

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

COMMERCIAL ENVIRONMENT - PAPER 4

MONDAY, 18 JUNE 2012

INSTRUCTIONS TO CANDIDATES:

1. Time allowed: **3 hours 15 minutes**.
The first 15 minutes of this examination have been designated for reading time. You may not start to write your answer during this time.
2. This examination contains Sections **A**, **B**, **C** and **D**.
3. Section **A** is bound separately from Sections **B**, **C** and **D**.
2. Attempt all the 20 multiple choice questions in Section **A**. Each question carries 1 mark.
4. Attempt the compulsory comprehension question in Section **B** carrying 20 marks.
5. Attempt **two** of the **three** questions in Section **C**. Each question carries 15 marks.
6. Attempt **two** of the **three** questions in Section **D**. Each question carries 15 marks.
7. Write your answer to each question in a separate answer booklet.
8. Please, read further instructions on the answer booklet, before attempting any question.

SECTION B

This section has one compulsory question to be attempted.

Question 2

Read the following passage and answer the questions that follow:

As a general rule, money is only borrowed if it is going to be used to create more money. Yet sometimes you might be faced with situations so **dire** that only a personal loan can **guarantee redemption**.

A personal loan can help you purchase a car, house, pay your school fees, mortgage arrears, or home improvement requirements.

Before deciding on a personal loan, first establish whether you really need the loan. Then ask yourself whether you can manage without the loan. Find out if it is possible to get money by other means.

These factors will help you make an informed decision. Do not be tempted to **give in to** the marketing executives, however convincing they may be because that decision has to be yours.

If you decide to secure the loan, the next step is to determine the amount you want to borrow. This will depend on the rate of interest being offered, the repayment terms and all related fees like penalties and the late repayments. Integrating these factors into your decision making process is important because you are buying an amount of money at a price higher than the lender would pay for. In this way the lending person or institution makes profits.

There are two main types of personal loans; secured personal loans where the lender gives money on the back of collateral by the borrower.

Collateral could take any form; house, land, car or even shares of a company listed on the Stock exchange. Unsecured personal loans are given without any pledge of collateral. It **entails** higher interest rates because the lender faces a higher risk of losing money. This explains why the interest rate on salary loan is high.

Despite the high interest rates, there are several benefits related to personal loans. Collateral are not required and the borrower does not need to **pledge his or her asset** in order to secure the loan. In more developed countries, the advantages include lack of need to **verify the borrower's** background with supporting documents. There is neither need for tax returns nor financial statements. In Uganda, salary loan applicants are usually **smitten** by the quick approval and easy application process (at some banks a salary loan can be approved within three days).

After approving your application, the bank will provide you with a lump sum of money (on your account of course) to be repaid over a period of time. Ideally the interest rate depends on the repayment period. Most financial Institutions charge less interest rates if the repayment period is long. Others reduce the interest for every amount repaid. The financial institution has to inform you of the amount of interest you will be charged.

It is important to remember that since the financial industry is **liberalized**, financial institutions are free to set their own rates of interest. Therefore, investigate the type of interest rate charged. Is it floating or fixed? Can it be revised without your consent?

Above all, establish any **penalties** involved and all related costs incurred for securing a loan. If you already have a loan with a bank, do not be afraid to approach another bank for a loan, because the new lender might decide to **buy off** your other loan.

(Source: Daily Monitor, 20 September 2008)

- (a) Give a suitable title for this passage. **(2 marks)**
- (b) Give the meaning of the following expressions as used in the passage:
- (i) dire **(1 mark)**
 - (ii) collateral **(1 mark)**
 - (iii) entails **(1 mark)**
 - (iv) liberalized **(1 mark)**
 - (v) smitted **(1 mark)**
 - (vi) penalties **(1 mark)**
- (c) Explain the meaning of the following according to context:
- (i) guarantee redemption. **(2 marks)**
 - (ii) give in to. **(2 marks)**
 - (iii) pledge his or her asset. **(2 marks)**
 - (iv) verify the borrower. **(2 marks)**
 - (v) buy off. **(2 marks)**
- (d) In two sentences summarize the advice given to people intending to take loans. **(2 marks)**

(Total 20 marks)

SECTION C

Attempt two of the three questions in this section

Question 3

You are the personnel manager of Ainebyoona Group of Companies and have just received a call from one of your country branches to go and suppress a rebellion by the aggrieved employees because of:

- poor remuneration
- lack of job security
- dangerous working conditions.
- arrogance of supervisors.
- and so on.

Required:

- (a) Draft a speech to address the workers. (10 marks)
- (b) Explain with examples the difference between a briefing and a speech. (4 marks)
- (c) Give one example of non-verbal communication. (1 mark)
- (Total 15 marks)**

Question 4

G.M & Company are looking for a qualified person to fill the vacancy of Assistant Accountant. Applicants should have the following specifications:

- at least an accounting technicians certificate or its equivalent.
- at least 2 years of relevant working experience in a busy environment.
- age range of 25-35 years.
- good communication skills.

Applications should be addressed to the Personnel Officer G.M & Company, P.O Box 1911, Kampala, to reach him not later than 25 June 2012.

Required:

Write an application letter for the job of Assistant Accountant. (15 marks)

Question 5

- (a) Suggest **four** reasons why there should be meetings in any organization.
(4 marks)
 - (b) Give **four** roles of a chairperson of any given meeting.
(5 marks)
 - (c) What **three** considerations would you bear in mind when choosing someone to become a chairperson of a meeting?
(6 marks)
- (Total 15 marks)

SECTION D: COMMERCE

Attempt two of the three questions in this section

Question 6

- (a) Define the term 'branding'.
(2 marks)
 - (b) Outline **five** characteristics of branded goods.
(5 marks)
 - (c) Explain **four** benefits of branding to the producer.
(8 marks)
- (Total 15 marks)

Question 7

- (a) Mention any **three** types of large scale retail shops.
(3 marks)
 - (b) Explain **six** advantages and **six** disadvantages of large scale retailers.
(12 marks)
- (Total 15 marks)

Question 8

- (a) Distinguish between persuasive advertising and informative advertising.
(5 marks)
 - (b) Explain **five** advantages of advertising to the:
 - (i) producer. (5 marks)
 - (ii) consumer. (5 marks)
- (Total 15 marks)