

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## ATC(U) EXAMINATIONS

### LEVEL ONE

#### COMMERCIAL ENVIRONMENT - PAPER 4

**THURSDAY, 11 DECEMBER 2008**

#### 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 management, decision making mainly involves:
  - (a) identifying and selecting a course of action.
  - (b) realizing costs to be incurred and implementing an action.
  - (c) identifying benefits and addressing the set objectives .
  - (d) investigating the situation and monitoring the problem.
- (ii) Proper communication systems enable an organization to:
  - (a) build a good reputation.
  - (b) set aims and objectives.
  - (c) improve public relations.
  - (d) coordinate issues more effectively.
- (iii) Preparing a programme for scheduled activities guarantees:
  - (a) performance of activities in a given period of time.
  - (b) coordination of activities in a systematic order.
  - (c) motivation and maximum participation.
  - (d) setting objectives and desired goals.
- (iv) The most effective way of recruiting staff in Uganda is through:
  - (a) internal advertisements.
  - (b) private recruiting agencies.
  - (c) technical know-who.
  - (d) newspapers.
- (v) Both formal letters and reports are appropriate when:
  - (a) responding to feedback.
  - (b) giving clear definition of the subject.
  - (c) presenting factual information.
  - (d) avoiding detailed information.
- (vi) Which of the following is not a vital requirement of an advertisement?
  - (a) job description.
  - (b) job specification.
  - (c) job title.
  - (d) job opportunity.

- (vii) Abbreviations and symbols are not appropriate when:
- (a) writing minutes in a meeting.
  - (b) sending text messages on phone to workmates.
  - (c) taking notes in a company workshop.
  - (d) writing urgent reports on accountability.
- (viii) The qualities of a good Chairperson in a meeting include:
- (a) cooperative, perseverance, initiative.
  - (b) knowledgeable, adaptive, ability to communicate.
  - (c) cooperative, intelligent, perseverance.
  - (d) adaptive, intelligent, knowledgeable.
- (ix) When giving a speech, visual aids can be used:
- (a) to attract the attention of the audience.
  - (b) as substitutes for effective speaking.
  - (c) as supporting material to the content.
  - (d) to stimulate ideas about the topic.
- (x) One of the disadvantages of a board interview is that the:
- (a) interviewers keep interrupting one another.
  - (b) selected panel may find it hard to come to a consensus.
  - (c) interviewee may lose his confidence and diplomacy.
  - (d) interviewers have limited opportunity to ask many questions.

### COMMERCE

- (xi) Itinerant traders would exclude:
- (a) peddlers.
  - (b) cyclists.
  - (c) barrow boys.
  - (d) market vendors.
- (xii) The extraction of raw materials from nature falls under the production called:
- (a) secondary.
  - (b) primary.
  - (c) tertiary.
  - (d) indirect.

- (xiii) Which of the following is **NOT** an advantage of specialization?
- (a) Creates monotony.
  - (b) Increases production.
  - (c) Acquisition of skills.
  - (d) Encourages team work.
- (xiv) The reward for entrepreneurship is:
- (a) interest.
  - (b) wage.
  - (c) profit.
  - (d) rent.
- (xv) One is required to disclose all relevant information about what is to be insured. This is called:
- (a) indemnity.
  - (b) proximate cause.
  - (c) insurable interest.
  - (d) utmost good faith.
- (xvi) Co-insurance means:
- (a) a risk is so heavy that one insurance company cannot cover it alone.
  - (b) more than one insurer is in direct contractual relationship with the insured.
  - (c) people who are subjected to certain risks make financial contributions to the insurance company.
  - (d) the insured does not know the exact value of property to be insured.
- (xvii) Bears:
- (a) sale shares in the market when the prices are high anticipating a drop in their prices.
  - (b) buy shares when they are cheap hoping to sell them when the price goes up.
  - (c) deal in new shares.
  - (d) do not sell shares on the stock exchange market.

(xviii) Unquoted companies means:

- (a) amount paid out of the profit of the business to its shareholders depends on the number of shares held.
- (b) companies whose shares are bought and sold on the stock exchange.
- (c) companies whose shares are not traded on the stock exchange.
- (d) conversion of undistributed profits into share capital.

(xix) Which of the following is **NOT** true about bank overdraft?

- (a) It is given to current account holders only.
- (b) Interest is charged on it.
- (c) It is only given to someone holding an account in a particular bank.
- (d) It can be given to anyone, even with no account in that bank.

(xx) Two kinds of goods usually produced are:

- (a) investment goods and capital goods.
- (b) consumer goods and capital goods.
- (c) assets and liabilities.
- (d) labour and capital.

**SECTION B: COMMUNICATION****Question 2**

**Read the following passage and then answer the questions that follow.**

Inflation is back. Ugandan consumers are **bracing themselves** for harsher times as prices of goods and services **soar** to record levels, with economists calling for tax incentives as **last ditch effort** to prevent more damage to the country's **fragile** economy.

After enjoying a relatively calm year where prices of goods and services remained in sight of the government's target of 5%, **spiralling** oil prices on the world market and a weak dollar have come to haunt Ugandan consumers **creating dents** into their savings.

Largely driven by a rise in food prices and increase in the price of fuel, a **critical** component of the day-to-day running of a business, Uganda's rate of inflation, month to month has jumped to 8.1% the highest in the last 14 months – with economists predicting that the situation could get worse.

But as Ugandan farmers, keen on profits resort to exporting food crops, economists predict that such an increase in food prices is likely to drive fear in consumers, forcing them to watch their spending. In effect such cautious spending would lead to a decline in the consumption of **secondary needs** like buying air time, eating out in restaurants, among others, affecting the profitability of these firms.

And should some of these firms have any loans that they are servicing then they could be in trouble. Such firms face closure if inflation is not controlled. Many companies that have taken up loans will be **weighed down** by the increasing costs of production, **hampering** their ability to service the loan. This will lead to that company being taken under receivership where new administrators – acting on behalf of the bank – take over the company in an effort to recover the loan.

At the moment companies are in a **catch 22 situation**, where they are torn between rising prices to match the increasing production costs and retaining customers seeking lower prices.

**Adapted from "The Weekly Observer" April 17-23, 2008.**

**Required:**

- (a) In not more than three words give an appropriate title to the passage.  
(2 marks)

(b) Briefly give the contextual meaning of the following highlighted words in the passage.

- (i) Soar (paragraph 1).
- (ii) Fragile (paragraph 1).
- (iii) Spiralling (paragraph 2).
- (iv) Critical (paragraph 3).
- (v) Hampering (paragraph 5).

(5 marks)

(c) Explain the meaning of the following phrases as used in the passage:

- (i) bracing themselves.
- (ii) last ditch effort.
- (iii) creating dents.
- (iv) secondary needs.
- (v) weighed down.
- (vi) catch 22 situation.

(12 marks)

(d) Mention **one** predicted consequence of rising prices.

(1 mark)

(Total 20 marks)

### SECTION C: COMMUNICATION

#### Question 3

JM Enterprises is a government institution offering post graduate courses and has organized a workshop on a new programme to train job makers.

Below is the talk given by the Executive Director to the lecturers:

Ladies and Gentlemen:

The new programme is to train fresh graduates create their own jobs.

They will be given entrepreneurship skills for a year, an initiative aimed at reducing unemployment by trimming down job seekers.

The training programme starts in September. Students will be taught in groups of 500 for two days a week.

We shall orientate them with tested and proven entrepreneurship skills. We shall identify problems of local businesses and provide tailor-made solutions to each student's unique business needs for fast results.

The government has injected Shs 500 million into the project and students with promising business prospects will start their own businesses.

The students will be taken through several steps that include; business opportunity identification exercise, idea generation, selection, screening and testing as well as business profiling.

At the end of this exercise the students will be able to decide on a specific business venture to develop.

This is a practical solution for many unemployed graduates. They will acquire skills to start their own businesses. It will also create a wider tax-base for the country and probably the programme will spread to universities and colleges.

**Required:**

- (a) You are the Office Secretary of the Executive Director, make summary notes on the talk delivered.  
(10 marks)
  - (b) Give **three** communication tasks of an office secretary.  
(3 marks)
  - (c) Give **two** interpersonal skills which a secretary needs in order to discharge his / her duties effectively.  
(2 marks)
- (Total 15 marks)**

**Question 4**

You are the upcountry marketing manager of MWAKA, a mobile telephone company. The company intends to give Shs 20 million in a “stock and win” promotion to its upcountry dealers aimed at providing incentives and enable them expand their businesses. Several prizes are also to be won like pay-phones, airtime, bicycles and motor cycles.

**Required:**

- (a) Compose a humorous but persuasive advertisement to be broadcast on radio.  
(5 marks)
  - (b) Give **four** factors to consider when choosing a medium for an advertisement.  
(8 marks)
  - (c) Give **two** qualities of a good advertisement.  
(2 marks)
- (Total 15 marks)**



**Question 5**

Yalama Ltd., a micro finance company, has organized a farewell party for Mr. Elias Agula, who recently retired after forty years of service as the company's accountant. You are requested to deliver a speech on behalf of the Managing Director, who for unknown reasons has not turned up.

**Required:**

- (a) Draft a short speech you would deliver. (8 marks)
  - (b) Distinguish between a formal and informal speech. (4 marks)
  - (c) Give **three** factors to consider when making a speech. (3 marks)
- (Total 15 marks)**

**SECTION D: COMMERCE****Question 6**

- (a) Juma has just won Shs 2 million in the ongoing pepsi promotion. He is considering setting up a wholesale business. Advise him on the factors he should consider before setting up his business. (5 marks)
  - (b) Explain **five** types of wholesalers existing in Uganda. (10 marks)
- (Total 15 marks)**

**Question 7**

- (a) What is a cheque? (2 marks)
  - (b) Give **five** advantages of paying by cheque. (5 marks)
  - (c) Mention **eight** circumstances under which a cheque might be dishonoured. (8marks)
- (Total 15 marks)**

**Question 8**

- (a) Define the term "advertising". (2 mark)
  - (b) Give **six** advantages and **seven** disadvantages of radio advertising. (13 marks)
- (Total 15 marks)**