

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## ATC(U) EXAMINATIONS

### LEVEL ONE

#### COMMERCIAL ENVIRONMENT - PAPER 4

THURSDAY, 21 JUNE 2007

#### 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) In a well-managed organization, communication should be maintained through:
  - (a) having well-laid out programmes.
  - (b) having regular staff briefings.
  - (c) sending text messages.
  - (d) providing feedback on discussed issues.
- (ii) For any given report to have proper communication, the writer should have clearly stated the following **EXCEPT**:
  - (a) the name of the writer.
  - (b) when it was written.
  - (c) the author's address.
  - (d) the purpose for writing it.
- (iii) Which of the following is **NOT** a role of the secretary of a meeting?
  - (a) Sending out notices about the meeting to members.
  - (b) Calling the meeting to order.
  - (c) Taking note of the discussed issues.
  - (d) Ensuring that resolutions are put into action.
- (iv) Communication to an errant staff is made by the:
  - (a) Chief Administrative Officer.
  - (b) Public Relations Officer.
  - (c) Chief Accountant.
  - (d) Human Resources Manager.
- (v) When designing a public notice, the following should be given first priority in order of their importance:
  - (a) Clarity, brevity and audibility.
  - (b) Location, audience and time.
  - (c) Legibility, clarity and brevity.
  - (d) Audience, audibility and time.

- (vi) A speaker will only be understood when he / she satisfies the following qualities:
- (a) courtesy, pompousness and verbosity.
  - (b) clarity, legibility and caution.
  - (c) audibility, use of gestures and clarity.
  - (d) audibility, pompousness and verbosity.
- (vii) The pace at which decisions made in an organization are implemented will depend on the:
- (a) professionalism of the administrator.
  - (b) ethical values upheld by the organization.
  - (c) level of communication within the system.
  - (d) programming of activities and degree of time-management.
- (viii) What makes an official letter different from a personal letter?
- (a) The presence of an address in an official letter.
  - (b) The absence of a signature in a personal letter.
  - (c) The nature of the language used in the two types of letters.
  - (d) The position of the addressee's address in a personal letter.
- (ix) When attending an interview, the interviewee should:
- (a) try as much as possible to impress the interview panel.
  - (b) choose what to answer and what not to.
  - (c) be free to answer whatever they want.
  - (d) use clear language and pay attention to the questions asked.
- (x) "Hullo! May I know who I am talking to?" Give the correct response.
- (a) And who is that?
  - (b) Hullo! Where are you calling from?
  - (c) It's Joyce speaking.
  - (d) No, please; you don't need to.

### COMMERCE

- (xi) A person who neither contributes any capital nor participates in the running of the partnership, but allows the business to use his name as a partner is called a:
- (a) secret partner.
  - (b) nominal partner.
  - (c) retiring partner.
  - (d) quasi partner.

- (xii) Which of the following is **NOT** a type of general insurance?
- (a) Fire insurance.
  - (b) Assurance policy.
  - (c) Accident policy.
  - (d) Marine insurance.
- (xiii) Which of the following is **NOT** an advantage of a sole proprietorship?
- (a) Enjoyment of limited liability.
  - (b) Enjoyment of all profits.
  - (c) Quick decision making.
  - (d) High level of flexibility.
- (xiv) The process of distinguishing related products by producers is called:
- (a) blending.
  - (b) branding.
  - (c) standardization.
  - (d) pre-packing.
- (xv) Reinsurance means:
- (a) two or more insurance companies come together to insure a certain property.
  - (b) all the insured pay a stated sum of money in form of premiums.
  - (c) an insurance company insures itself with another insurer.
  - (d) dealing with people injured.
- (xvi) ..... is **NOT** a function of the stock exchange.
- (a) Determining price for securities
  - (b) Providing for the transfer of shares
  - (c) Providing statistical information about various companies
  - (d) Preventing transfer of shares
- (xvii) ..... is **NOT** a form of sales promotion in Uganda.
- (a) Price increments
  - (b) Intensive advertising
  - (c) Free gifts
  - (d) Credit facilities
- (xviii) A private limited company is a business organization with:
- (a) 1 to 20 members.
  - (b) 2 to 20 members.
  - (c) 2 to 50 members.
  - (d) 7 to infinity.

- (xix) Blue chips as used in the stock exchange means:
- (a) a collection of securities owned by one investor.
  - (b) division of stock into additional units.
  - (c) first-class shares issued by firms with a very good public image.
  - (d) securities issued and guaranteed by the government for the purpose of borrowing from the public to finance its expenditure.
- (xx) Standing order means:
- (a) money lent by the bank to its prominent customer exceeding the amount on his account.
  - (b) a bank customer authorizes his bank to pay money to the account of a named company or individual.
  - (c) when one orders his bankers to transfer money from his account to another account in another bank.
  - (d) a system where a customer of a bank with a current account authorizes his bank to pay a given amount of money to a named person or company at regular intervals.

## SECTION B: COMMUNICATION

### Question 2

**Read the following passage and answer the questions which follow.**

All investments or financial decisions have some form of risk whether it is inflation **eating away** the returns of fixed-income investments such as bonds or the wild price swings of some stocks. Financial professionals typically define risk by how **volatile** an investment is; how widely its value will swing from top to bottom.

One of the greatest stories about risks is found in the Bible in the book of Matthew Chapter 25. A wealthy man who was going for a year-long journey called three of his servants and gave one, five bags of gold, the second, two bags of gold and the third, one bag of gold.

The first two servants invested their money and doubled what they had been given, at 100% annual return. The third servant feared to lose his master's money and chose to **play it safe**; he dug a hole and hid the money in it until the time his master returned.

When the master returned all three servants came to give accounts. The first two were commended while the third who played it safe, got a **tongue lashing** and lost all the money he had been entrusted with to his two colleagues. Moral of the story: risk avoidance can be very risky.

Risk avoiders will put their money on fixed deposit account that pays slightly less than the prevailing rate of inflation. A good friend who is a master risk avoider put Shs 1 million on a fixed deposit account and when Stanbic shares were offered he could not buy the shares because the deposit was about to mature. My friend preferred to keep his money on the deposit because it was less risky compared to investing in shares.

When the fixed deposit matured my friend called and told me with pain in his voice that the bank had paid him a **paltry** interest of Shs 70,000. If he had bought Stanbic shares his return would have been in the region of Shs 500,000 even if he sold out at the lowest share price of Shs 105. The problem was that it was too late for my friend to get the Stanbic opportunity, **having shied away** in the first place because of fear of risk.

The best approach to risk is not avoiding it but rather learning how to **maximize opportunities** and minimize dangers. As one person put it “in the long run, **you only hit what you aim at**”. There are four things that can help you to handle risk better.

First you need to have realistic expectations. If you have an exaggerated vision of future returns you are setting up yourself for a fall. Learn how investments historically have performed over time before buying into them.

Secondly educate yourself about risk. The more you understand about the potential risks and rewards of specific types of investments, the better able you will be to pick the appropriate investments for you. Knowledge also reduces panic when markets turn rough or excessive **exuberance** when markets climb.

Third, use diversification to **dilute risk**. A well diversified portfolio is a good protection against risk. By mixing investments of different risks, you usually can reduce the overall volatility of your **portfolio** while still providing returns strong enough to achieve your goals. This can go a long way toward alleviating some of your fear of investment risk.

Fourth, improve your ability to incur risk. A sound emergency fund, proper insurance, stable income and overall good financial health can increase your capacity to take on greater risk and thus potentially earn a greater reward.

**(Source; Adapted from James Abola, Business Sunday, 2007).**

#### **Required:**

- (a) In about four or five words, provide a suitable title for the passage. **(2 marks)**
- (b) Give a suitable word / expression to replace each of the following expressions as used in the extract:

- |       |                |                |
|-------|----------------|----------------|
| (i)   | volatile       | (paragraph 1)  |
| (ii)  | tongue lashing | (paragraph 4)  |
| (iii) | paltry         | (paragraph 6)  |
| (iv)  | exuberance     | (paragraph 9)  |
| (v)   | portfolio      | (paragraph 10) |
| (vi)  | dilute risk    | (paragraph 10) |

**(6 marks)**

- (c) Explain what the writer meant by the following phrases as used within the context.

- |       |                              |               |
|-------|------------------------------|---------------|
| (i)   | eating away                  | (paragraph 1) |
| (ii)  | playing it safe              | (paragraph 3) |
| (iii) | having shied away            | (paragraph 6) |
| (iv)  | maximize opportunities       | (paragraph 7) |
| (v)   | you only hit what you aim at | (paragraph 7) |

**(10 marks)**

- (d) In about two sentences, summarise the advice given on how to handle risks.

**(2 marks)**

**(Total 20 marks)**

## SECTION C: COMMUNICATION

### Question 3

The organization you work for; 'NO Guarantee-Micro Finance Ltd' has just lost a senior member of staff (Mr. J. Ogeng) who has been an employee for 15 years; a diligent and self motivated worker. He has been working as the Secretary for Staff Welfare.

Assume that you are Theo Motema, the Public Relations Officer of NO Guarantee-Micro Finance Ltd and have been requested to deliver a speech at Ogeng's burial on behalf of the organization.

#### Required:

Write a speech you would present in which you may include:

- (i) background of the deceased.
- (ii) his achievements.
- (iii) his conduct and working relations at the place of work.
- (iv) any other information.

**(15 marks)**

#### Question 4

The Company you work for is arranging to conduct interviews for applicants for the position of a receptionist.

##### Required:

- (a) Design **six** sample questions you would ask the interviewees.  
(12 marks)
  - (b) Give **three** qualities expected of the interviewees facing an interview panel.  
(3 marks)
- (Total 15 marks)

#### Question 5

- (a) Mention at least **six** qualities of good minutes of a meeting and explain the importance of each.  
(12 marks)
  - (b) Give at least **three** reasons why minute recording is very important in any organisational meeting.  
(3 marks)
- (Total 15 marks)

### SECTION D: COMMERCE

#### Question 6

- (a) Briefly explain **three** qualities of a good salesman.  
(3 marks)
  - (b) Explain the importance of advertising to the:
    - (i) consumer. (6 marks)
    - (ii) producer. (6 marks)
- (Total 15 marks)

#### Question 7

- (a) Explain **five** functions of a retailer in home trade.  
(5 marks)
  - (b) What considerations should one have in mind when setting up a retail business?  
(10 marks)
- (Total 15 marks)

#### Question 8

- (a) What is a central bank?  
(3 marks)
  - (b) Explain the role of the central bank in developing an economy.  
(12 marks)
- (Total 15 marks)