

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

COMMERCIAL ENVIRONMENT - PAPER 4

ATC(U) MODEL EXAMINATION PAPER

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

Question 1:

COMMUNICATION

- (i) Communication as a means makes the management process and operations possible by:-
 - (a) providing effective managerial planning, organising and controlling.
 - (b) adhering to organisational structures.
 - (c) issuing orders, tasks and assignments.
 - (d) criticising poor performance of subordinates.
- (ii) Communication is important in management because:-
 - (a) it provides a way of knowing stubborn employees and how to deal with them.
 - (b) it is a way by which facts, ideas, information and experience are exchanged in a company.
 - (c) it is the company's means to effect rules and regulations.
 - (d) it is the only way to yield results and avoid conflicts.
- (iii) Effective communication is reinforced by:-
 - (a) use of numerical and visual aids.
 - (b) use of written words and non-verbal communication.
 - (c) use of appropriate language and verbs.
 - (d) asking for and giving information.
- (iv) Meetings are potential sources of communication that can be described as:-
 - (a) an assembly of bureaucrats in offices who prefer talking rather than working.
 - (b) an assembly of people who use the opportunity to bring out their differences.
 - (c) an assembly of people who prefer speaking rather than listening to their bosses.
 - (d) an assembly of people who meet to advise and contribute towards good decisions and administration.
- (v) When taking notes from a speech, one should:
 - (a) copy the notes of fellow listeners.
 - (b) note down every detail the speaker mentions.
 - (c) concentrate entirely on memorising the speaker's actual words.
 - (d) try to anticipate what the speaker is likely say next.

(vi) An effective speech should:-

- (a) concern important issues.
- (b) consider the audience's needs.
- (c) include humour.
- (d) use a lot of body language.

(vii) When writing a report one should:-

- (a) consider the terms of reference, time and the reader.
- (b) be able to set goals and priorities.
- (c) try to anticipate the reaction of the readers.
- (d) concentrate entirely on his opinion.

(viii) Electronic communication is commonly used:-

- (a) when a company is concerned with important issues.
- (b) when a company is concerned with trivial issues.
- (c) to transmit messages quickly.
- (d) to show how prestigious a company is.

(ix) Which of the following is an external method of communication?

- (a) Compliment slip.
- (b) Local advertising.
- (c) Letters to subordinates.
- (d) Notice of a meeting.

(x) Vertical communication in an organisation is important because:-

- (a) ideas, suggestions, queries and criticisms from top management can reach employees.
- (b) the only way management can show authority to subordinates in an organisation.
- (c) the best way management can induce workers to produce results.
- (d) the information given orally can be written as instructions that can be obeyed by subordinates.

COMMERCE

- (xi) Activities aimed at getting the goods within the access of a consumer are referred to as:- .
- (a) Production activities
 - (b) Trade activities
 - (c) International activities
 - (d) Commercial activities
- (xii)is the most important document prepared by the owners when forming a Limited Liability Company.
- (a) Certificate of incorporation
 - (b) Articles of Association
 - (c) Memorandum of Association
 - (d) Certificate of trading.
- (xiii) Which of the following is a reward for entrepreneurship?
- (a) Rent
 - (b) Wages
 - (c) Profit
 - (d) Interest
- (xiv) A document which contains a list of goods offered for sale by a trader is known as:-
- (a) A catalogue.
 - (b) An invoice
 - (c) An order
 - (d) A delivery note
- (xv) A customer can issue ato his bank to effect specified regular payments to a named person for a specified period.
- (a) Credit transfer
 - (b) Standing order
 - (c) Banker's draft
 - (d) Money order.

- (xvi) The insurance policy which covers goods in ships or in ports is called:
- (a) Voyage policy
 - (b) Marine hull policy
 - (c) Floating policy
 - (d) Marine cargo policy
- (xvii) A tertiary producer refers to:
- (a) A producer of a service
 - (b) A producer of raw materials
 - (c) A producer of goods and services
 - (d) A producer of semi-finished goods
- (xviii) What is a bank loan?
- (a) A large sum of money borrowed from a friendly organisation.
 - (b) Money borrowed from the bank for the purpose of expanding a business.
 - (c) Money over drawn on the customer's current account in excess of what is deposited.
 - (d) A large sum of money borrowed from a bank for a fixed term at a fixed rate of interest and backed by collateral security.
- (xix) 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.
- (xx) Which one of the following functions of a wholesaler benefits consumers?
- (a) Extending credit facilities to consumers.
 - (b) Helping in keeping prices of goods stable.
 - (c) Buying goods in large quantities and selling them in small quantities to consumers.
 - (d) Transporting goods to the consumers' premises.

SECTION B – COMMUNICATION

Question 2:

Read the following passage carefully and answer the questions that follow:-

Adams Anderson was feeling somewhat smug as he walked into his friendly banker's office with his product and some **scribbled** notes in hand. He had a prototype of what he called an "ampliphone" which he had put together in his basement. The "ampliphone" was a sort of combination walkman type handset and hand-free microphone that **switchboard operators** used. The product had a connector jack that would connect into the handset cord of a telephone. Each earpiece had its own volume dial and the entire unit was held together with a tension spring mechanism that allowed it to be **slipped on and off** easily with one hand.

Anderson's father had a **hearing impairment**. He especially had trouble hearing over the telephone with normal hearing aids. He had tried a number of amplifiers but most of them were **unsatisfactory**. One reason that many of the products were unsatisfactory was that room noise bothered the ear opposite the telephone. Others amplified both the outgoing noise and the incoming message. Furthermore, since his father's hearing was impaired in both ears, Anderson reasoned that by using the walkman type headsets that covered both ears, it would not only block out room noise but it would amplify the sound in both ears rather than in one. The nice thing about using the hand-free version was that the users' hands could then move freely to adjust the volume up or down for each ear.

The **prototype** wasn't really difficult to put together. In fact Anderson used parts from existing radios and telephone headsets. He gave the prototype to his father who was amazed by the ease of its use and the resultant improvement of his ability. He was now able to hear properly during telephone calls.

Anderson calculated what individual pieces would cost. He added labour costs and determined a price for production. Then with his product and **cost figures in hand**, he met with the commercial loans officer of his bank to request for US \$10,000 for production purposes.

A very dejected Anderson left the bank a few minutes later, **devastated** by a polite but pessimistic banker; who explained to Anderson that his cost figures were no good, he had no business plan, no ideas on how to market his product. In addition the price Anderson quoted was (in the bankers view) about what the product should sell for at retail not what a manufacturer should get.

Three months later, a confident Adams Anderson **strolled into** the commercial loans office, **armed with** a refined product; a new cost estimate, sources of supply for the components, letters from several people who tried the product and a five-page business plan.

Again a dejected Anderson exited the bank. This time he had convinced the loans officer of the **viability** of his product even though the cost estimates were still somewhat high. But the banker was not willing to **underwrite** the start-up costs necessary to put up the product into mass production.

Source: *Adapted from Venture Perspectives, by Fred L. Fry, (1995) Entrepreneurship - A Planning Approach.*

Required:

(a) Write a suitable title for the passage. **(2 marks)**

(b) What do these words mean in the passage?

- (i) Scribbled.
- (ii) Unsatisfactory.
- (iii) Prototype.
- (iv) Devastated.
- (v) Viability.
- (vi) Underwrite.

(6 marks)

(c) In your own words, explain the meaning of the following phrases:

- (i) switchboard operators.
- (ii) hearing impairment
- (iii) slipped on and off.
- (iv) cost figures.
- (v) strolled into.
- (vi) arrived with.

(6 marks)

(d) In about twenty words, explain how Anderson convinced the loans officer that his product was viable. **(6 marks)**

(Total 20 marks)

SECTION C - COMMUNICATION

Question 3:

Imagine that during Easter Holidays, your neighbour informed you that he heard an announcement over Radio Uganda that there were changes in the ATC(U) Examinations timetable.

Required:

Write to the Examinations Officer, Institute of Certified Public Accountants of Uganda (ICPAU) requesting for clarification on the current examinations timetable. Ensure that your head of department and principal's or director's office are informed.

(15 marks)

Question 4:

- (a) You want to inform the students body about a public speech which will be held at Lubaga Vocational Centre Hall.

Required:

Draft a message to be printed and displayed on the notice boards. Indicate the charges, timetable, title of the speech, main speaker(s) and organisers.

(8 marks)

- (b) You are a Secretary to Kampala Accounting Technicians Society.

Required:

Prepare a notice for the Annual General Meeting and the agenda for the meeting.

(7 marks)

(Total 15 marks)

Question 5

A good communicator takes into account the use of graphical and visual aids when selecting the best way of imparting information. Assume that your uncle who owns a fuel filling station in Nakulabye has offered you vocational employment. One of your duties is to advise him on sales.

Below are details of sales of Petrol, Diesel, Paraffin and lubricating oils, in the last quarter of the year 2001.

First Quarter 2001 Sales in Ushs.

Month	Petrol	Diesel	Paraffin	Lubricating Oils
January	5,500,000	3,000,000	1,500,000	2,150,000
February	4,200,000	3,500,000	1,200,000	1,900,000
March	5,300,000	4,200,000	1,005,000	2,000,000

Required:

- (a) Construct a line graph illustrating the sales of the above product. (7 marks)
 - (b) Briefly give an interpretation of the company's performance based on the line graph you have constructed in (a) above. (8 marks)
- (Total 15 marks)**

SECTION D - COMMERCE

Question 6:

- (a) What is retail trade? (2 marks)
 - (b) Mention four qualities of a good retailer (6 marks)
 - (c) What factors should be considered when starting a retail business? (7 marks)
- (Total 15 marks)**

Question 7

- (a) What is a partnership? (2 marks)
 - (b) Why do professionals like Public Accountants and lawyers operate as partnerships? (8 marks)
 - (c) What problems are likely to be encountered by such firms mentioned in (b) above? (5 marks)
- (Total 15 marks)**

Question 8

- (a) Distinguish between an open cheque and a crossed cheque (4 marks)
 - (b) What is the significance of crossing a cheque? (2 marks)
 - (c) Under what circumstances can a cheque bounce? (6 marks)
 - (d) Give three advantages of using a cheque when making payments. (3 marks)
- (Total 15 marks)**