance means:
- (a) people who are subjected to certain risks contribute premium to the insurance company which makes a pool.
 - (b) the insured over-declares the value of his property at the time of taking out the insurance policy.
 - (c) the risk is so heavy that one insurance company cannot cover it alone, so it insures part of it with another insurance company.
 - (d) the insured under declares the value of his property.
- (xvii) The following are factors to be considered when setting up a retail business, except:
- (a) the size of the market.
 - (b) experience and knowledge of line of business.
 - (c) terms of sale.
 - (d) number of banks in the area.
- (xviii) contributes capital and takes part in the management of the business.
- (a) A quasi partner.
 - (b) A dormant partner.
 - (c) An active partner.
 - (d) A limited partner.

(xix) Which of the following functions is not performed by a central bank?

- (a) Creating credit by lending to individuals.
- (b) Issuing of currency.
- (c) Lender of last resort.
- (d) Exchange control.

(xx) Why is consumer protection essential in advertising?

- (a) Checks the danger of misleading advertisements.
- (b) Creates demand for goods.
- (c) Helps in reducing prices.
- (d) Promotes market research.

SECTION B: COMMUNICATION

Question 2

Read the following passage and answer the questions which follow:

The force of motivation is a dynamic force setting a person into motion or action. The word motivation is **derived** from the word motive which is an active form of a desire, crave or need, which must be **satisfied**. All motives are directed towards goals and needs, and desires affect or change your behaviour which **becomes goal oriented**. For example, you ordinarily do not want to work overtime but at a particular time you may need more money, so you may change your behaviour and satisfy your needs.

Although performance results depend on the **interaction** of three types of resources which are physical, financial and human, physical and financial resources themselves do not result in productivity. It happens only when the human element is introduced. The level of performance of an employee is a function of his ability and his motivation. The former determines what he "can" do and the latter determines what he "will" do. The ability can always be judged and measured and depends upon background skills and training. Motivation on the other hand, is **the force within**. Whenever there is a strong motivation, the employees' output increases. A weak motivation has opposite effects; hence management must understand what motivates people towards better performance and **take steps to create** an environment which **induces** positive and strong motivation.

While the first management task is to set the organizational goals, the major task is to move the organization most effectively to reach that goal. This can be done by motivation, the purpose of which is to create conceptual as well as a physical work environment in which the people are **willing to work with zeal**, initiative, interest and enthusiasm with a sense of responsibility, loyalty and discipline in a team spirit and in cohesive manner.

Motivation is a combination of many factors which affect behaviour **modification**. However, two factors stand out. First, is an understanding of the fundamental drives, urges, needs and desires of the people which can be manipulated and stimulated and a sense of communication and methodology that would provide stimulus to these urges. Some of the methods used for this purpose may be the provision of financial incentives, **cordial working environment**, challenging work and responsibility, personal accomplishments and an opportunity for growth and **advancement**.

(Source: Adapted from J.S Chandan, (1999) Management Theory and Practice, Vikas Publisher)

Required:

- (a) In not more than four words, suggest the most appropriate title for the passage. (1 mark)
- (b) Give a suitable word to replace each of the following as used in the text:
- | | | |
|-------|--------------|-------------|
| (i) | Derived | Paragraph 1 |
| (ii) | Satisfied | Paragraph 1 |
| (iii) | Interaction | Paragraph 2 |
| (iv) | Induces | Paragraph 2 |
| (v) | Modification | Paragraph 4 |
| (vi) | Advancement | Paragraph 4 |
- (6 marks)
- (c) Explain the meaning of the following phrases as used in the context:
- | | | |
|-------|-----------------------------|-------------|
| (i) | becomes goal oriented | Paragraph 1 |
| (ii) | the force within | Paragraph 2 |
| (iii) | take steps to create | Paragraph 2 |
| (iv) | willing to work with zeal | Paragraph 3 |
| (v) | cordial working environment | Paragraph 4 |
- (10 marks)
- (d) In one sentence mention the common methods used to motivate employees.

(3 marks)
(Total 20 marks)

SECTION C: COMMUNICATION

Question 3

As the Human Resources Assistant in your organization, you are requested to seek for qualified persons to take on the job of Chief Accountant.

Required:

Design an advertisement to be published in the newspaper daily specifically stating the qualification required and the terms of employment.

(15 marks)

Question 4

There has been an article about your firm, in Agokya Newspaper, P.O. Box 90000 Kyotera. It alleged that you have shifted to a new site and also claimed that your firm had cut down the prices on a range of commodities it produces.

Required:

Write a letter to the editor of that newspaper, to be signed by the Public Relations Manager, Mrs Irene Kajungu, wishing to correct the wrong impression created by the article and demand for an apology from the editor.

(15 marks)

Question 5

Read the following notice.

NOTICE	
MANAGEMENT WORKSHOP:	
FROM : MANAGEMENT CONSULT, UGANDA	
TO: ALL UPCOMING AND PRACTICING MANAGERS	
TOPIC: MANAGING ACCOUNTS AND BOOK –KEEPING	
VENUE: RWENZORI BALLROOM	
TIME: 9.00AM-4.00PM	
DATE: 18 JUNE 2006	
REGISTRATION FEE: UG SHS 60,000/= PER PARTICIPANT	

You have read the above notice and you, as a Human Resources Officer, think that this kind of workshop will be very beneficial to your company workers.

Required:

Write a memo to the Director of your company through the Head of Finance section requesting him to allow two accounts assistants to attend this workshop. Give reasons why they should attend.

(15 marks)

SECTION D: COMMERCE

Question 6

- (a) Briefly explain the meaning of the following securities traded on the stock exchange.
- (i) Blue chips. (2 marks)
 - (ii) Gilt-edged securities. (2 marks)
 - (iii) Bearer. (2 marks)
- (b) Give four functions of the stock exchange. (4 marks)
- (c) What problems do stock exchanges face in developing countries? (5 marks)
- (Total 15 marks)**

Question 7

Lugoloobi has just won Shs 2 million in a raffle draw conducted by Uganda National Lottery. He is contemplating whether to start a sole trade business or join a partnership.

Required:

Advise him on the advantages of each form of business.

(15 marks)

Question 8

- (a) Explain the advantages of opening a:
- (i) current account. (3 marks)
 - (ii) deposit account. (2 marks)
- (b) Explain five functions of commercial banks to traders. (10 marks)
- (Total 15 marks)**