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ACCA Paper F1/FAB Accountant in Business June 2015 Revision Mock

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Question Number	General Comments	Exam Technique Comments

ACCA REVISION MOCK

**Accountant in
Business
(AB/FAB)**

June 2015

Time allowed: **2 hours**

ALL 52 questions are compulsory and MUST be attempted.

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** An electronics retailer has decided to hire new staff members in order to deal with an increase in demand for its products. Which level of strategic planning will this most closely relate to?
- A Strategic
 - B Tactical
 - C Operational
 - D Business
- (2 marks)**
- 2** V operates an Electronic Data Interchange (EDI) system between her business and those of her suppliers to increase the time-effectiveness of her staff. Which of the following statements regarding a typical EDI system is correct?
- A It allows for automated electronic ordering of goods from V's suppliers
 - B It allows for virtual, online meetings between V and her suppliers
 - C It allows V and her suppliers to access a central database of relevant information regarding V's business
- (1 mark)**
- 3** The following are attributes of either the divisional structure or the functional structure.
- 1 Economies of scale are encouraged
 - 2 Encourages standardisation of outputs and processes
 - 3 Adaptable if further diversification is pursued
 - 4 Senior managers are able to focus on strategic issues
- Which of these are features of the DIVISIONAL structure?**
- A 1 and 2
 - B 2 and 3
 - C 2 and 4
 - D 3 and 4
- (2 marks)**
- 4** If all employees are highly skilled and motivated it could enable managers to have a wider span of control within the organisation.
- Is this statement TRUE or FALSE?**
- A True
 - B False
- (1 mark)**

ACCA F1 AND FAB: ACCOUNTANT IN BUSINESS

5 At his annual appraisal, J is offered a large pay rise and a new job title. According to Maslow, which part of J's hierarchy of needs is most likely to be met by this offer?

- A Self-fulfilment
- B Social
- C Safety
- D Ego

(2 marks)

6 Country A is experiencing significant growth in the disposable income of its population. Which type of inflation is this likely to cause?

- A Demand-pull
- B Imported
- C Monetary

(1 mark)

7 Consider the following statements:

- 1 Adam is currently offering practical advice and support to a number of new employees. He sees his role as helping to support the learning and development of these new staff members.
- 2 Belinda is currently helping one of her colleagues to deal with a problem he is having with another member of staff.
- 3 Charlie is spending a month helping a colleague to improve their machine skills within the workplace.

Are Adam, Belinda and Charlie acting as a coach, a mentor or a counsellor?

- | | <i>Adam</i> | <i>Belinda</i> | <i>Charlie</i> |
|---|-------------|----------------|----------------|
| A | Mentor | Coach | Counsellor |
| B | Coach | Counsellor | Mentor |
| C | Mentor | Counsellor | Coach |
| D | Counsellor | Mentor | Coach |

(2 marks)

8 The newly elected government of country H is debating its approach to managing the national economy.

The Finance Minister has stated that 'our economy is growing too quickly. We need to increase the level of taxation and think about reducing the money supply to try and slow the economy down.'

Which approach to national economic management is the Finance Minister suggesting?

- A The classical approach
- B The monetarist view
- C Supply-side economics
- D The Keynesian view

(2 marks)

- 9 Accountancy is classed as a profession rather than an occupation. Which of the following is NOT a reason for this?**
- A Accountancy requires a period of training to enable the mastering of specialised skills
 - B Accountants are normally highly paid
 - C Accountants have to comply with a code of ethics
 - D Accountants are governed by one of a number of professional associations **(2 marks)**
- 10 Which of the following is a characteristic of an objective that follows the SMART criteria?**
- A Achievable
 - B Resource-based
 - C Authorised **(1 mark)**
- 11 Adair identified three major areas that leaders need to be able to manage – task, group and individual needs.**
- Is this statement TRUE or FALSE?**
- A True
 - B False **(1 mark)**
- 12 H purchases a new computer system. It allows him to input his personal income for the year, which comes from a number of different sources, and then automatically calculates his personal tax liability. Which type of information system has H purchased?**
- A Management information system
 - B Expert system
 - C Decision support system **(1 mark)**
- 13 A product has recently had its selling price raised by 5%. This has led to a 10% reduction in the number of units sold.**
- Which of the following statements about the product are correct?**
- A It has a price elasticity of demand of 0.5
 - B It is unit elastic
 - C It is likely to be classed as a necessity by customers
 - D It may have a large number of substitutes **(2 marks)**

ACCA F1 AND FAB: ACCOUNTANT IN BUSINESS

14 Which of the following statements about internal audit are correct?

- 1 It is a legal requirement for all companies
 - 2 Its role is to assess whether an organisation has sound internal controls
 - 3 Internal auditors determine the scope of their own work
 - 4 It makes recommendations to managers on internal control and governance
- A 1 and 2
 - B 2 and 4
 - C 1 and 4
 - D 3 and 4

(2 marks)

- 15** J is in charge of two members of staff, X and Y, who are constantly in conflict with each other over the use of the department's single computer terminal. J knows that she will not be given sufficient funding to purchase additional terminals. X and Y will both need access to the terminal for the foreseeable future and J is concerned that the current conflict is undermining their ability to work well together.

Which approach to conflict management would be most appropriate for J to use to deal with this conflict?

- A Suppression
- B Denial
- C Resolution
- D Reduction

(2 marks)

- 16** X, an accountant, is preparing the accounts for GHF Ltd, one of her clients. Last year she convinced several investors to put large amounts of money into GHF, but X has now discovered that the company has seriously underperformed during the last financial year.

What ethical threat does this expose X to?

- A Familiarity
- B Self-interest
- C Advocacy

(1 mark)

- 17** S Ltd is a large conglomerate company that operates in a large number of different markets in country V. It is currently investigating the possibility of entering a new market – paint manufacturing.

However, the CEO of S Ltd is concerned about the proposals. There are currently a number of large paint manufacturers already in the market. Raw materials required for paint manufacturing are plentiful, but paint sales have been falling in country V in recent years, as wallpaper and other forms of wall-covering are becoming more fashionable. In addition, he worries that the set-up costs of the new division will be very high.

Which of the following is NOT one of Porter’s five forces that the CEO of S Ltd is concerned about?

- A Barriers to entry
 - B Substitutes
 - C Power of customers
 - D Power of suppliers
- (2 marks)**

- 18** J is part of a team working in company T. She tends to encourage communication between the other members of the group as well as trying to build friendships and relationships between them. Which of Belbin’s group roles is J filling?

- A Plant
 - B Resource-investigator
 - C Team worker
 - D Shaper
- (2 marks)**

- 19** When managing your time, which of the following would make a job a high priority?

- A Urgency
 - B Importance
 - C Importance and urgency
- (1 mark)**

- 20** A team has recently been formed within a business. The members of the team are currently agreeing how the group will be run and how decisions will be made. According to Tuckman’s model, the team has reached the storming stage.

Is this statement TRUE or FALSE?

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

ACCA F1 AND FAB: ACCOUNTANT IN BUSINESS

- 21** G plc is planning on building a factory in a residential area. It is aware that local residents will suffer from reduced living conditions, environmental damage and a fall in property prices due to the factory. However, G feels that building the factory should still proceed as it will be profitable for a large number of shareholders and will provide a significant number of jobs (though not to local residents), as well as a boost to the wider economy.

Which approach to ethics is being demonstrated by G?

- A Egoist
 - B Utilitarian
 - C Pluralist
 - D Absolutist
- (2 marks)**

- 22** Country Z is currently experiencing a period of economic contraction, or a 'bust' period. Which type of unemployment is this likely to create?

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

- 23** With regards to the management accounting function, which of the following statements is correct?

- A It is often used by external stakeholders, such as shareholders
 - B It is a requirement for all limited companies
 - C It is mainly a historic record of the organisation's activities
 - D It aids planning and decision making within the business
- (2 marks)**

- 24** ACCAMAP is a mnemonic for the types of internal control employed by an organisation. Which TWO of the following are types of internal control included in ACCAMAP?

- 1 Monitoring
 - 2 Authorisation
 - 3 Performance
 - 4 Physical
- A 1 and 2
 - B 1 and 3
 - C 2 and 3
 - D 2 and 4
- (2 marks)**

- 25 Which of the following is NOT part of the '4P's' of the marketing mix?**
- A Product
 - B People
 - C Place
- (1 mark)**
- 26 A Ponzi scheme is a fraudulent investment offer that involves paying abnormally high returns to initial investors out of the new money paid in by subsequent investors.**
- Is this statement TRUE or FALSE?**
- A True
 - B False
- (1 mark)**
- 27 K is to be interviewed for a new job. When he arrives, he discovers that he is going to be interviewed by several people at the same time. What type of interview is K being given?**
- A Face-to-face
 - B Group
 - C Panel
 - D Stress
- (2 marks)**
- 28 A Ltd is considering improving its impact on the environment by adopting a sustainable approach to business. Which THREE of the following statements are correct with regards to A's decision?**
- 1 It may help to reduce the organisation's operating costs
 - 2 It could lead to an improved relationship with shareholders and other stakeholders
 - 3 It may improve employee motivation
 - 4 It would be expected to reduce the administrative burden on management
- A 1, 2 and 3 only
 - B 1, 3 and 4 only
 - C 2, 3 and 4 only
 - D 1, 2 and 4 only
- (2 marks)**
- 29 Which of the following statements identifies three broad requisites for fraud?**
- A Collusion, opportunity, motivation
 - B Dishonesty, opportunity, motivation
 - C Opportunity, collusion, dishonesty
 - D Dishonesty, collusion, motivation
- (2 marks)**

ACCA F1 AND FAB: ACCOUNTANT IN BUSINESS

- 30 Which of the following statements is correct regarding non-executive directors?**
- A They should make up at least half of the board of directors in larger companies.
 - B They help the executive directors with the daily running of the company.
 - C They may be friends or relatives of the executive directors, as this helps their working relationship.
 - D Once appointed, they should continue to act as non-executives for as long as possible as this will ensure they are knowledgeable and experienced. **(2 marks)**
- 31 Which of the following functions is most likely to be undertaken in a treasury department?**
- A Preparation of cash flow statements
 - B Foreign currency management
 - C Product pricing decisions
 - D Key factor analysis **(2 marks)**
- 32 Company G is considering raising finance to invest in new premises. It believes that it should raise debt finance by way of a bank loan. Which of the following statements are correct regarding debt and equity finance?**
- A Interest payments tend to be cheaper than dividends.
 - B Interest payments can be suspended in the future if H is unable to afford them.
 - C Dividends are an allowable deduction against H's profits.
 - D H will likely need to provide asset security to investors whether it chooses to raise debt or equity finance. **(2 marks)**
- 33 Which of the following documents would normally be seen earliest in the sales cycle?**
- A Goods received note
 - B Sales invoice
 - C Goods despatch note
 - D Order confirmation **(2 marks)**
- 34 In order to deal with complex problems, which of the following methods of communication is most likely to be effective?**
- A Wheel
 - B Circle
 - C All-channel **(1 mark)**

- 35** B started a new electronics business many years ago. His business now employs several dozen staff members. B is the sole owner and makes all of the key decisions within the organisation.

According to Handy, which cultural type exists in B's business?

- A Person
- B Task
- C Power
- D Role

(2 marks)

- 36** Naboo plc is a large company based in country B. It offers its workers a range of flexible benefits, such as additional holiday time and family health insurance. Its employees are well motivated – even though they are not highly paid.

According to Hofstede, this would indicate that B's country is:

- A Individualistic
- B Feminine
- C Masculine
- D Confucian

(2 marks)

- 37** If an employee does what a manager asks of them because they wish to imitate or become like their manager, what sort of power does their manager hold over them?

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

(2 marks)

- 38** Which of the following is NOT a component of internal control?

- A The control environment
- B Risk assessment processes
- C Preventative actions

(1 mark)

- 39** Businesses may wish to introduce certain key values in order to make it as easy as possible for employees to behave in an ethical manner. Which of the following is one of these key values?

- A Openness
- B Confidentiality
- C Professional behaviour
- D Integrity

(2 marks)

ACCA F1 AND FAB: ACCOUNTANT IN BUSINESS

- 40** JM Ltd is a medium-sized clothing retail chain that has recently undertaken a stakeholder analysis exercise using Mendelow's matrix. JM feels that the national government currently has little interest in the company, though the directors feel that it would have significant power should it choose to intervene in the company's affairs.

What strategy would Mendelow's matrix suggest JM takes with regards to the national government?

- A Key players
 - B Minimal effort
 - C Keep satisfied
 - D Keep informed
- (2 marks)**

- 41** An ACCA qualified accountant is asked by his immediate superior to undertake an activity he feels is unethical. What is the correct order that the following actions should be taken in?

- 1 Contact the ACCA
 - 2 Report to a senior manager in charge of ethics
 - 3 Resign from the post
- A 2, 3, 1
 - B 1, 2, 3
 - C 2, 1, 3
 - D 3, 2, 1
- (2 marks)**

- 42** Which of the following is NOT a common feature of committees?

- A Decisions tend to be made rapidly
 - B Decisions may be compromises rather than the optimal solution
 - C Some members of the committee may dominate proceedings
- (1 mark)**

- 43** Human resource management is a primary activity within Porter's value chain.

Is this statement TRUE or FALSE?

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

- 44** Mr F has recently been appointed as a non-executive director of GGG plc and is expected to stand for re-election on an annual basis. He retired last year from one of GGG's suppliers, HHH, and while his role meant he had little to do with GGG itself he has enjoyed extensive corporate hospitality from GGG's CEO over the last several years. He holds a hundred shares in GGG (which currently has 300,000 shares in issue).

GGG's Chairman is concerned that Mr F is not sufficiently independent to be a non-executive director, for the following reasons:

- (i) He has had past business dealings with GGG as a supplier
- (ii) He owns shares in GGG
- (iii) He has to stand for re-election on an annual basis
- (iv) He has an existing, close relationship with GGG's CEO

Which of the Chairman's concerns is/are valid regarding the appointment of Mr F?

- A (ii) and (iii) only
- B (i), (ii) and (iv) only
- C (ii) and (iv) only
- D (iv) only

(2 marks)

- 45** Omar works in the finance department as a junior accountant. He sends a memorandum to the Marketing Director.

Which type of communication is this an example of?

- A Vertical
- B Diagonal
- C Horizontal

(1 mark)

- 46** Hannah has recently started a new job in D plc. To help her, she is being mentored by an experienced member of staff. Which type of learning is Hannah experiencing?

- A Informal
- B Tacit
- C Formal
- D Incidental

(2 marks)

SECTION B – MULTI-STAGE QUESTIONS

ANSWER ALL 6 QUESTIONS

1 (a) Honey and Mumford suggested that there are four approaches to individual learning:

- A Reflector
- B Activist
- C Pragmatist
- D Theorist

HT plc is training its staff on the use of a new IT system.

Required:

Identify which learning approach each of the following employees are adopting by selecting A, B, C or D:

- (i) **Employee 1 has decided to input some dummy data into the system so that he can try and learn how the system works. She dislikes the idea of formal training.**
- (ii) **Employee 2 has asked to watch an employee inputting data into the system who has already been trained in its use. She will then consider what she has learnt before attempting to use the system herself.**
- (iii) **Employee 3 is learning about a new system by reading the manual.**
- (iv) **Employee 4 wishes to have some formal training, followed by practical application. (0.5 marks each = 2 marks total)**

(b) There are different ways of passing on skills to employees, including:

- A Education
- B Development
- C Training

The following sentences contain gaps which specify one of the three terms above.

Employee 1 has been offered a course which will help with time management – this will help her in her work and her personal life. This is classified as **_1_**.

Required:

- (i) **Select the term that appropriately fills gap 1 above; i.e. select A, B, C or D.**
Employee 2 has been offered _2_ by the company as she has been offered a course in computer skills that will enable her to apply for promotion within the company.
- (ii) **Select the term that appropriately fills gap 2 above; i.e. select A, B, C or D.**
(1 mark each = 2 marks in total)

(Total: 4 marks)

- 2 (a) Management theory includes a number of important concepts, including:
- A Leadership
 - B Management
 - C Supervision
 - D Responsibility

Required:

Classify the following as relating to either A (leadership), B (management), C (supervision), or D (responsibility):

- (i) **The setting of goals and inspiring subordinates to achieve them.**
 - (ii) **The liability of a person to be called to account for his or her actions.**
 - (iii) **Ensuring that specified tasks are performed correctly and efficiently by a certain group of workers.**
 - (iv) **The use and co-ordination of business resources in order to achieve key objectives. (0.5 marks each = 2 marks total)**
- (b) Fayol created a popular management theory known as 'Fayol's five functions of management'.

Consider the following management functions:

- A Planning
- B Leader
- C Monitor
- D Commanding
- E Controlling
- F Liaison
- G Disseminator
- H Organising

Required:

Identify which four of the above factors are included in Fayol's five functions model by selecting FOUR of the letters from A-H. (0.5 marks each, total = 2 marks)

(Total: 4 marks)

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- 3** (a) Q Ltd is considering outsourcing its IT function to a third party IT company on a fixed fee basis. Q does not consider IT to be core function, as the organisation currently manufactures tables and chairs for domestic use. A junior accountant has produced a list of possible advantages of this to the company, as follows:
- A It will reduce the probability of other organisations gaining access to Q's information.
 - B It will reduce uncertainty relating to how much the IT function will cost Q each year.
 - C The third party company may have access to IT skills that Q lacks.
 - D If the third party fails to perform well, Q can easily bring the IT function back in-house.
 - E The third party company may have access to more economies of scale for IT, allowing Q to save money on its IT function.
 - F It will reduce Q's dependence on its suppliers.
 - G Q is likely to gain competitive advantage over rivals with its IT systems.
 - H It is likely to allow Q to focus its management time on core activities.

Required:

Identify which four of the above factors are likely advantages of Q outsourcing its IT function by selecting FOUR of the letters from A-H.

(0.5 marks each, total = 2 marks)

- (b) Increased use of IT has enabled many companies like Q, to restructure in a number of different ways. These include:
- A Downsize
 - B Delayer
 - C Ad-hoc outsource
 - D Offshore

The following sentences contain gaps which are missing one of these four terms.

Q Ltd has decided to **_1_** by getting a local third party IT company to provide a number of temporary staff to cover the development of a new system for the company.

Required:

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

Q Ltd's management wishes to **_2_ the organisation by using IT to improve communication. They feel that this will reduce the need for several levels, who will be made redundant.**

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

(1 mark each = 2 marks in total)

(Total: 4 marks)

- 4 G has recently employed a new junior management accountant. The management accountant has been informed by his manager that G's working capital is made up of four parts – inventory, receivables, payables and cash. G can maintain each element at either a high or low level.

		Balance	
		<i>High</i>	<i>Low</i>
Working capital	Inventory	A	B
	Trade receivables	C	D
	Cash	E	F
	Trade payables	G	H

Identify which of the following advantages relate to having a high or low level of each part of working capital as shown in the above diagram by entering ONE of the letters A–H.

Required:

- (i) **Attractive to customers as they are able to pay for their purchases later. (Select A–H)**
- (ii) **Reduced risk of bad and doubtful debts. (Select A–H)**
- (iii) **Suppliers may offer prompt payment discounts. (Select A–H)**
- (iv) **Customers will be happy as the organisation will always be able to provide them with the goods they require. (Select A–H) (1 mark each, total = 4 marks)**

(Total: 4 marks)

- 5 (a) Below are a number of statements relating to organisational structure.
- A A virtual organisation exists where all non-core activities are outsourced to third parties.
 - B A scalar chain refers to the number of levels of management within the organisation.
 - C Entrepreneurial structures typically suffer from slow decision making.
 - D An organisation's span of control is unaffected by the nature of the work the organisation undertakes.
 - E Decentralisation tends to reduce training costs within the organisation.
 - F A matrix structure may increase conflict between managers.
 - G Tall organisations typically have a narrow span of control.
 - H A 'shared services approach' refers to the centralisation of a previously dispersed function within the organisation.

Required:

Write down which FOUR of the above statements are correct by selecting FOUR from A–H. (0.5 marks each, total = 2 marks)

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(b) Commercial organisations can be formed in a number of different ways – such as:

- A Sole trader
- B Partnership
- C Private limited company
- D Public limited company

The following sentences contain gaps relating to the relevant type of organisation from the list above.

Organisation F's owners are legally separate from the organisation itself. F can only raise money from its existing owners and is not allowed to be listed on the stock exchange, indicating that it is a 1.

Required:

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

Organisation J is a 2. One of J's customers was injured by a product sold by the organisation. Rather than sue organisation, the customer has sued its three owners, as they are legally indistinguishable from the organisation.

(ii) Select the organisation that appropriately fills gap 2 above; i.e. select A, B, C or D. (1 mark each = 2 marks in total)

(Total: 4 marks)

6 (a) B Ltd is considering the launch of a new computer printer and is currently planning its pricing strategy.

It has identified four different options:

- A Sell the printer for a very low price. B will then sell ink cartridges to customers at a high profit margin.
- B Sell the printer for the same price as H Ltd – which sells a similar printer to the one B is planning to launch.
- C Sell the printer for a high price initially. As more competitors move into the market, the printer price will be dropped.
- D Sell the printer for a mark-up on the amount B pays to manufacture each unit.

Required:

Identify which pricing approach is being described below by writing A, B, C or D.

- (i) Going-rate pricing**
- (ii) Price skimming**
- (iii) Captive product pricing**
- (iv) Cost-plus pricing**

(0.5 marks each, total = 2 marks)

- (b) The Managing Director of B Ltd has been given a list of tasks that the company needs to undertake. However, he is uncertain which of the following departments each task should be assigned to:

- A Research and development
- B Marketing
- C Purchasing
- D Production

Required:

Identify which of the following tasks would typically be undertaken by each of the above departments by writing A, B, C or D.

- (i) **Development of questionnaires to gain customer feedback on existing products.**
- (ii) **Quality testing of all products sold by B Ltd.**
- (iii) **Design of products to deal with changing customer needs.**
- (iv) **Monitoring of inventory levels of raw materials within B's warehouses.**

(0.5 marks each, total = 2 marks)

(Total: 4 marks)

