



The Professional Association for IS Professionals

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DIPLOMA

**THE BUSINESS CONTEXT OF
INFORMATION SYSTEMS
(D2)**

TUESDAY 4TH JUNE 2013

TIME: 14:00 TO 17:00 HOURS

DURATION 3 HOURS

Candidates should answer ALL questions in Part A, and THREE of the five questions in Part B. Part A carries 40% of the marks available and Part B carries 60%. Candidates should allocate their time accordingly.

No reference material of any kind may be taken into the examination.

[Turn over]

PART A.
Answer ALL questions in this section

Question A1.

Government policy plays an important role in an economy.

Briefly describe what is meant by:

- a) Fiscal policy **(3 marks)**
 - b) Monetary policy **(2 marks)**
- (Total 5 marks)**

Question A2.

- a) Define the term 'Trial Balance', and explain its use. **(3 marks)**
 - b) In a computerised accounting system it is not necessary to actually print out the trial balance in order to verify it. But why is it good practice that this balance check is made as frequently as possible? **(2 marks)**
- (Total 5 marks)**

Question A3.

Identify FIVE different types of graphs or charts that may be used to present data or information **(Total 5 marks)**

Question A4.

- a) Define what is meant by a Cost Centre. **(2 marks)**
 - b) Explain how a Profit Centre differs from a Cost Centre, and justify why large organisations may implement Profit Centre measurement. **(3 marks)**
- (Total 5 marks)**

[Turn over]

Question A5.

- a) In relation to a Break-Even Chart, briefly explain what is meant by the Break-Even Point.

(2 marks)

- b) State whether the Break-Even Point (expressed as a quantity of output) increases, reduces or is unchanged in each of the following cases. (In each case the change occurs in isolation with no other effects.)

- i. Selling prices increase
- ii. Variable costs per unit are reduced
- iii. Fixed costs increase

(3 marks)

(Total 5 marks)

Question A6.

SS Software plans to invest GBP 100,000 in a new project in Year 0. The expected returns on this investment are GBP 40,000 in each of the three years that follow.

SS Software uses a discounted cash flow technique to assess its planned investment projects, using these 10% discount factors:

Year 0	1.00
Year 1	0.91
Year 2	0.83
Year 3	0.75

Produce figures to clearly show the *cumulative* Net Present Value of the whole project, as it will be at: the end of Year 1, the end of Year 2, and at the end of Year 3.

(Total 5 marks)

[Turn over]

Question A7.

TT Tractors assembles small tractors and sells them to fruit farmers.

Variable Costs are GBP 2,000 per tractor.

Each year it expects Fixed Costs to be GBP 50,000, and it expects to build 20 tractors in each year.

- a) What is the full Absorption Cost per tractor? (2 marks)
- b) TT Tractors is having a difficult month; there are plenty of materials in stock but all the current Sales Orders have been completed and the employees have very little to do.

A customer walks in and offers to buy a tractor, to be made immediately for a cash payment.

The price he offers to pay is not negotiable and although it exceeds the Variable Cost, it is significantly less than the full Absorption Cost.

What should TT Tractors do, why should it do it and what type of costing approach would that decision be based on?

(3 marks)

(Total 5 marks)

Question A8.

'Lean production' aims to reduce the quantity of resources used up in production.

- a) What resource does the 'Just-in-Time' approach aim to reduce, and why is it important to reduce it? (2 marks)

Just-in-Time (JIT), Kanban, Total Quality Management (TQM) and Zero Defects are just four of several techniques said to be part of a larger 'umbrella' concept which is usually known by a Japanese word.

What is that Japanese word, what is its English meaning, and what is the essential difference between this concept and earlier quality-improvement projects?

(3 marks)

(Total 5 marks)

[Turn over]

PART B.
Answer THREE questions only from this Section.

Question B9.

Demand is defined as the amount of product that consumers are willing and able to purchase at any given price.

Assuming that the price of a product does *not change*, describe how FOUR other factors might affect the demand for a product, giving a brief example in each case.

(20 marks)

Question B10.

There are a number of reasons why an organisation sets budgets and uses budgetary control.

Identify FIVE reasons why organisations set budgets, in each case explain how the organisation will benefit as a result.

(20 marks)

Question B11.

- a) Briefly describe THREE advantages of a *centralised* organisational structure, where authority is generally not delegated. **(9 marks)**
- b) Briefly describe TWO advantages of a *decentralised* organisational structure, where authority is widely delegated. **(6 marks)**
- c) Describe what is meant by the term 'Delaying'? **(5 marks)**

(Total 20 marks)

Question B12.

- a) Place these five steps in the Purchasing process in the correct logical order:

Place Order

Negotiation (with supplier)

Clear Invoice (for payment)

Requisition received (by purchasing department)

Chase delivery

(5 marks)

- b) When choosing Suppliers, a business is likely to use a number of criteria or factors to evaluate their suitability. Identify and explain the importance of FIVE factors in evaluating Suppliers

(15 marks)

(Total 20 marks)

Question B13.

- a) Explain the term 'Chart of Accounts'. (4 marks)
- b) St Paul's Hospital Trust purchases a new ambulance. When the invoice is received it is coded by their own finance department as follows;

O1-203-AE-F216

The meaning of each of these code elements is as follows:

Main Code:	O1	Fixed Assets
Sub Code:	203	Motor Vehicles (Ambulances)
Budget Centre:	AE	Accident and Emergency
Ledger:	FT16	Fordco Commercial Vehicle Suppliers Limited

For each of the FOUR code elements, explain the likely purpose and importance of that part of the coding structure and what it will ultimately allow the hospital to do.

(16 marks)

(Total 20 marks)

END OF EXAMINATION