

Fundamentals Pilot Paper – Knowledge module

# Accountant in Business

**Time allowed:** 2 hours

ALL FIFTY 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

# FIFTY Paper

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black square.

**ACCA**

**ALL FIFTY questions are compulsory and MUST be attempted**

Please use the Candidate Registration Sheet provided to indicate your chosen answer to each multiple choice question.

- 1 An organisation which restructures through a major de-layering exercise has as a result moved to a shorter scalar chain and a narrower span of control.

**Is the above statement true or false?**

- A True
- B False

**(1 mark)**

- 2 **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)**

- 3 **Which one of the following has become an established best practice in corporate governance in recent years?**

- A An increasingly prominent role for non-executive directors
- B An increase in the powers of external auditors
- C Greater accountability for directors who are in breach of their fiduciary duties
- D A requirement for all companies to establish an internal audit function

**(2 marks)**

- 4 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)**

- 5 **At what stage of the planning process should a company carry out a situation analysis?**

- A When converting strategic objectives into tactical plans
- B When formulating a mission statement
- C When validating the effectiveness of plans against outcomes
- D When formulating strategic objectives

**(2 marks)**

**6 Which one of the following is potential advantage of decentralisation?**

- A Greater control by senior management
- B Risk reduction in relation to operational decision-making
- C More accountability at lower levels
- D Consistency of decision-making across the organisation

**(2 marks)**

**7 Which one of the following is an example of a internal stakeholder?**

- A A shareholder
- B An non-executive director
- C A manager
- D A supplier

**(2 marks)**

**8 According to Mendelow, companies must pay most attention to the needs of which group of stakeholders?**

- A Those with little power and little interest in the company
- B Those with a high level of power but little interest in the company
- C Those with little power but a high level of interest in the company
- D Those with a high level of power and a high level of interest in the company

**(2 marks)**

**9 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)**

**10 The ageing population trend in many European countries is caused by a increasing birth rate and an increasing mortality rate.**

**Is this statement true or false?**

- A True
- B False

**(1 mark)**

**11 Which one of the following is consistent with a government's policy objective to expand the level of economic activity?**

- A An increase in taxation
- B An increase in interest rates
- C An increase in personal savings
- D An increase in public expenditure

**(2 marks)**

**12** 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)**

**13** When an organisation carries out an environmental scan, it analyses which of the following?

- A Strengths, weaknesses, opportunities and threats
- B Political, economic, social and technological factors
- C Strategic options and choice
- D Inbound and outbound logistics

**(2 marks)**

**14** 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
- D All private individuals and corporate entities on whom any data is held

**(2 marks)**

**15** 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)**

**16** The total level of demand in the economy is made up of consumption, \_\_\_\_\_, government expenditure and net gains from international trade.

**Which of the following correctly completes the sentence above.**

- A Savings
- B Taxation
- C Investment

**(1 mark)**

**17 Which set of environmental factors does a lobby group intend to directly influence?**

- A Political
- B Technological
- C Demographic
- D Economic

**(2 marks)**

**18** 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 human relations school
- B The empirical school
- C The scientific school
- D The administrative school

**(2 marks)**

**19 The original role of the accounting function was which one of the following?**

- A Providing management information
- B Recording financial information
- C Maintaining financial control
- D Managing funds efficiently

**(2 marks)**

**20** Tax avoidance is a legal activity whilst tax evasion is an illegal activity.

**Is this statement true or false?**

- A True
- B False

**(1 mark)**

**21 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)**

22 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)**

23 Which type of organisation would have the retail prices it charges to personal consumers subject to close scrutiny by a regulator?

- A A multinational corporation
- B A multi-divisional conglomerate
- C A national utilities company
- D A financial services provider

**(2 marks)**

24 The central bank has announced a 2% increase in interest rates.

**This decision has the most impact on which department in a large company?**

- A Auditing
- B Treasury
- C Financial accounting
- D Production

**(2 marks)**

25 The major purpose of the International Accounting Standards Board (IASB) is to ensure consistency in \_\_\_\_\_.

**Which two words complete this sentence?**

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

**(1 mark)**

26 Farrah, Gordon, Helene and Ian work in the finance department of X Co, which has separate financial accounting and management accounting functions. Farrah deals with payroll, the purchase ledger and sales invoicing. Gordon's duties involve inventory valuation, budgetary control and variance analysis. Helene deals with fraud prevention and detection, and internal control. Ian carries out risk assessments, investment appraisals and assists in project planning.

**Which member of the department works in the financial accounts function?**

- A Farrah
- B Gordon
- C Helene
- D Ian

**(2 marks)**

**27** 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)**

**28 To whom is the internal auditor primarily accountable?**

- A The directors of the company
- B The company as a separate entity
- C The shareholders of the company
- D The employees of the company

**(2 marks)**

**29 Which one of the following is a DISADVANTAGE of a computerised accounting system over a manual accounting system?**

- A A computerised system is more time consuming to operate
- B The operating costs of a computerised system are higher
- C The computerised system is more costly to implement
- D A computerised system is more error prone

**(2 marks)**

**30** Calum works in the internal audit department of Z Co. His duties involve the identification, evaluation and testing of internal controls. He produces reports to senior management on these activities.

**For which type of audit is Calum responsible?**

- A Operational audit
- B Transactions audit
- C Social responsibility audit
- D Systems audit

**(2 marks)**

**31 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)**

**32 Which of the following are substantive tests used for in the context of external audit of financial accounts?**

- A To establish whether a figure is correct
- B To investigate why a figure is incorrect
- C To investigate whether a figure should be included
- D To establish why a figure is excluded

**(2 marks)**

**33 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)**

**34 In order to establish an effective internal control system that will minimise the prospect of fraud, which one of the following should be considered first?**

- A Recruitment policy and checks on new personnel.
- B Identification of areas of potential risk.
- C Devising of appropriate sanctions for inappropriate behaviour.
- D Segregation of duties in critical areas

**(2 marks)**

**35 The leadership style that least acknowledges the contribution that subordinates have to make is \_\_\_\_\_.**

**Which word correctly completes this sentence?**

- A Authoritarian
- B Autocratic
- C Assertive

**(1 mark)**

**36 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, which suggested that she is highly focused on achieving the objectives of the team.**

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

- A She maximises the involvement of her team
- B She demonstrates little concern for people in the team
- C She balances the needs of the team with the need to complete the task.
- D She favours psychologically close managersubordinate relationships

**(2 marks)**



**37** 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)**

**38** Richard is a highly enthusiastic member of his team. An extrovert by nature, he is curious and communicative. He responds to new challenges positively and has a capacity for contacting people exploring anything new. However, his attention span is short and he tends to become less involved in a task once his initial interest has passed.

**According to Belbin's team roles theory, Richard displays the characteristics of which of the following?**

- A Monitor-evaluator
- B Plant
- C Resource-investigator
- D Company worker

**(2 marks)**

**39 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)**

**40 Which one of the following is a characteristic of a team as opposed to a group?**

- A Members agree with other members
- B Members all have equal status
- C Members arrive at decisions by consensus
- D Members' work in cooperation

**(2 marks)**

**41** According to Victor Vroom:

Force (or motivation) = \_\_\_\_\_ x expectancy

**Which of the following words completes Vroom's equation.**

- A Needs
- B Valence
- C Opportunity

**(1 mark)**

**42 According to Handy's 'shamrock' organisation model, which one of the following is becoming progressively less important in contemporary organisations?**

- A The permanent, full-time work force
- B The part-time temporary work force
- C The role of independent sub-contractors
- D The role of technical support functions

**(2 marks)**

**43 Which pattern of communication is the quickest way to send a message?**

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

**(2 marks)**

**44 Poor quality lateral communication will result in which of the following?**

- A Lack of direction
- B Lack of coordination
- C Lack of delegation
- D Lack of control

**(2 marks)**

**45 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)**

**46 In the context of marketing, the 'four P's' are price, place, promotion and \_\_\_\_\_.**

**Which word correctly completes this sentence?**

- A Processes
- B Production
- C Product

**(1 mark)**

**47 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 Personality testing
- C Competence testing
- D Psychometric testing

**(2 marks)**

**48** 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 unlawful practice?**

- A Direct discrimination
- B Indirect discrimination
- C Victimisation
- D Implied discrimination.

**(2 marks)**

**49** Gloria has the responsibility to work with selected management trainees in her organisation. Her objective is to help the trainees over the medium to long-term with their personal career development. Supporting and encouraging them to fulfil their potential is an integral part of her role. Gloria has no involvement in the technical content of the trainee managers' work.

**Which of the following roles does Gloria fulfil?**

- A Buddy
- B Counsellor
- C Mentor
- D Instructor

**(2 marks)**

**50** Gils is conducting an appraisal interview with his assistant Jill. He initially invites Jill to talk about the job, her aspirations, expectations and problems. He adopts a non-judgmental 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)**

**End of Question Paper**



# Answers

- |           |          |           |          |
|-----------|----------|-----------|----------|
| <b>1</b>  | <b>B</b> | <b>26</b> | <b>A</b> |
| <b>2</b>  | <b>B</b> | <b>27</b> | <b>A</b> |
| <b>3</b>  | <b>A</b> | <b>28</b> | <b>A</b> |
| <b>4</b>  | <b>B</b> | <b>29</b> | <b>C</b> |
| <b>5</b>  | <b>D</b> | <b>30</b> | <b>D</b> |
| <b>6</b>  | <b>C</b> | <b>31</b> | <b>B</b> |
| <b>7</b>  | <b>C</b> | <b>32</b> | <b>A</b> |
| <b>8</b>  | <b>D</b> | <b>33</b> | <b>A</b> |
| <b>9</b>  | <b>D</b> | <b>34</b> | <b>B</b> |
| <b>10</b> | <b>B</b> | <b>35</b> | <b>B</b> |
| <b>11</b> | <b>D</b> | <b>36</b> | <b>B</b> |
| <b>12</b> | <b>C</b> | <b>37</b> | <b>B</b> |
| <b>13</b> | <b>B</b> | <b>38</b> | <b>C</b> |
| <b>14</b> | <b>B</b> | <b>39</b> | <b>B</b> |
| <b>15</b> | <b>B</b> | <b>40</b> | <b>C</b> |
| <b>16</b> | <b>C</b> | <b>41</b> | <b>B</b> |
| <b>17</b> | <b>A</b> | <b>42</b> | <b>A</b> |
| <b>18</b> | <b>C</b> | <b>43</b> | <b>D</b> |
| <b>19</b> | <b>B</b> | <b>44</b> | <b>B</b> |
| <b>20</b> | <b>A</b> | <b>45</b> | <b>A</b> |
| <b>21</b> | <b>A</b> | <b>46</b> | <b>C</b> |
| <b>22</b> | <b>B</b> | <b>47</b> | <b>C</b> |
| <b>23</b> | <b>C</b> | <b>48</b> | <b>B</b> |
| <b>24</b> | <b>B</b> | <b>49</b> | <b>C</b> |
| <b>25</b> | <b>B</b> | <b>50</b> | <b>B</b> |

**Rationale for answers**

- 1 B** The span of control is concerned with the number of subordinates reporting directly to one person. The scalar chain concept relates to the number of levels in the management structure. Therefore delayering causes a reduction in levels of management, with each manager having more subordinates.
- 2 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.
- 3 A** Successive reports on corporate governance (Cadbury, Higgs, etc.) have highlighted the increasingly prominent role that non-executive directors should take in large organisations. This has become an established best practice.
- 4 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.
- 5 D** A situation analysis is carried out when deciding on strategic objectives. The organisation will have already decided on its mission statement and goals.

- 6 C** Greater accountability at lower levels will lead to greater empowerment of those taking decisions and hence greater motivation and commitment, but will lead to less control and potentially more inconsistency.
- 7 C** A manager is employed by the organisation and is therefore a constituent part of it. All the others are known as 'connected' stakeholders.
- 8 D** The organisation must constantly be aware of the needs of stakeholders with a high level of power and the ability to influence the organisation profoundly. Management decisions must therefore take most account of the needs of this group of stakeholders.
- 9 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.
- 10 B** The ageing population trend is caused by decreasing birth rate and a decreasing mortality rate.
- 11 D** An increase in public expenditure should increase the level of consumer demand and hence the level of economic activity. This would also be achieved by other measures, such as a reduction in taxation or a reduction in interest rates.
- 12 C** Frictional unemployment arises even when there are unfilled vacancies in the economy. It is because there is never a perfect match between the types of job available and their location with the skills of those seeking work and where they live.
- 13 B** Any environmental scan analyses the external factors that affect an organisation, often categorised as political, economic, social and technological factors.
- 14 B** Data protection legislation is formulated to protect the interests of data subjects who are private individuals. Not all data is regulated.
- 15 B** Diversity policies are intended to reduce recruitment and selection policies and processes that enable discrimination to arise on the basis of gender, race, lifestyle and age, therefore such policies widen access of employment.
- 16 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.
- 17 A** Lobby groups are primarily established to influence political decision takers, such as the government and individual lawmakers.
- 18 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.
- 19 B** The accounting function originated from the need to record transactions completely and accurately. Other requirements naturally evolved from this at a later stage.
- 20 A** Tax avoidance enables the individual or entity to apply legitimate rules to reduce the amount of tax payable. Tax evasion is always based on a deliberate intent not to pay tax that is lawfully due.
- 21 A** A transaction processing system enables all sales and purchase transactions to be recorded by volume and category.
- 22 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.
- 23 C** Public utilities companies often have national or local monopolies and it is therefore necessary for their pricing structures to be subject to the scrutiny of a regulatory body.
- 24 B** An interest rate is the price of money. The output of the treasury function is directly affected by the price of funds to the organisation and the returns that can be made from surplus funds.
- 25 B** The IASB aims to promote consistency in corporate reporting by creating financial reporting standards to which major businesses are expected to adhere.
- 26 A** Payroll, purchase ledger and sales invoicing are core functions within the responsibility of the financial accountant.
- 27 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.
- 28 A** The internal auditor must have the right to report and is most accountable to the highest level of management (Directors) in the organisation. They must be free of influence from any individual manager, irrespective of seniority.

- 29 C** A computerised system can be costly to set up, though this disadvantage is essentially a short-term issue, as the running costs should offset this over time. A computer system should also reduce transaction processing time and the incidence of errors.
- 30 D** Systems audit is concerned with the effectiveness of the system itself and not the processes, activities or values of the organisation.
- 31 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.
- 32 A** Substantive tests verify the accuracy of the financial information.
- 33 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.
- 34 B** All control systems should be based on an assessment of areas of risk prior to the consideration of other factors.
- 35 B** The Ashridge model identifies four styles: autocratic; authoritarian; consultative; laissez-faire (or participative). The first of these is the least participative.
- 36 B** The Blake and Mouton managerial grid enables leadership styles to be categorised on a nine point scale with reference to concern for people and concern for production.
- 37 B** With the recent departures and the new staff joining the group, it will revert to the forming stage.
- 38 C** The words 'curious' and 'explore' confirm that the individual is a resource-investigator.
- 39 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'.
- 40 C** Consensus implies coming to decisions that are acceptable, paying due regard to the input of all members of the team.
- 41 B** Victor Vroom defines 'valence' as the individual's preference for a given outcome.
- 42 A** Handy's theory suggests that full-time, permanent workers are both expensive and inflexible in comparison with other elements of the shamrock. These other elements are part-time workers and independent contractors. A fourth leaf can be getting the customer to do the work.
- 43 D** The wheel facilitates transmission of the message directly to all receivers and therefore transmits most quickly.
- 44 B** Lateral communication is horizontal. Therefore, poor quality communication will result in poor coordination between team members.
- 45 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.
- 46 C** Product is the fourth component of the marketing mix. This term can also relate to a service as well as tangible products.
- 47 C** Competence testing evaluates and validates knowledge and the ability to apply these to given situations. It assesses whether the individual can actually do specified tasks.
- 48 B** A height restriction is a form of indirect discrimination on the grounds of gender. On average, men are taller than women.
- 49 C** A mentor has a longer-term role than buddies, counsellors or instructors.
- 50 B** The 'tell and listen' approach encourages input from the individual, promoting participation the process by the appraisee.