

Fundamentals Level – Knowledge Module

Accountant in Business

Specimen Exam applicable from June 2014

Time allowed: 2 hours

This paper is divided into two sections:

Section A – ALL 46 questions are compulsory and MUST
be attempted

Section B – ALL SIX questions are compulsory and MUST
be attempted

Do NOT open this paper until instructed by the supervisor.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

paper



Section A – ALL 46 questions are compulsory and MUST be attempted

Please use the space provided on the inside cover of the Candidate Answer Booklet to indicate your chosen answer to each multiple choice question.

- 1 The major purpose of the International Accounting Standards Board (IASB) is to ensure consistency in _____.

Which two words complete the sentence above?

- A Financial control
- B Corporate reporting
- C External auditing

(1 mark)

- 2 The leadership style that least acknowledges the contribution that subordinates have to make is _____.

Which word correctly completes the sentence above?

- A Authoritarian
- B Autocratic
- C Assertive

(1 mark)

- 3 In relation to the management of conflict, which of the following approaches will maximise the prospect of consensus?

- A Acceptance
- B Negotiation
- C Avoidance
- D Assertiveness

(2 marks)

- 4 Darragh has been appointed to the management team of a professional football club. His role includes coaching, mentoring and counselling young players who have just signed contracts with the club for the first time.

The following are his main activities:

- 1 Helping the young players to settle in during their first week
- 2 Identifying each player's key skills and encouraging them to develop new skills
- 3 Advising the players on addressing personal issues, such as managing their finances
- 4 Helping the players to anticipate opponents' reactions

Which of the following matches the correct role to carry out in each of the four activities?

- A 1. Mentor 2. Counsellor 3. Coach 4. Counsellor
- B 1. Mentor 2. Coach 3. Counsellor 4. Coach
- C 1. Mentor 2. Coach 3. Counsellor 4. Mentor
- D 1. Counsellor 2. Mentor 3. Coach 4. Counsellor

(2 marks)

- 5 In order to ensure that the policies of an organisation are consistent with the public interest, on which of the following should the directors of a company focus?**
- A The long-term welfare of the shareholders
B Compliance with legal requirements and codes of governance
C The collective well-being of stakeholders

(1 mark)

- 6 Martin is an experienced and fully trained shipbuilder, based in a western European city. Due to significant economic change in supply and demand conditions for shipbuilding in Martin's own country, the shipyard he worked for has closed and he was made redundant. There was no other local demand for his skills within his own region and he would have to move to another country to obtain a similar employment, and could only find similar work locally through undertaking at least a year's retraining in a related engineering field.**

Which of the following describes the type of unemployment that Martin has been affected by?

- A Structural unemployment
B Cyclical unemployment
C Frictional unemployment
D Marginal unemployment

(2 marks)

- 7 Which of the following is the MAIN function of marketing?**

- A To maximise sales volume
B To identify and anticipate customer needs
C To persuade potential consumers to convert latent demand into expenditure
D To identify suitable outlets for goods and services supplied

(2 marks)

- 8 The following are sanctions used against companies for potentially unlawful actions:**
- 1 Investigation of its financial affairs by a government department or agency
 - 2 Imposition of a fine by the government's company registration body
 - 3 Refusal of the external auditor to sign the financial accounts
 - 4 Suspension of dealings in securities by the stock exchange

Which of the above are the consequences of a listed company failing to file its accounts?

- A 1 and 2
B 1 and 3
C 2 and 4
D 3 and 4

(2 marks)

- 9** The overall average age of a population in a country is directly dependent on two demographic factors: Birth rate and death rate.

Assuming equal rates of change, which of the following must lead to an overall ageing of the population?

	Birth rate	Death rate
A	Rising	Rising
B	Falling	Rising
C	Rising	Falling
D	Falling	Falling

(2 marks)

- 10** Gils is conducting an appraisal interview with his assistant Jill. He initially feeds back to Jill areas of strengths and weaknesses of performance but then invites Jill to talk about the job, her aspirations, expectations and problems. He adopts a non-judgemental approach and offers suggestions and guidance.

This is an example of which approach to performance appraisal?

- A Tell and sell approach
- B Tell and listen approach
- C Problem solving approach
- D 360 degree approach

(2 marks)

- 11 What is the primary responsibility of the external auditor?**

- A To verify all the financial transactions and supporting documentation of the client
- B To ensure that the client's financial statements are reasonably accurate and free from bias
- C To report all financial irregularities to the shareholders of the client
- D To ensure that all the client's financial statements are prepared and submitted to the relevant authorities on time

(2 marks)

- 12** The following are examples of business information:

- (1) Annual forecasts of revenues and costs for a department
- (2) Product development plans for the next 2–3 years
- (3) Targets agreed by key managers at their performance appraisal interviews

Which of the above would be classified as tactical information?

- A 1, 2 and 3
- B 1 and 3 only
- C 2 and 3 only

(1 mark)

- 13** Wasim is the Customer Services Manager in a large leisure park. The forthcoming weekend is going to be the busiest of the year, as it is a public holiday. Wasim has to cope with several absentees, leaving him short-staffed in public areas of the park. His manager has told him that he expects him to catch up with some administrative reports that were due last week. Wasim also has to arrange for six new staff to be trained, who will be arriving imminently.

In order to manage his workload most effectively, what should Wasim do?

- A** Prioritise the tasks in relation to the most important business outcomes
- B** Deal with the reports that the manager insists be prepared
- C** Train the new recruits
- D** Carry out some of the work that the absentees would normally do

(2 marks)

- 14** In order to discharge their duties ethically, finance directors must ensure that the information published by their organisations provides a complete and precise view of the position of the business, without concealing negative aspects that may distort the reader's perception of its position.

This duty describes which of the following ethical principles?

- A** Probity
- B** Honesty
- C** Independence
- D** Objectivity

(2 marks)

- 15 Which of the following is a purpose of the International Federation of Accountants?**

- A** Agreement of legally binding financial reporting standards across all member accountancy organisations
- B** Prevention of international financial crimes, such as money laundering and insider dealing
- C** Promotion of ethical standards in all member organisations
- D** Development of universally applicable detailed rules to deter inappropriate behaviours

(2 marks)

- 16 The following government policies can be used to expand or slow down the level of economic activity.**

- 1 Taxation
- 2 Public expenditure

Which of the following combinations of policy would maximise expansion of the economy?

- A** Increase 1 and increase 2
- B** Increase 1 and reduce 2
- C** Reduce 1 and increase 2
- D** Reduce 1 and reduce 2

(2 marks)

17 Neill works as the procurement manager of JL Company, a large services company.

Information provided by Neill is most relevant to which of the following elements of the marketing mix?

- A** Physical evidence
- B** Distribution (or place)
- C** Price
- D** Processes

(2 marks)

18 In relation to employee selection, which type of testing is most appropriate for assessing the depth of knowledge of a candidate and the candidate's ability to apply that knowledge?

- A** Intelligence testing
- B** Competence testing
- C** Psychometric testing

(1 mark)

19 Malachi has been asked by his manager to obtain information about ABC Company, which is bidding for a contract offered by Malachi's company in the near future. The two statements which he will be using as his sources are the statement of financial position (SOFP) and the statement of profit or loss (SOPL). The information he is required to obtain is as follows:

- 1: The equity of the company
- 2: Operating costs as a percentage of turnover
- 3: Long-term borrowings
- 4: Liquidity

Which of the following correctly matches the above items of information with the financial statements in which they would be found?

	1	2	3	4
A	SOFP	SOPL	SOPL	SOFP
B	SOPL	SOFP	SOFP	SOPL
C	SOPL	SOFP	SOPL	SOFP
D	SOFP	SOPL	SOFP	SOFP

(2 marks)

20 Linh owns a busy restaurant. She has had complaints from regular customers about diners failing to control their noisy and unruly children, which is spoiling their dining experiences.

Which of the following courses of action would be regarded as a pluralist solution to this problem?

- A** Setting aside a separate section of the restaurant for families with children
- B** Not accepting bookings from families with children
- C** Advising customers that the restaurant is a family restaurant before they book
- D** Taking no action, assuming that those who complain will always be a minority

(2 marks)

21 Which of the following is data protection legislation primarily designed to protect?

- A** All private individuals and corporate entities on whom only regulated data is held
- B** All private individuals on whom only regulated data is held
- C** All private individuals on whom any data is held

(1 mark)

22 The system used by a company to record sales and purchases is an example of which of the following?

- A** A transaction processing system
- B** A management information system
- C** An office automation system
- D** A decision support system

(2 marks)

23 The following are stakeholders of a business organisation:

1. Manager
2. Customer
3. Executive Director
4. Supplier

Which of the above are CONNECTED stakeholders?

- A** 1, 2 and 3
- B** 2 and 4
- C** 2 and 3 only
- D** 3 and 4

(2 marks)

24 In an economic environment of high price inflation, those who owe money will gain and those who are owed money will lose.

Is this statement true or false?

- A** True
- B** False

(1 mark)

25 Role playing exercises using video recording and playback would be most effective for which type of training?

- A** Development of selling skills
- B** Regulation and compliance
- C** Dissemination of technical knowledge
- D** Introduction of new processes or procedures

(2 marks)

26 Renata has attended a leadership development course in which she experienced a self-analysis exercise using the Blake and Mouton managerial grid. The course leader informed her that the results suggested that Renata demonstrated a 9·1 leadership style.

What other conclusions may be drawn in relation to Renata's leadership style?

1. She maximises the involvement of her team
2. She demonstrates little concern for people in the team
3. She balances the needs of the team with the need to complete the task.
4. She is highly focused on achieving the objectives of the team.

- A** 1 and 2
B 2 and 4
C 1 and 4
D 2 and 3

(2 marks)

27 The implementation of a budgetary control system in a large organisation would be the responsibility of the internal auditor.

Is this statement true or false?

- A** True
B False

(1 mark)

28 The following are duties of either internal or external auditors:

- (1) Confirming that the financial accounts present a true and fair view
- (2) Confirming that there are appropriate policies for preventing and detecting fraud
- (3) Confirming that the financial accounts have been prepared in accordance with legal requirements

Which of the above are the roles of an external auditor?

- A** 2 and 3
B 1 and 2
C 1 and 3

(1 mark)

29 Professional accountants must demonstrate integrity at all times.

Which of the following best describes the meaning of integrity?

- A** Applying consistently high moral values
B Maintaining a neutral and unbiased view on all business decisions
C Providing timely and accurate information free from errors

(1 mark)

- 30** The following are either characteristics of a co-operative or of a public limited company:
- (1) Maximising the excess of income over expenditure not a primary objective
 - (2) Members can vote according to the number of shares owned
 - (3) Shares can be bought and sold through personal transactions of the members
 - (4) All members are invited to attend the annual general meeting and participate in decisions at the meeting
- Which of the above are the characteristics of public limited companies?**
- A** 2, 3 and 4
B 2 and 3 only
C 2 and 4 only
D 3 and 4 only
- (2 marks)
- 31** A company has advertised for staff who must be at least 1.88 metres tall and have been in continuous full-time employment for at least five years.
- Which of the following is the legal term for this practice?**
- A** Direct discrimination
B Indirect discrimination
C Victimisation
D Implied discrimination
- (2 marks)
- 32** Which one of the following statements is correct in relation to monetary rewards in accordance with Herzberg's two-factor theory?
- A** Pay increases are a powerful long-term motivator
B Inadequate monetary rewards are a powerful dissatisfier
C Monetary rewards are more important than non-monetary rewards
D Pay can never be used as a motivator
- (2 marks)
- 33** In a higher education teaching organisation an academic faculty is organised into courses and departments, where teaching staff report both to course programme managers and to subject specialists, depending on which course they teach and upon their particular subject specialism.
- According to Charles Handy's four cultural stereotypes, which of the following describes the above type of organisational structure?**
- A** Role
B Task
C Power
D Person
- (2 marks)

34 Which pattern of communication is the quickest way to send a message to all intended recipients?

- A The circle
- B The chain
- C The Y
- D The wheel

(2 marks)

35 Kelly wants to explain a business problem to Pawel on the telephone.

Who will be involved in ‘encoding’ the communication that takes place?

- A Kelly
- B Pawel
- C Kelly and Pawel

(1 mark)

36 Which of the following types of new legislation would provide greater employment opportunities in large companies?

- A New laws on health and safety
- B New laws to prevent discrimination in the workplace
- C New laws making it more difficult to dismiss employees unfairly
- D New laws on higher compensation for employer breaches of employment contracts

(2 marks)

37 What is the responsibility of a Public Oversight Board?

- A The establishment of detailed rules on internal audit procedures
- B The commissioning of financial reporting standards
- C The creation of legislation relating to accounting standards
- D The monitoring and enforcement of legal and compliance standards

(2 marks)

38 Adrian is the manager of a call centre. Consultants have advised him that by reorganising his teams to complete highly specific tasks the call centre will be able to increase the throughput of work significantly, as well as increasing the number of sales calls made to the public. The reorganisation proposals are unpopular with many workers, who feel that their jobs will become tedious and repetitive.

The proposal to reorganise the work of the call centre utilises principles put forward by which school of management thought?

- A The administrative school
- B The empirical school
- C The scientific school

(1 mark)

39 The aggregate level of demand in the economy is made up of government expenditure, _____, _____ and net gains from international trade.

Which of the following correctly completes the sentence above?

1. Savings
 2. Taxation
 3. Investment
 4. Consumption
- A** 1 and 3
B 2 and 3
C 3 and 4
D 1 and 4

(2 marks)

40 In the context of marketing, the 'four Ps' are price, promotion, _____ and _____.

Which TWO words correctly complete the above sentence?

1. Product
 2. Positioning
 3. Place
- A** 1 and 3
B 1 and 2
C 2 and 3

(1 mark)

41 Which one of the following is a potential advantage of decentralisation?

- A** Risk reduction in relation to operational decision-making
B More accountability at lower levels
C Consistency of decision-making across the organisation

(1 mark)

42 FKT Company is considering the introduction of a code of ethics following media criticism of its selling practices.

Which of the following is most important when deciding on the content of the proposed code of ethics?

- A** The minimum acceptable standards of behaviour and conduct of employees
B The legal requirements affecting the sales of core products and services
C The main issues of concern to customers who have made complaints
D The generally accepted standards by other companies operating in the same sector

(2 marks)

43 Ahmed is preparing his personal development plan. He is particularly concerned about how others see him.

In order to analyse this aspect of his personal development plan further, Ahmed should consider which of the following?

- A** Problems and strengths
- B** Strengths and opportunities
- C** Strengths and weaknesses

(1 mark)

44 Jackie leads an established team of six workers. In the last month, two have left to pursue alternative jobs and one has commenced maternity leave. Three new staff members have joined Jackie's team.

Which one of Tuckman's group stages will now occur?

- A** Norming
- B** Forming
- C** Performing
- D** Storming

(2 marks)

45 In the context of fraud, 'teeming and lading' is most likely to occur in which area of operation?

- A** Sales
- B** Quality control
- C** Advertising and promotion
- D** Despatch

(2 marks)

46 Which of the following statements is true in relation to the average revenue function of a business in a perfect market?

- A** It is diagonal
- B** It is horizontal
- C** It is vertical

(1 mark)

Section B – ALL SIX questions are compulsory and MUST be attempted

1 Here are four short references to the function of management:

- A** There are essentially five functions of management that apply to any organisation
- B** Individual and group behaviour at work is a major factor in productivity.
- C** Management is the development of a true science of work.
- D** The manager of a business has one basic function – economic performance.

Required:

(a) Identify the description above which is associated with each of the following theorists, by selecting A, B, C, D or None.

- (i) Peter Drucker
- (ii) Elton Mayo
- (iii) Henry Mintzberg
- (iv) F W Taylor

Note: The total marks will be split equally between each part.

(2 marks)

(b) Below are listed five functions of management.

- A** Planning
- B** Organising
- C** Managing
- D** Monitoring
- E** Motivating

Required:

Write down which two of the above are those functions identified by Fayol by selecting TWO of the letters from (A, B, C, D, E).

(2 marks)

(4 marks)

- 2 (a)** XYZ Company installed a computer system to handle its main accounting functions including accounts receivable, accounts payable and payroll. Management has a number of concerns about access to the system and are considering a number of controls to overcome those concerns.

The following are types of control they are considering:

- A** General control
- B** Application control

Required:

Classify the following as either A (General control) or B (Application control):

- (i) Locking the computer room to prevent access to non-employees.
- (ii) Limiting access to the payroll system by making it password protected.
- (iii) Taking backup of data files each evening and holding backup copies off-premises.
- (iv) Providing basic IT training to the entire staff to prevent errors in using the system.

Note: The total marks will be split equally between each part.

(2 marks)

- (b)** A company has considerable cash collections on a regular basis. The cashier receives the cash, records it and then banks it at the end of each day. Since a single person is responsible for access to cash, the financial director is concerned that fraud and error may occur in cash handling and recording. He proposes use of appropriate internal controls to prevent any such errors or misappropriations.

The following are specific examples of internal controls used in business:

- A** Segregation of duties
- B** Induction and training
- C** Authorisation limit
- D** Internal audit

The following sentences contain gaps which specify the appropriate internal control which could be used to prevent fraud and errors.

Fraud and errors in handling cash can be prevented through **1** since no one individual could record and process a complete transaction.

Required:

- (i) Select the correct internal control which appropriately fills gap 1 above; i.e. select A, B, C or D.**

(1 mark)

Even if such a measure were introduced, the possibility exists that staff could act together to perpetrate fraud and bypass this control. This can be prevented through **2** as it would ensure awareness of the heavy sanctions to be imposed in cases of dishonesty.

- (ii) Select the correct internal control which appropriately fills gap 2 above; i.e. select A, B, C or D.**

(1 mark)

(4 marks)

- 3** There are a number of ways of developing staff on a one-to-one basis within organisations. Each has its own strengths and weaknesses and is appropriate in different work situations.

Examples of types of development include coaching, mentoring, counselling and appraising.

Required:

(a) For each type of development below, which work situation is most appropriate?

- A** An interview to help another person to identify and work through a problem.
 - B** A longer term relationship in which a more experienced person encourages an individual's personal and career development.
 - C** An approach whereby a trainee is put under the guidance of an experienced employee who shows the trainee how to perform tasks.
 - D** An interview, the aim of which is to review performance and identify training and development needs.
- (i) Coaching. Select ONE of A, B, C or D**
 - (ii) Mentoring. Select ONE of A, B, C or D**
 - (iii) Counselling. Select ONE of A, B, C or D**
 - (iv) Appraising. Select ONE of A, B, C or D**

Note: The total marks will be split equally between each part.

(2 marks)

(b) An organisation uses mentoring as a form of one-to-one personal development.

- A** Determine remuneration
- B** Decide promotions
- C** Career and personal development
- D** Resolve a grievance
- E** Demonstrating how to perform
- F** Using experienced staff for training
- G** Providing a role model for an employee

Required:

Which TWO of the above are benefits of this approach? Select TWO from (A, B, C, D, E, F, G). (2 marks)

(4 marks)

- 4** Sport-4-Kidz is a charitable organisation that operates a sports centre in a large city.

The land on which the playing fields and facilities are located is held on behalf of the charity by Donna and Dietmar, the two trustees. Donna and Dietmar simply hold the land on behalf of Sport-4-Kidz and play no role in running the charity. They are rarely contacted by the management of the charity. However, they are the only people who are able to enter into contracts in relation to the land and its use.

Sport-4-Kidz is managed and operated by a management committee. The committee has decided on a major expansion of facilities by building a new sports hall. The committee has the power to legally bind the charity in all matters other than the land. Their decisions are overseen by the government charity regulator, which generally sanctions the charity's decisions except in relation to financial reporting.

The management committee is negotiating with four building companies.

The proposed expansion of the facilities has angered the local residents, many of whom are concerned about heavy building site traffic and the danger posed to their children. Many believe that the design of the new sports hall is ugly and insensitive. Three well-respected local politicians serve on the residents' committee.

- (a)** The following are types of stakeholder:

- A** Internal stakeholder
- B** External stakeholder
- C** Connected stakeholder

Required:

For each of the following, indicate whether they are internal, connected or external stakeholders.

- (i) Donna and Dietmar. Select one of A, B or C**
- (ii) Members of the management committee. Select one of A, B or C**
- (iii) The four building companies. Select one of A, B or C**
- (iv) Local residents. Select one of A, B or C**

Note: The total marks will be split equally between each part.

(2 marks)

(b) Complete the following sentences about Sport-4-Kidz stakeholders, with reference to Mendelow's grid.

The local residents exert 1 and should be 2

(i) Select which ONE of the following fills Gap 1:

- A high power, low interest
- B high power, high interest
- C low power, low interest
- D low power, high interest

Write down A, B, C or D.

(ii) Select which ONE of the following fills Gap 2:

- A treated as a key player
- B kept satisfied
- C kept informed

Write down A, B, or C.

The building companies exert 3 and should be 4

(iii) Select which ONE of the following fills Gap 3:

- A high power, low interest
- B high power, high interest
- C low power, low interest
- D low power, high interest

Write down A, B, C or D.

(iv) Select which ONE of the following fills Gap 4:

- A treated as a key player
- B kept satisfied
- C kept informed

Write down A, B, or C.

Note: The total marks will be split equally between each part.

(2 marks)

(4 marks)

5 Accounting bodies set out a code of ethics to establish ethical behaviour requirements for professional accountants.

(a) The following are qualities you might see in a professional at work:

Integrity A	Honesty B
Trustworthiness C	Expertise D
Professional behaviour E	Confidentiality F
Respectfulness G	Objectivity H

Required:

Write down which of the FOUR boxes from (A–H) contain fundamental principles of ethical behaviour from the IFAC (IESBA) and ACCA codes of ethics. (2 marks)

(b) The following are desirable characteristics of professions and vocations:

- A** Acting in the public interest
- B** Highly skilled
- C** Ethical codes of conduct
- D** Governance by association
- E** Highly valued services
- F** Training requirement
- G** Process of certification
- H** Qualification by examination

Required:

Select FOUR of the characteristics from the list above, which distinguish a profession from an occupation. (2 marks)

(4 marks)

- 6** **Company A** is an accountancy professional body which has a tall structure and a high level of centralisation. The span of control is very narrow. Subordinates have minimal latitude for self-determination or to influence decision-making and mainly concentrate on carrying out highly prescribed and defined roles.

Company B is a financial services company which gives a wide ranging role to its traders and promotes cultural values such as assertiveness, risk appetite, and encourages a high degree of competition between employees. The employees are usually young and unmarried, and work and socialise together for long hours at a frenetic pace.

Company C is a research and development company where the business is divisionalised by product. Staff work very flexibly and often need to communicate laterally to achieve objectives through ad hoc projects and collaboration. There are no formal rules about reporting structures, or about set starting or finishing times. Staff are rewarded on the basis of creativity and innovation.

Company D is a family company which is highly controlled by the owners and the CEO is the main shareholder. There is a very low staff turnover, but employees are expected to be very loyal to the company and are often required to work long hours and carry out tasks outside their normal range of duties. Relationships between employees and managers are very informal and close and the rights of employees and their overall interests are strongly defended by the owners when challenged.

The following are dimensions used by Hofstede to classify types of organisational culture:

	1. High	2. Low
A Power distance	A1	A2
B Uncertainty avoidance	B1	B2
C Individualism	C1	C2
D Masculinity	D1	D2

Required:

- (i) **For Company A select which combination of dimensions apply from the grid above. (For example A1)** (1 mark)
- (ii) **For Company B select which combination of dimensions apply from the grid above. (For example A1)** (1 mark)
- (iii) **For Company C select which combination of dimensions apply from the grid above. (For example A1)** (1 mark)
- (iv) **For Company D select which combination of dimensions apply from the grid above. (For example A1)** (1 mark)
- (4 marks)**

End Question Paper

Answers

Section A

- 1 B** The IASB aims to promote consistency in corporate reporting by creating financial reporting standards to which major businesses are expected to adhere.
- 2 B** The Ashridge model identifies four styles: autocratic; authoritarian; consultative; laissez-faire (or participative). The first of these is the least participative.
- 3 B** Negotiation gives the best opportunity for the two sides in a conflict to converge their positions. The other options either involve backing down, forcing a position, potentially increasing conflict, or leaving the issue unresolved.
- 4 B** Mentors usually help staff on broader work related development, including orientation and induction. Coaches work on developing specific skills of the job itself, while counsellors work with people on a personal level, perhaps if they are having non-work related or emotional problems.
- 5 C** The board of directors are responsible for the well being of a wide group of constituencies, including shareholders, but also employees and other internal, external and connected stakeholders.
- 6 A** Because of the particular circumstances of the scenario where someone is made redundant from an industry in decline where skills cannot be easily transferred, where re-training might take a long time or where work is not available in the short term within a reasonable geographic proximity, this is classed as structural unemployment.
- 7 B** The basic principle that underlies marketing is that it is a management process that identifies and anticipates customer needs. The other distractors in the question refer to specific activities undertaken by a marketing function.
- 8 C** The normal sanctions in such a case is that fines are imposed on companies by the registration body of the company and, where listed, the company may be delisted by the stock exchange authorities. Although the option wasn't included, sanctions against responsible directors may also be imposed.
- 9 D** The ageing population trend is caused by a decreasing birth rate and a decreasing mortality rate.
- 10 B** The 'tell and listen' approach encourages input from the individual, promoting participation in the process by the appraisee.
- 11 B** The external auditor has to ensure that the financial statements of the organisation truly reflect the activities of the business in the relevant accounting period. This assessment should be independent and therefore free from subjectivity on the part of the management of the client organisation.
- 12 B** Annual targets and management forecasts from performance appraisals indicate medium term planning horizons which are both tactical in nature, whereas product development plans for 2–3 years are longer term strategic objectives.
- 13 A** An employee with a range of tasks or objectives to achieve and pressures to achieve them to set deadlines, should always prioritise tasks in accordance to business importance. Deciding on other criteria such as pressure applied by colleagues, whether someone is absent or not or simply because a task is urgent may damage wider business objectives.
- 14 D** A professional accountant acting in accordance with fundamental ethical principles is demonstrating objectivity when they give a complete and precise view, which by implication means that negative aspects should not be concealed or positive aspects accentuated.

- 15 C** IFAC has no legal powers against businesses, nor does it set financial reporting standards. It is an accounting association member body which promotes educational and ethical standards of behaviour amongst its member bodies, through a code of ethics and behaviour, but does not prescribe detailed rules on this.
- 16 C** Increasing taxation leaves individuals with less disposable income for expenditure within the economy thereby slowing economic activity. The same effect is caused by a reduction in government expenditure. Therefore economic activity can be stimulated by reducing taxation and increasing government expenditure.
- 17 C** Information on purchase costs of finished goods or raw materials is important in establishing the price of a product. In terms of the marketing mix, this information is most relevant to the price element as prices should be set at least to cover cost and give an acceptable level of profit.
- 18 B** As the test is needed to test specific skills, competence testing is most appropriate. Intelligence and psychometric tests are intended to assess innate ability or psychological traits, which are more general.
- 19 D** The key correctly matches the information required to the particular financial statement in which they are to be found.
- 20 A** The pluralist solution is to cater for the needs of more than one stakeholder group without seriously compromising the interests of any individual group. Therefore setting aside a special area for families with children while having an adults only section would achieve this. The other options involve adversely affecting the rights of one or other group of stakeholders in some way.
- 21 B** Data protection legislation is formulated to protect the interests of data subjects who are private individuals. Not all data is regulated.
- 22 A** A transaction processing system enables all sales and purchase transactions to be recorded by volume and category.
- 23 B** is correct because customers and suppliers deal closely on a transactional basis with the organisation, but are not internal stakeholders like managers and executive directors.
- 24 A** Where price inflation is high the value of money reduces consistently over time. Those who owe money (debtors) therefore pay back less capital in real terms, and interest rates seldom adjust adequately to compensate for this.
- 25 A** Role playing exercises are most effectively used for skills development, including sales training. Other common business applications include effective selection interviewing and performance appraisal interviewing.
- 26 B** The Blake and Mouton managerial grid enables leadership styles to be categorised on a nine point scale with reference to concern for production and concern for people. Renata is therefore highly concerned with the task and much less interested in her team as individuals.
- 27 B** The implementation of a budgetary control system would be the responsibility of the financial controller in many organisations. The internal auditor is not responsible for implementing systems, but is involved in monitoring the effectiveness of these systems.
- 28 C** The external auditor is responsible for ensuring that financial reports portray a true and fair view and comply with legal disclosure requirements. External auditors are not responsible for ensuring that systems exist to prevent fraud.
- 29 A** Integrity is about honesty and applying morality to business and professional behaviour. A person acting with integrity should not be corruptible. Neutrality in the making of business decisions does not indicate morality nor does producing accurate work, which is more about professional competence.

- 30 B** Only shareholders have voting power related to the number of shares that they own. Members of a co-operative organisation can vote but will only have one vote. Co-operatives may be owned by members, but ownership stakes cannot be exchanged between members unless the members belong to limited companies.
- 31 B** To discriminate against someone on the grounds of characteristics which are predominately associated with their sex, gender, nationality or religion is illegal. As women are generally shorter than men, to restrict admission on the basis of height, indirectly discriminates against women. The other options are either direct discrimination, or other illegal and undesirable employment practices.
- 32 B** According to Herzberg, money is a hygiene factor (or dissatisfier). Although it is a powerful short-term motivator, it is questionable whether each individual increase in monetary reward will have a major long-term effect. According to Herzberg, 'A reward once given becomes a right'.
- 33 B** The task culture is appropriate where organisations can accommodate the flexibility required to adjust management and team structures to address the tasks that must be fulfilled. This is very common in large consultancy firms.
- 34 D** The wheel facilitates transmission of the message directly to all receivers and therefore transmits most quickly.
- 35 C** Both parties in a two way communication link will need to encode messages and both have to decode them for them to be understood. The other options imply that only one party encodes messages.
- 36 B** Equal opportunity policies widen opportunity and enlarge the potential pool of employees to recruit from. The other options either indirectly or directly reduce the potential for staff turnover and therefore limit the number of job vacancies available at any point in time.
- 37 D** The primary aim of a public oversight board is to eliminate or minimise any actual or potential breaches of legislative requirements and to ensure compliance with regulations applicable to organisations within their terms of reference.
- 38 C** Scientific management principles consider the ways in which the factors of production (land, labour, capital and the entrepreneurial function) can be combined to maximise efficiency in production. The founding principles are based on the work of Frederick Winslow Taylor. The reorganisation of the call centre follows these principles.
- 39 C** The components of effective demand in the economy are consumer spending, investment by enterprises, central and local government expenditure and the net gains from international trade.
- 40 A** The four Ps are Product, Price, Promotion and Place.
- 41 B** Decentralisation devolves authority to lower levels and gives more autonomy to individuals and teams. Decentralisation on the other hand increases risk as there is less control over individual and group behaviour and decision-making. Allowing more freedom to act independently leads to less consistency across the organisation.
- 42 A** Compliance with legal requirements may not eliminate unethical behaviour. The issues of concern to those who complain may not be fully representative of issues of concern to customers in general. Other companies in the sector may not be concerned about ethical behaviour.
- 43 C** Using SWOT analysis, the way to conduct this analysis would be for the individual to consider their own strengths and weaknesses and how they could affect the impression given to others. The other options are external factors to the individual so would not directly affect the opinion that others would have of that individual.
- 44 B** As new members are about to join the group, essentially the group is reforming which is the start of a new group development process. The other options are all later stages in group development as identified by Tuckman.

45 A Teeming and lading involves the theft of cash and is a type of fraud that is carried out by manipulating transactions. There would be most potential for this fraud within the sales department where cash may be received and remitted.

46 B The demand curve of a company in a perfect market is horizontal, because they can sell as much as they want at a given market price and nothing at all at a price set higher than the prevailing market price.

Section B

1 (a) (i) D

(ii) B

(iii) None

(iv) C

Rationale: The individual writers given in the key are associated with the relevant management theory

(b) A and B (Fayol identified these two functions)

2 (a) (i) A

(ii) A

(iii) A

(iv) B

(b) (i) A

(ii) B

3 (a) (i) C

(ii) B

(iii) A

(iv) D

(b) C and G

4 (a) (i) C

(ii) A

(iii) C

(iv) B

(b) (i) B

(ii) A

(iii) D

(iv) C

5 (a) A, E, F, H

(b) A, C, D, G

6 (i) A1

(ii) D1

(iii) B2

(iv) C2