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ACCA – Paper F1 and FAB Accountant in Business June 2015 Final Assessment

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Question Number	General Comments	Exam Technique Comments

ACCA FINAL ASSESSMENT

**Accountant in
Business
(FAB)**

June 2015

Time allowed **2 hours**

Answer all questions

Do not open this paper until instructed by the supervisor

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Paper F1 and FAB

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SECTION A – OBJECTIVE TEST QUESTIONS

ANSWER ALL 46 QUESTIONS

(30 × 2 marks, 16 × 1 marks)

1 H is manager at V Ltd. According to Fiedler's contingency theory, which of the following would indicate that H should adopt a psychologically close approach to managing her staff?

- A H has a strong relationship with her staff
- B H's team works on defined, structured tasks
- C H has a weak relationship with her staff
- D H has a moderate amount of power over her staff (2 marks)

2 Firefly is a business that makes a range of toys and games for children. Recently, one of its products, the Q, has seen a large rise in the number of complaints and returns. Firefly is concerned this may indicate a problem in the manufacturing process and has set up a committee to undertake a review of the production of the Q. Once the review is completed, the committee will be disbanded.

What type of committee has Firefly set up?

- A Ad-hoc
- B Standing
- C Steering (1 mark)

3 Which of the following is one of the purposes of a personal development plan?

- A Self-actualisation
- B Increasing self-awareness
- C Developing specialist expertise (1 mark)

4 Which of the following may make it difficult for a worker to effectively manage their time?

- A Narrow geographical spread of employees
- B An unpredictable workload
- C Little contact required with other people (1 mark)

5 A matrix structure aims to combine the advantages of which of the following structures?

- A Functional and divisional
- B Entrepreneurial and functional
- C Product/division/department and geographical
- D Functional and geographical (2 marks)

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- 6 'Accountants must not be associated with any false, misleading or recklessly provided statements.' Which fundamental ethical principle is this a description of?**
- A Objectivity
 - B Professional competence and due care
 - C Integrity
 - D Professional behaviour **(2 marks)**
- 7 David Kolb suggested that classroom learning is false and that actual learning comes from which of the following?**
- A Parental example and mentoring
 - B Watching others
 - C Real life experiences
 - D Dreams and other sub-conscious experiences **(2 marks)**
- 8 Which of the following is the best example of the separation of ownership and control in a company, giving rise to a potential conflict of interest?**
- A A small company where the directors own all the shares.
 - B A medium-sized company where the directors own the majority of the shares.
 - C A large company where the directors, taken together, are the largest shareholders but have less than a 50% stake.
 - D A large quoted company where the external shareholders own the vast majority of the shares, the remaining shares being owned by the directors. **(2 marks)**
- 9 If the change in price of a product only lasts for a short period, elasticity of demand is likely to be low.**
- Is this statement true or false?
- A True
 - B False **(1 mark)**
- 10 Which of the following is an objective of the appraisal system from the organisation's point of view?**
- A It is a confidential means of identifying staff dissatisfaction
 - B It monitors human resource selection processes against results
 - C It enables the HR Department to gauge an acceptable general pay rise for staff
 - D It monitors the physical and mental health of employees **(2 marks)**

- 11 L is a company that retails toys. One of its activities includes receiving deliveries of toys and managing its inventory levels to ensure it does not run out of any items.**

According to Porter's Value Chain, which activity is being described within L?

- A Procurement
- B Inbound logistics
- C Operations
- D Infrastructure **(2 marks)**

- 12 Which of the following is NOT required for a market to be considered 'perfect'?**

- A It must have large numbers of customers and suppliers – none of whom have the power to dominate the market.
- B All suppliers must sell identical products or services.
- C There must be no barriers to entry to, or exit from, the market.
- D Customers must not spend a high proportion of their income on the goods and services provided by the market. **(2 marks)**

- 13 Which one of the following is an external stakeholder?**

- A Customers
- B Shareholders
- C Community at large **(1 mark)**

- 14 Which of the following would expose a professional accountant to the ethical threat of self-review?**

- A Being threatened with dismissal for reporting a suspected fraud
- B Acting as a client's accountant for many years
- C Acting as the business advisor and financial accountant to a client
- D Promoting a client's business or position **(2 marks)**

- 15 Which of the following best describes a team?**

- A A team is a formal group that has a leader, a distinctive culture and is geared towards a final result.
- B A team shares common goals and enjoys working together.
- C A team is a group that needs each others' skills, talent and experience in order to achieve their goals. **(1 mark)**

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- 16 In country G, most workers expect to have some involvement in the decision-making process and they dislike being assessed as groups, preferring individual rewards. Employees also enjoy taking risks.**

According to Hofstede, which of the following statements can be made regarding the culture in country G?

- A It has a high collectivism
- B It has low power-distance
- C It is a masculine culture
- D It has high uncertainty avoidance **(2 marks)**

- 17 Self-fulfilment needs can be best described by which of the following?**

- A The need to achieve something worthwhile in life
- B The need to be seen as successful
- C The need to be a popular member of a group **(1 mark)**

- 18 Is the following statement true or false?**

Vertical conflict occurs between individuals and groups at the same level in the organisational hierarchy.

- A True
- B False **(1 mark)**

- 19 Jericho Ltd is a company that employs a number of door-to-door salesmen who visit retired people in their homes and attempt to sell them a range of products and services. One of Jericho's salesmen has recently persuaded Mrs A to sign a contract which commits her to paying Jericho £20 a month, even though Jericho will not be providing her with any goods or services. She now wishes to cancel the contract.**

Which feature of a simple contract appears to be missing from Jericho's contract with Mrs A?

- A Agreement
- B Consideration
- C Intention to create legal relations
- D Legality **(2 marks)**

- 20** Carnivale plc is a large company based in country G. It is currently considering the purchase of a new computer system that will help senior managers to model the entire business. The new system will monitor both the internal and external environment of Carnivale and will provide managers with information on both company performance and on any relevant external issues.

Which type of information system is Carnivale planning to buy?

- A Executive Information System (EIS)
- B Management Information System (MIS)
- C Decision Support System (DSS)
- D Expert System (ES) (2 marks)

- 21** Is the following statement true or false?

Schein argues that those who lead a company in its early days have a substantial influence on its culture.

- A True
- B False (1 mark)

- 22** Which of the following is one of the four typical government macroeconomic policy objectives?

- A Maximising taxation revenues whilst sustaining economic growth
- B Reducing the 'gap' between the highest and the lowest paid
- C Control of inflation
- D Ensuring that every citizen has access to a minimum level of state benefits (2 marks)

- 23** Which of the following is one of the important generic (mainly economic) factors that influence the level of business activity in an economy?

- A Rising stock market
- B Exchange rate movements
- C Levels of unemployment (1 mark)

- 24** Fiscal policy refers to the level of public expenditure and to the raising of that expenditure via taxation; it is usually understood within the context of which of the following?

- A Supply side policies
- B Classical policies
- C Monetary policies
- D Demand side policies (2 marks)

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- 25** Mary is the owner of a small, highly profitable business which packages and delivers flowers. She has recently decided to buy a new machine that packages flowers automatically. This machine will replace ten existing members of staff, who Mary will make redundant. Mary feels that this is a justifiable course of action as it will make her additional profits, improving her lifestyle.

What approach to ethics is Mary taking?

- A Pluralist
 - B Utilitarian
 - C Egoist
 - D None of the above
- (2 marks)**

- 26** An accountancy firm has a job vacancy for a receptionist at one of its offices. Which of the following would be the most suitable medium for the job advertisement?

- A Accountancy journal
 - B National newspaper
 - C Local newspaper
 - D The company website
- (2 marks)**

- 27** Entrepreneurial structures typically allow an organisation to be more responsive to its market.

Is this statement true or false?

- A True
 - B False
- (1 mark)**

- 28** O has recently lost his job and is currently looking for new employment. He does not expect this to take him long as he is experienced and highly trained in his field.

What type of unemployment is O experiencing?

- A Real wage
 - B Structural
 - C Cyclical
 - D Frictional
- (2 marks)**

- 29 GOT plc has recently formed a team that has been asked to design new products and services. The team have had some problems, with a great deal of initial conflict between the individual members. However, this seems to have eventually been solved and the team is now producing a number of new ideas each week.**

According to Tuckman, which stage of team development has the group reached?

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

(2 marks)

- 30 A manages a small team in her company. She is well respected by her team, as she has specialist knowledge that the team relies on.**

According to French and Raven, what source of power does A have?

- A Referent
- B Reward
- C Legitimate
- D Expert

(2 marks)

- 31 Which of the following is responsible for producing financial statements which give a true and fair view?**

- A The Directors
- B The Auditors
- C The Company's Accountants
- D The Company Secretary

(2 marks)

- 32 Is the following statement true or false?**

The process of recruitment, as distinct from selection, involves the attraction of a field of suitable candidates for the job, whilst the selection processes are aimed at selecting the best person for the job from that field of candidates.

- A True
- B False

(1 mark)

- 33 Which of the following is one of the main consequences of poor recruitment and selection?**

- A Reduced scope to develop the business.
- B Existing staff wonder whether they would have been employed if better procedures had been used.
- C Existing staff tend to resent the presence of the new recruits.
- D Increased pay for existing staff covering for weak new recruits.

(2 marks)

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34 Classical economic theory regarding the management of the economy is best described by as an 'interventionist' approach.

Is this statement true or false?

- A True
- B False

(1 mark)

35 Consider the following stages of the purchasing cycle:

- (i) Invoice received
- (ii) Goods received
- (iii) Requisition
- (iv) Payment made
- (v) Invoice recorded
- (vi) Ordering

Which of the following is the correct order for these stages?

- A (iii), (vi), (ii), (i), (v), (iv)
- B (iii), (vi), (i), (v), (ii), (iv)
- C (vi), (iii), (ii), (i), (v), (iv)
- D (vi), (iii), (iv), (ii), (i), (v)

(2 marks)

36 X is a manager at F plc. He has discussed the possibility of implementing a new shift pattern to all members of staff who would be affected and they have come to a consensus on what the best shift pattern would be and how it should be implemented.

According to the Ashridge Management College, what management style is X adopting?

- A Consults
- B Sells
- C Joins
- D Tells

(2 marks)

37 Which of the following is an example of a money laundering activity?

- A A business entering into transactions before the year-end which are then reversed out after the year-end.
- B Handling property that has been obtained through criminal activity.
- C Submission of dummy purchase invoices into purchase ledger records.
- D Adding of bogus employees to the payroll of a business.

(2 marks)

38 Which of the following is an advance fee fraud?

- A Diversion of small amounts of salary payments to employees
- B Invitation to pay a small fee up front to secure a large amount in the future
- C Submission of invoices which contain inflated amounts due **(1 mark)**

39 Which of the following is not one of the '4Cs' of pricing?

- A Cost
- B Customers
- C Capital
- D Corporate objectives **(2 marks)**

40 Which of the following is an important objective of internal control?

- A To ensure the orderly and efficient conduct of business
- B To ensure that internal controls are comprehensive in their scope
- C To ensure that any instances of fraud and error receive appropriate publicity within the organisation **(1 mark)**

41 Consider the following aspects of team behaviour:

- (i) Dominant individual members
- (ii) Formal, structured communication
- (iii) Voluntary membership
- (iv) Action-oriented

Which of these aspects would be present in an effective team?

- A (ii), (iii) and (iv)
- B (ii) and (iii)
- C (i) and (ii)
- D (iii) and (iv) **(2 marks)**

42 J is an employee for a large company. She is well paid, but has recently been offered a significant pay rise and a new job title.

Which level of Maslow's hierarchy of needs does J's employer clearly believe she has reached?

- A Social
- B Security
- C Ego
- D Self-fulfilment **(2 marks)**

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43 Backing up computer files and storing copies of software in separate locations to the main system are examples of which type of controls?

- A Preventative
- B Detective
- C Corrective **(1 mark)**

44 Which of the following states Vroom's expectancy model accurately?

- A Vroom believes that people will be motivated to achieve a goal if they have a strong interest in achieving that goal.
- B Vroom believes that people will be motivated to achieve a goal if they feel that they have a high chance of achieving that goal.
- C Vroom believes that people will be motivated to achieve a goal if that goal is easily achieved.
- D Vroom believes that people will be motivated to achieve a goal if they value that goal and if they can see that what they do will help them to achieve it. **(2 marks)**

45 Which of the following is one of the limitations of internal audit?

- A Unwillingness of staff to co-operate fully with internal audit staff
- B Lack of motivation to discover malpractice in their own business
- C Unwillingness to disclose fraud for fear of the repercussions
- D An unavoidable image problem **(2 marks)**

46 Which of the following is one of the activities where the purchasing/buying function co-ordinates with the accounting department?

- A Determining the specification of key components
- B Securing the provisions for staff entertainment
- C Setting credit limits
- D Obtaining quotations **(2 marks)**

SECTION B – MULTI-STAGE QUESTIONS**ANSWER ALL 6 QUESTIONS**

1 (a) Economies can suffer from several different types of inflation, including:

- A Expectations
- B Monetary
- C Imported
- D Demand-pull

Required:

Classify the following as relating to either A (expectations), B (monetary), C (imported) or D (demand-pull):

- (i) Employees in Country F are demanding a 5% pay rise to ensure that they will be no worse off after the predicted rate of inflation for the coming year.
- (ii) Sales of smart-phones are booming in country F, leading to price rises.
- (iii) Country F's currency has weakened, leading to rises in the costs of oil purchased from abroad.
- (iv) Country F's Government has increased the money supply through quantitative easing.

(0.5 marks each = 2 marks total)

(b) Technology may impact organisational structure in a number of different ways:

- A Downsizing
- B Delaying
- C Outsourcing
- D Shared services

The following sentences contain gaps which specify a particular type of organisation.

G plc has recently gone through a process of **_1_** due to a new IT system, which has allowed it to flatten its organisational structure.

Required:

- (i) Select the impact that best fills gap 1 above; i.e. select A, B, C or D.

H has contracted out its payroll function to another organisation, in a process known as **_2_**.

Required:

- (ii) Select the impact that best fills gap 2 above; i.e. select A, B, C or D.

(1 mark each = 2 marks in total)

(4 marks)

- 2 (a) Role theory suggests that the behaviour of individuals depends on the expectations of others. It identifies a number of key terms, including:
- A Role set
 - B Role signs
 - C Role conflict
 - D Role ambiguity

Required:

Identify the description above which is associated with each of the following, by writing A, B, C or D.

- (i) **Examples of this could include styles of dress or uniforms.**
- (ii) **This occurs if an individual (or those around them) is uncertain of their role.**
- (iii) **This describes the people who respond to an individual in a particular role.**
- (iv) **This occurs when a clash exists between different roles taken on by the same person.**

(0.5 marks each, total = 2 marks)

- (b) Below are a number of statements regarding motivation.
- A Dealing with hygiene factors will cause positive employee motivation.
 - B Job enrichment often requires delegation by management.
 - C Job enlargement is often argued to have little motivational benefit.
 - D Job enlargement refers to giving staff higher level work than they currently undertake.
 - E Job rotation may be difficult in smaller organisations which have relatively few roles.
 - F Hygiene factors are issues that must be addressed to avoid job dissatisfaction.
 - G Job enrichment does not help an organisation with succession planning.
 - H Motivators are largely financial in nature.

Required:

Write down which four of the above statements are correct by selecting FOUR of the letters from A-H.

(0.5 marks each, total = 2 marks)

(4 marks)

- 3 (a) The communication process is made up of a number of key parts, including:
- A Decoder
 - B Message
 - C Encoder
 - D Feedback

Required:

Place the parts into the correct order, beginning with the earliest, by writing the letters A-D in the correct order.

(0.5 marks each, total = 2 marks)

- (b) O Ltd has set up a team of employees to look at improving the organisation's internal communication policies. The company has selected four different employees so far – each of whom is described below.
- A Employee 1 has many new ideas for how O's policies should be improved.
 - B Employee 2 has yet to generate any new ideas, but has been highly critical of those proposed by employee 1.
 - C Employee 3 has suggested a number of activities that the group could use to generate practical ideas. She is keen for the group to start working as soon as possible.
 - D Employee 4 has stated that the team only has three weeks in which to produce their report to O – he has set a number of interim deadlines for the team to meet.

Required:

Identify which of the following team roles identified by Belbin relates to each employee, by writing A, B, C or D.

- (i) Shaper
- (ii) Finisher
- (iii) Plant
- (iv) Monitor-evaluator

(0.5 marks each, total = 2 marks)

(4 marks)

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- 4 According to Porter's five forces model, the competitive environment of an organisation can be examined by looking at five key areas:

	High	Low
Barriers to entry	A	B
Competitive rivalry	C	D
Power of customers	E	F
Substitutes	G	H
Power of suppliers	I	J

Required:

For each of the following statements relating to company K, identify which of the above forces are being referred to and whether the statement indicates the force is high or low by writing a letter from A to J.

- (i) K purchases most of its raw materials from a single company.
- (ii) The industry K operates in requires little technical knowledge or capital investment.
- (iii) Most of the other companies in K's industry are similar sizes to each other.
- (iv) K makes a large number of small value sales to a wide range of other businesses.

(1 mark each, total = 4 marks)

(4 marks)

- 5 (a) Drucker suggested that there were five basic operations of management.

- A Set objectives
- B Monitor
- C Leader
- D Organise
- E Figurehead
- F Expert
- G Establish yardsticks
- H Develop people

Required:

Write down which **FOUR** of the above are part of Drucker's model by selecting **FOUR** from A-H.

(0.5 marks each, total = 2 marks)

(b) Developing people may include a manager acting in one of the following roles:

- A Mentor
- B Coach
- C Counsellor

The following sentences contain gaps relating to the relevant role from the list above.

Manager A has been acting as a 1 by helping one of his subordinates to achieve their goal of improving their speed when assembling products.

Required:

(i) **Select the role that appropriately fills gap 1 above; i.e. select A, B, or C.**

Manager B has been asked to act as a 2 for a new employee. This will involve her helping the new employee to 'fit in' by offering general advice and guidance where needed.

Required:

(ii) **Select the role that appropriately fills gap 2 above; i.e. select A, B or C.**

(1 mark each = 2 marks in total)

(4 marks)

6 (a) Two of an accounting department's main functions are:

- A Management accounting function
- B Financial accounting function

Required:

For each of the following statements, identify whether they relate to management accounting or financial accounting by writing down either A or B.

- (i) **This function produces reports that are largely for internal use.**
- (ii) **This function produces reports that are a record of historic transactions.**
- (iii) **This function produces reports whenever they are required by the directors.**
- (iv) **This function has to follow set formats for its reports.**

(0.5 marks each, total = 2 marks)

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(b) Two types of IT control are:

- A General controls
- B Application controls

Required:

For each of the following statements, identify whether they relate to general or application controls by writing down either A or B.

- (i) Physical controls, such as card entry systems
- (ii) Disaster recovery systems, such as off-site back-ups
- (iii) Automated checks on the validity of data being entered by users
- (iv) Checks on the completeness of data entry

(0.5 marks each, total = 2 marks)

(4 marks)