

Examination No. _____

THE PUBLIC ACCOUNTANTS EXAMINATION
COUNCIL OF MALAWI

2009 EXAMINATIONS

FOUNDATION STAGE

PAPER 4: ORGANISATIONAL FRAMEWORK

THURSDAY 10 DECEMBER 2009

TIME ALLOWED : 3 HOURS
2.00 PM - 5.00 PM

INSTRUCTIONS

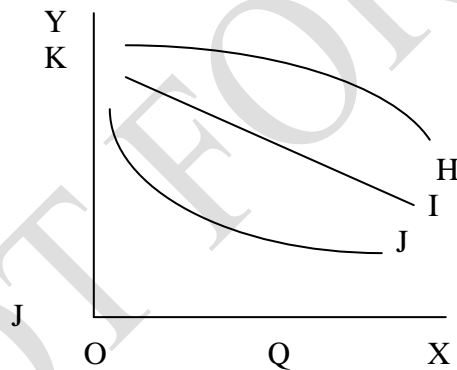
1. You are allowed **15 minutes** reading time **before the examination begins** during which you should read the question paper and, if you wish, make annotations on the question paper. However, you will **not** be allowed, **under any circumstances**, to open the answer book and start writing or use your calculator during this reading time.
2. Number of questions on paper - 9.
3. This paper is divided into **FOUR** Sections.
4. **SIX** questions **ONLY** to be answered as follows:-
SECTION A - Question 1 is divided into parts a – t. This is a compulsory multiple choice question and **MUST** be attempted. Indicate the correct answer for each part by circling (i), (ii), (iii) or (iv) on the specially prepared answer sheet. **Fasten the answer sheet to your answer book.**
SECTION B – **ONE** question **ONLY** to be answered.
SECTION C - **ONE** question **ONLY** to be answered.
SECTION D - **THREE** questions **ONLY** to be answered including Question 6 which is compulsory.
5. Begin each question on a **fresh** page.
6. Do **not** remove this question paper from the examination hall.
7. **DO NOT OPEN THIS PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR**

This paper contains 10 pages

SECTION A

This is a multiple choice question. Indicate the correct answer to each of the questions by circling the correct number on the specially prepared answer sheet. Circle ONE answer ONLY for each question. The answer sheet should be fastened to your answer book.

1. (a) Graphs are an important tool in analyzing economic activities because they assist in:
- (i) demonstrating change in economic variables over time;
 - (ii) showing the position of one economic variable in relation to another;
 - (iii) showing the rate of change in a given situation of economic activity;
 - (iv) all of the above.
- (b) Study the diagram below which shows three curves; H, I and J.



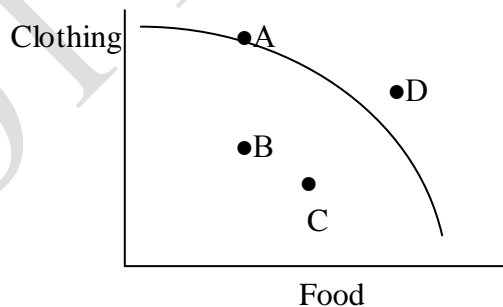
Required:

Which of the three curves has a slope that is increasing?

- (i) H
- (ii) I
- (iii) J
- (iv) All of the above

Continued/.....

- (c) The relationship between the rate of interest and the amount of money borrowed is said to be:
- (i) horizontal;
 - (ii) positive;
 - (iii) inverse;
 - (iv) constant.
- (d) Which of the following is an item of fiscal policy that a government may use as a corrective measure?
- (i) Setting a national minimum wage;
 - (ii) Supporting the exchange rate for the country's currency;
 - (iii) Controlling growth in the money supply;
 - (iv) Altering rates of taxation.
- (e) An economy is said to be efficient if:
- (i) it employs all available resources;
 - (ii) it uses money as a mode of exchange;
 - (iii) it uses the best methods of producing goods;
 - (iv) (i) and (iii) above.
- (f) Below is a production possibility curve for a given economy:



The economy is said to be at full employment if it produces clothing and food at:

- (i) A
- (ii) B
- (iii) C
- (iv) D

- (g) When demand is elastic:
- (i) the elasticity co-efficient is unitary;
 - (ii) the percentage change in quantity demanded is greater than the percentage change in price.
 - (iii) total receipts for sellers will increase when the price of the commodity falls.
 - (iv) all of the above.
- (h) When supply is inelastic:
- (i) the elasticity co-efficient will be less than 1;
 - (ii) the percentage change in quantity supplied will be greater than the percentage change in price;
 - (iii) the total receipts for sellers will increase when the price of the product falls;
 - (iv) none of the above.
- (i) What will be the effect of an increase in both demand and supply upon the equilibrium price?
- (i) It will increase;
 - (ii) It will decrease;
 - (iii) It will be indeterminate;
 - (iv) There will be no change.
- (j) In a perfectly competitive market, a shift in the demand curve to the left or to the right is caused by:
- (i) change in the price only;
 - (ii) change in quantity only;
 - (iii) change in supply;
 - (iv) change in quantity and price.

Continued/.....

- (k) Which of the following is not a function of price?
- (i) Providing optimum allocation of resources;
 - (ii) Providing capital to the business;
 - (iii) Communicating value of a commodity;
 - (iv) Providing return for the seller.
- (l) In calculating the Gross National Product (GNP), which of the following is considered as a non-income charge?
- (i) Interest;
 - (ii) Dividends;
 - (iii) Indirect business taxes;
 - (iv) Transfer payments.
- (m) Linda earns K150,000 a month and spends K120,000 having saved K30,000. What is her Average Propensity to Save (APS)?
- (i) K30,000;
 - (ii) 0.05;
 - (iii) 0.20;
 - (iv) 0.80.
- (n) Demand for factors of production is said to be:
- (i) derived demand;
 - (ii) effective demand;
 - (iii) production demand;
 - (iv) joint demand.
- (o) Which of the following is not an element of aggregate demand?
- (i) consumption;
 - (ii) net investment;
 - (iii) net exports;
 - (iv) net reserves.

Continued/.....

- (p) Inflation accompanied by rising Net National Product (NNP) and employment are the result of;
- (i) increase in aggregate demand;
 - (ii) decrease in aggregate supply;
 - (iii) increase in costs;
 - (iv) increase in production.
- (q) In a money economy, money is created by:
- (i) the Central Bank through printing of notes and minting of coins;
 - (ii) the Central Bank through what is known as the gold standard;
 - (iii) Commercial banks through the process of giving credit to members of the public;
 - (iv) by the National Bank through cheques.
- (r) The Reserve Bank (Central Bank) can control money supply in an economy through :
- (i) the use of the reserve ratio;
 - (ii) the use of the discount rate;
 - (iii) buying and selling of government securities;
 - (iv) all of the above.
- (s) To combat unemployment in an economy the Reserve Bank:
- (i) may decrease the money supply;
 - (ii) increase the money supply;
 - (iii) may reduce taxes;
 - (iv) apply for foreign aid.
- (t) A tax regime that takes a higher proportion of income in tax as income rises is called:
- (i) regressive tax;
 - (ii) proportional tax;
 - (iii) progressive tax;
 - (iv) income tax.

(TOTAL : 20 MARKS)

SECTION B

Answer ONE question ONLY from this Section

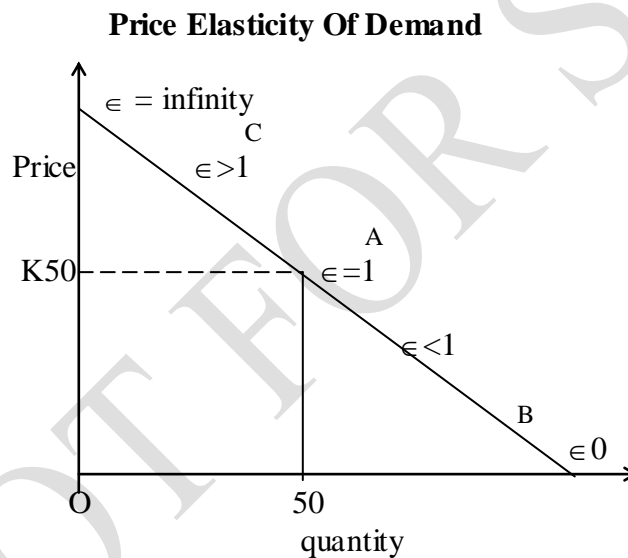
2. (a) (i) Define the term “price elasticity of demand”. **1 Mark**
- (ii) The price of tomatoes rose from K140 to K180 a kilogram during the month of December and demand for the product fell from 220,000 to 180,000 kilograms.

Required:

What was the price elasticity of demand?

5 Marks

- (b) The diagram below shows the line for demand for tomatoes over a given period at different price ranges.



Required:

- (i) Explain the implications of elasticity in each of the ranges of the demand line at A, AB and AC. **4½ Marks**
- (ii) State any **three** decisions that are made using the concept of price elasticity of demand. **4½ Marks**

(TOTAL : 15 MARKS)

Continued/.....

3. (a) Explain the distinction between the short run and the long run in the economic theory of the firm. **9 Marks**
- (b) Explain how firms are subject to:
- (i) economies of scale; **3 Marks**
- (ii) diseconomies of scale. **3 Marks**
- (TOTAL : 15 MARKS)**

SECTION C

Answer ONE question ONLY from this Section

4. (a) Define the term “Economy”, giving **two** examples of economic systems. **3 Marks**
- (b) Economic measures are indicators or targets which show changes in different economic activities. The following are some economic indicators:
- (i) Economic growth;
- (ii) Economic productivity;
- (iii) Exchange rate
- (iv) Money.

Required:

Write short notes on any **three** of the above.

12 Marks
(TOTAL: 15 MARKS)

Continued/.....

5. The following table contains data for a country during the year 2008.

NATIONAL INCCOME ACCOUNTING FIGURES FOR 2008

	K'million
Dividends	29
Rent	20
Net exports	14
Indirect business taxes	49
Undistributed corporate profits	22
Gross private domestic investment	82
Depreciation	46
Proprietor's income	48
Transfer payments	12
Personal consumption expenditure	473
Wage and salary supplements	26
Interest	16
Wages and salaries	421
Personal taxes	84
Government purchase of goods and services	141
Corporate income taxes	33
Social security contributions	20

Required:

- (a) Calculate the country's Gross National Product(GNP) using:

- (i) The expenditure approach;
- (ii) The income approach.

13 Marks

- (b) Why is the GNP calculated under the expenditure approach the same as that calculated under the income approach?

2 Marks

(TOTAL : 15 MARKS)

Continued/.....

6.

SECTION D**Answer Question 6 and any other TWO questions****CASE STUDY**

Thonje Textiles Ltd are manufacturers of cloth and garments in Lilongwe. The Board of Directors has noted with concern that the profit for years ended 2007 and 2008 have been gradually declining. Attributing this to overstaffing, the Board directed that the number of employees be reduced and the budget reduced by over 1 million Kwacha.

The task of downsizing the firm was assigned to the Human Resource Department, with John Mwale as head of the department and Robert Matata as his deputy. Mwale set out a programme which he called “random moment time study” which he said would help to assess the efficiency in the organisation. The purpose of the study was to help in eliminating three secretarial positions.

The study involved blowing a whistle seven times a day. Each time the whistle was blown the 80 workers were ordered to stop working and start filling forms on which they described what jobs they were performing at that moment.

However, the secretaries and administrators, amongst the workers are not pleased with the programme. They think its degrading, insulting and disruptive. “It is insulting to my intelligence” fumed Lois, a secretary for eight administrators. “I don’t like the way they are going about these things”. “It’s degrading and serves no purpose at all” said Emma, another secretary. “It’s disruptive. They could save themselves money by not doing it” complained Angelina, another secretary for eleven office employees. “Yesterday morning there wasn’t a single, single whistle. They all blew in the afternoon and everybody was sitting on pins and needles afraid to take a break or go to the bathroom” continued Angelina.

“I do not expect even the most dedicated secretary not to take tea break once in a while” answered John Mwale. “That’s part of a working day, I would be surprised if none of those happened”. The biggest complaint is over the whistle blower; “They are paying him a good salary to lay off three of our people”, Mrs Moyo lamented. “It is the most economical way of evaluating the activities of different individuals in a group. It is ninety-nine point nine percent accurate”, Robert Matata, Mwale’s deputy and project manager said, emphatically.

Required:

- (a) Analyze the case and state what the problem is. **5 Marks**
- (b) Evaluate John Mwale’s system of selecting workers for dismissal. **6 Marks**
- (c) What should John have done? **6 Marks**
- (d) Were the workers being honest in reporting their activities? Give a reason for your answer. **3 Marks**

(TOTAL : 20 MARKS)

7. Management as a profession has gone through various stages of development to what is presently known as contemporary management.

Required:

Describe the **five** stages of management approaches developed over the past hundred years. For each approach name **one** writer who developed a particular management theory.

15 Marks

(TOTAL : 15 MARKS)

8. (a) Define the term “planning”. **2 Marks**
 (b) State **five** advantages of planning. **5 Marks**
 (c) Describe the planning process. **8 Marks**

(TOTAL : 15 MARKS)

9. Define any **three** of the following terms and explain how they are used by managers in making business decisions.

- (a) The 4Ps of marketing **5 Marks**
 (b) Stakeholders **5 Marks**
 (c) SWOT **5 Marks**
 (d) Gantt chart **5 Marks**
 (e) Rate of labour turnover **5 Marks**

(TOTAL : 25 MARKS)

E N D