

EXAMINATION NO. _____

THE PUBLIC ACCOUNTANTS EXAMINATION
COUNCIL OF MALAWI

2013 EXAMINATIONS

FOUNDATION STAGE

PAPER 4: ORGANISATIONAL FRAMEWORK

THURSDAY 6 JUNE 2013

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 are **not** 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 question paper contains 9 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) An economic system is composed of :
- (i) The personal sector.
 - (ii) The business sector.
 - (iii) The government sector.
 - (iv) All of the above.
- (b) The basic economic problem facing all economies is:
- (i) about unemployment;
 - (ii) scarcity of resources;
 - (iii) economic growth;
 - (iv) inflation.
- (c) The Production Possibility Curve is a tool that helps in determining:
- (i) the size of national income;
 - (ii) consumer preference
 - (iii) combinations of various products that can be produced with available resources;
 - (iv) the flow of production and consumption in an economy.
- (d) Marginal utility:
- (i) is the satisfaction a consumer derives from a product;
 - (ii) increases as the price of a commodity increases;
 - (iii) declines as a consumer obtains more and more of a product
 - (iv) depends upon consumer income.

Continued/.....

- (e) In a free economy, the price mechanism:
- (i) helps in allocating resources;
 - (ii) helps in government control;
 - (iii) helps in reducing unfair competition;
 - (iv) helps in measuring national income.
- (f) When a government wishes to increase expenditure on education but can only do so at the expense of expenditure on health, it is said to have:
- (i) liquidity preference;
 - (ii) opportunity cost;
 - (iii) fiscal policy;
 - (iv) marginal preference.
- (g) A rise in the price of a product will result in an increase in demand for the product if the product is:
- (i) an inferior good;
 - (ii) a giffen good;
 - (iii) a superior good;
 - (iv) a scarce good.
- (h) When a firm produces one extra unit of output, the marginal cost of producing the unit is:
- (i) the increase in the total cost of production;
 - (ii) the increase in the variable cost of production;
 - (iii) the increase in the average cost of production;
 - (iv) (i) and (ii) above.

Continued/.....

- (i) The law of diminishing marginal returns states that:
- (i) as more factors of production are employed, output will rise initially and then fall;
 - (ii) as more factors of production are employed, output will rise but at a diminishing rate;
 - (iii) as more and more factors of production are added to a fixed factor of production, output will first rise at a faster rate up to a point and then begins to fall;
 - (iv) as more and more factors of production are added to a fixed factor of production, output will rise up to a point and then begins to fall at a decreasing rate.
- (j) In conditions of perfect competition, the demand curve of a firm:
- (i) is identical to the firm's marginal revenue;
 - (ii) intersects the firm's Marginal Revenue curve at the point where $MC = MR$;
 - (iii) intersects the firm's Average Cost (AC) at its lowest point;
 - (iv) is perfectly inelastic.
- (k) A firm in a monopolistically competitive market is said to be inefficient because:
- (i) price is greater than the minimum average cost ($P > AC$);
 - (ii) output is less than that which minimizes Average Cost (AC);
 - (iii) the Average Revenue Curve (AR) slopes downwards to the right;
 - (iv) all of the above.
- (l) A bank's liquidity ratio is:
- (i) the ratio of cash to loans;
 - (ii) the ratio of liquid assets to illiquid assets;
 - (iii) the ratio of total assets to total liabilities;
 - (iv) the ratio of liquid assets to total liabilities.

Continued/.....

- (m) Which of the following is likely to cause a fall in interest rates?
- (i) a rise in the demand for consumer credit;
 - (ii) a fall in investment;
 - (iii) a fall in government expenditure;
 - (iv) all of the above.
- (n) If the real rate of interest is 3% p.a. and the expected rate of inflation is 6% p.a., the nominal interest rate will be approximately:
- (i) $\frac{1}{2}\%$;
 - (ii) 2%;
 - (iii) 3%;
 - (iv) 9%.
- (o) Which of the following is not a monetary policy?
- (i) raising the level of income tax;
 - (ii) controlling the level of money supply;
 - (iii) increasing the average propensity to consume;
 - (iv) using interest rates to influence aggregate demand.
- (p) Which of the following can cause an increase in the national income?
- (i) a fall in investment;
 - (ii) a rise in exports;
 - (iii) an increase in savings;
 - (iv) a fall in consumer spending.
- (q) An inflationary gap in an economy can be closed by:
- (i) increasing the supply of money;
 - (ii) increasing government budget surplus;
 - (iii) increasing the average propensity to consume;
 - (iv) increasing the country's export surplus.

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- (r) The marginal propensity to consume measures:
- (i) the relationship between changes in consumption and changes in utility;
 - (ii) the proportion of household income spent on consumer goods;
 - (iii) the proportion of total national income spent on consumer goods;
 - (iv) the relationship between change in consumption and changes in income.
- (s) Which of the following measures can help in tackling the problem of cost push inflation?
- (i) setting higher direct taxation;
 - (ii) setting higher interest rates;
 - (iii) revaluing the currency;
 - (iv) none of the above.
- (t) Structural unemployment is defined as unemployment caused by:
- (i) defects in the industrial and commercial sector;
 - (ii) long-term decline in a particular industry;
 - (iii) a mismatch between available jobs and the unemployed;
 - (iv) a switch from labour intensive to capital intensive production.

1 Mark each
(TOTAL : 20 MARKS)

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SECTION B**Answer ONE question ONLY from this Section**

2. (a) (i) Explain the meaning of price elasticity of demand. **4 Marks**
 (ii) Using diagrams, describe the different types of elasticity. **8 Marks**
- (b) Name at least **three** determinants of elasticity. **3 Marks**
(TOTAL : 15 MARKS)
3. (a) Using diagrams, define and show the effect of:
 (i) Indirect taxes on the supply of a good; **5½ Marks**
 (ii) Subsidy on the supply of a good. **5½ Marks**
- (b) State the objectives of an indirect tax and of a subsidy. **4 Marks**
(TOTAL : 15 MARKS)

SECTION C**Answer ONE question ONLY from this Section**

4. (a) Define and describe the structure of the balance of payments (BOP). **6½ Marks**
- (b) Name **three** factors which may cause a deficit in the balance of payments. **4 Marks**
- (c) Mention **three** policies which may be used to solve the deficit in the balance of payments. **4½ Marks**
(TOTAL : 15 MARKS)
5. (a) Define the term “exchange rate”. **1 Mark**
- (b) Name and explain **three** types of exchange rates, giving **one** advantage and **one** disadvantage of each. **12 Marks**
- (c) What is the relationship between revaluation, devaluation and exchange rates? **2 Marks**
(TOTAL : 15 MARKS)

Continued/.....

6.

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

Mrs Felista Phiri (Nee Juma), had seen an advertisement in one of the daily newspapers inviting applications for the job of tractor operator/driver/mechanic. Having qualified as a heavy equipment operator at the Community Technical College and having worked for five years at a plant leasing company, Felista felt qualified and applied for the job.

Two weeks later, she received a letter from the advertiser inviting her to an interview at the company's headquarters.

On arrival, she met a man who introduced himself as Mr Butao, Recruitment Officer of the company. The following is a record of the interview which Felista had with Mr Butao:

Butao: Hello Mrs Phiri...Mrs isn't it? or would you rather be addressed as Ms Juma? Eh! or just simply Felista? Nice name Felista!

Felista: As you please, Sir.

Butao: Yeah; ok Mrs Phiri, did you read the advert properly? You know this job is a man's job eh, don't mean to offend....but

Felista: But there was no indication of gender, Sir, so I.....

Butao : Yeah, but you know ma'am some things are obvious. In a job like this you may have to work with men, some of them bad mouthed rowdies, drunks. This piece of equipment is not meant for little ladies like you. Why? you probably can't even reach the pedals. How tall are you anyway? Probably less than 4 oh here 4.6.

I tell you what, why don't you sit down here (pointing to a chair) and tell me about your family;

Where is your husband? Is he really agreeable to this?

You are mighty young and pretty too.

But oh see! already – three kids?

How old are you little lady?

Don't you think you ought to be home looking after those kids and not taking up a man's job?

Well, I guess we'd better go through these formalities:

Worked for PL for five years! Wow!

Ever been arrested? You smoke?

Continued/.....

Felista: Yes and no sir (says in a combined answer).

Butao: While you are out in the field what does your husband do? Who looks after the children?

You know we can't have you missing work here because a child is sick or you are pregnant again.

Juma.....what kind of name is this?

Are you Yao or Sena, probably Catholic?

Well, honey I'll let you know about the results but now I've to go for another interview. I will let you know when a decision is made.

Don't call me, I will call you.

Required:

- (a) Outline the proper procedures necessary for conducting an interview. **8 Marks**
- (b) What did Butao do that was wrong in conducting the interview with Felista? Support your answers with examples from the case. **12 Marks**
(TOTAL : 20 MARKS)
7. (a) What does the term "controlling" mean, in management? **4 Marks**
- (b) Name at least **four** business items which need control, and explain how they may be controlled. **11 Marks**
(TOTAL : 15 MARKS)
8. (a) (i) Define the term "organizing" in the context of management. **1 Mark**
- (ii) Mention and briefly explain at least **five** principles of organizing. **10 Marks**
- (b) Define the following terms as used in management:
- (i) Job design
- (ii) Job analysis
- (iii) Job description
- (iv) Job specification
- 4 Marks**
(TOTAL : 15 MARKS)

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9. The following speech was delivered by King Solomon to his management staff:

“An enterprise built by wise planning, becomes strong through common sense; and profits wonderfully by keeping business abreast of facts. Riches disappear fast. So watch your business interests closely, know the state of your flocks and your herds. Then there will be lamb’s wool enough for clothing. And goat’s milk enough for all your household after the hay is harvested. Any new crop appears. And the mountain grass is gathered in.

Proverbs 24 and 27

Required:

- (a) From King Solomon’s speech, identify at least **six** management concepts in modern terms. Support your answer with quotations from the passage.

12 Marks

- (b) Mention **three** types of skills that are required by a manager.

3 Marks

(TOTAL : 15 MARKS)

END