



CA ZAMBIA PROGRAMME EXAMINATIONS

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KNOWLEDGE LEVEL

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CA 1.1: FINANCIAL ACCOUNTING

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MONDAY 11 DECEMBER 2017

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TOTAL MARKS – 100; TIME ALLOWED: THREE (3) HOURS

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**INSTRUCTIONS TO CANDIDATES**

1. You have fifteen (15) minutes reading time. Use it to study the examination paper carefully so that you understand what to do in each question. You will be told when to start writing.
2. This paper is divided into TWO sections:  
Section A: Ten (10) compulsory multiple choice questions.  
Section B: One (1) compulsory scenario question.  
Plus Four (4) scenario questions. Attempt any Three (3) questions.
3. Enter your student number and your National Registration Card number on the front of the answer booklet. Your name must **NOT** appear anywhere on your answer booklet.
4. Do **NOT** write in pencil (except for graphs and diagrams).
5. **Cell Phones** are **NOT** allowed in the Examination Room.
6. The marks shown against the requirement(s) for each question should be taken as an indication of the expected length and depth of the answer.
7. All workings must be done in the answer booklet.
8. Present legible and tidy work.
9. Graph paper (if required) is provided at the end of the answer booklet.

## **SECTION A – (COMPULSORY)**

**Attempt all ten (10) multiple choice questions**

### **QUESTION ONE**

Each of the following questions has only one correct answer. Write the letter of the correct answer you have chosen in your answer booklet. Marks allocated are indicated against each question.

- 1.1. The cash book of ABC shows an overdraft of K13,000 at 30 June 2017. It is subsequently discovered that a standing order receipt of K900 has been entered twice and that a dishonoured cheque for K1,200 has been debited in the cash book instead of being credited.

What should be the correct balance as per cash book when the errors are corrected?

- A. K13,900 overdrawn
  - B. K14,500 overdrawn
  - C. K16,300 overdrawn
  - D. K17,200 overdrawn
- (2 marks)

- 1.2. Which of the following is the main purpose of financial accounting?

- A. To prepare the profit and loss account
  - B. To record financial transactions
  - C. To provide useful information to users of financial accounts
  - D. To prepare statement of financial accounting
- (2 marks)

- 1.3. Which of the following would not be expected to be recorded in the statement of changes in equity?

- A. Bonus shares issued during the year.
  - B. Rights issue made during the year
  - C. Ordinary dividends declared before the end of the year but paid the following year
  - D. Ordinary dividends declared and paid after the year end.
- 2 marks)

1.4. BMX Company had receivables of K8,000 at 1 April 2016 and K5,600 at 31 March 2017. Irrecoverable debts of K2,000 were written off during the year and credit customers paid K7,500. Given that credit customers had been allowed 10% trade discounts, how much were the credit sales for the year under review?

- A. K3,100
- B. K7,810
- C. K7,100
- D. K2,400

(2 marks)

1.5. Miami's accounting records contain the following errors:

- (i) A cash purchase of K870 was recorded correctly in the purchases account but was entered on the wrong side of the cash account as K780.
- (ii) The depreciation charge for the year K400 was correctly entered in the depreciation expense account but was recorded on the wrong side of the accumulated depreciation account.

What will be the balance on the suspense account as a result of these errors?

- A. K90 debit
- B. K2,450 credit
- C. K2,450 debit
- D. K90 credit

(2 marks)

1.6. Mika's business has non-current assets with a carrying value of K450,000. An asset which had cost K200,000 was sold for K150,000 at a loss of K35,000. This has not yet been adjusted for from the accounting records. How much will the carrying amount of non-current assets be after adjustment for the disposal?

- A. K185
- B. K200
- C. K250
- D. K265

(2 marks)

1.7. A business sells goods at a constant margin of 30%. Sales in the period amounted to K800,000. Opening inventory was valued at K50,000 and closing inventory was K120,000. How much were the purchases?

- A. K680
- B. K630
- C. K560
- D. K610

(2 marks)

1.8. In a statement of cash flows, the issue of bonus shares appears under which heading?

- A. Financing activities
- B. Operating activities
- C. Investing activities
- D. None of the above

(2 marks)

1.9. NZ operates an imprest system to control its petty cash. It keeps a float of K7,000 but plans to increase this by K1,000 at the end of the month of December 2017. The following transactions took place during December:

K120 paid for postage

K200 received from an internal user of telephone

K230 paid to the milkman

K700 paid for cleaning

K100 received from internal staff as payment for stationery usage on private activity.

K400 paid to the director to put petrol in his car.

How much should be drawn by Petty cashier from the main cashier?

- A. K2,150
- B. K1,000
- C. K1,450
- D. K2,450

(2 marks)

1.10. A credit balance on an income and expenditure account for the club is dealt with by:

- A. Adding to the accumulated fund
- B. Subtracting from accumulated fund.
- C. Adding to club's bank balance
- D. Showing as a prepayment in statement of financial position.

(2 marks)

**[Total: 20 Marks]**

## **SECTION B**

**Question TWO in this section is compulsory and must be attempted.**

**Then attempt any three (3) questions from the remaining four .**

### **QUESTION TWO- COMPULSORY QUESTION)**

Monica is a sole trader who runs a tailoring business. She has employed her sister Naomie to help with cash collection and receipting customers who make payments usually in installments upon delivering materials to Monica's shop and upon collection of their finished clothings. Naomie is responsible for recording all cash receipts and payments in the business' cash book.

At 30 June 2017, Monica's bank (ledger) account showed an overdraft of K13,795 while her bank statement showed a credit balance of K655.

Upon carrying out some investigations, the following errors have been discovered:

- (i) Monica issued cheques to suppliers of chitenge and suiting materials totaling K4,710 in June 2017. These were only debited to Monica's bank statement on 7 July 2017.
- (ii) Monica withdrew cash K500 on 28 June which was not recorded in her cash book.
- (iii) One of the cheques issued by Monica to suppliers of special suiting buttons appears on her bank statement as K3,250 but was incorrectly recorded by Naomie as K2,800.
- (iv) Monica has not yet made any entry of the order she gave to the bank to transfer K12,500 from her personal account to the business account, which the bank did on 30 June 2017.
- (v) Bank charges of K645 were debited by the bank on 30 June 2017 but were not recorded by Monica by the date.
- (vi) Monica had issued a cheque to a supplier of a zig zag machine of K1,380 on 23 June 2017. On 26 June 2017, the cheque was dishonored but Monica had not recorded this by 30 June as she only received the cheque in question on 6 July 2017.
- (vii) Monica received cheques on 28 June from her customers to the value of K2,285. On 30 June 2017, these did not reflect on the bank statement until 3 July 2017.
- (viii) Monica received mobile phone communication from her bank notifying her of a standing order from one of her customers of K260. Monica recorded this in June but the bank did not formalize the entry on the bank statement as a matter of error.

In her quest to maintain a double entry system for her sister's business, Naomie who is of basic accounting knowledge made the following errors:

1. Purchases account was under cast by K600.
2. The sale of a business motor vehicle for cash K1,500 was correctly recorded in the cash account but credited to sales account.
3. Monica paid K300 insurance for personal motor vehicle using business debit card but Naomie included this in motor expenses account.
4. Sales of goods on credit K800 were completely omitted from the accounting records.
5. An electricity bill of K550 was correctly recorded in the electricity account and debited to the payable account.

**Required:**

- (a) Prepare Monica's adjusted bank account as at 30 June 2017. (7 marks)
- (b) Prepare a reconciliation of a bank statement balance to Monica's corrected bank ledger account in the general ledger as at 30 June 2017. (5 marks)
- (c) Show the journal entries to correct the errors (1) to (5) made by Naomie including drawing up a suspense account to calculate its opening balance. (8 marks)

**[Total: 20 marks]**

**QUESTION THREE**

Muchinga is a publicly listed Company. The following financial statements of Muchinga are available:

*Muchinga Statement of Comprehensive Income for the year ended 31 March 2017*

	<b>K' 000</b>
Revenue	51,660
Cost of sales	<u>(43,560)</u>
Gross Profit	8,100
Distribution Costs	(1,080)
Administrative expenses	<u>(2,970)</u>
Profit before finance costs, tax and other comprehensive Income	4,050
Finance costs (interest)	<u>(450)</u>
Profit before tax and other comprehensive Income	3,600
Investment Income	540
Income tax expense	<u>(1,440)</u>
Profit after tax	2,700
Other comprehensive Income	<u>900</u>
Total comprehensive Income	<u>3,600</u>

*Muchniga Statement of Financial Position as at:*

	31 March 2017	31 March 2018
Assets	<b>K' 000</b>	<b>K' 000</b>
Non-Current Asset (Note (i)):		
Property, Plant & Equipment	25,920	16,740
Investment Property	<u>3,780</u>	<u>3,600</u>
	29,700	20,340
Current Assets:		
Inventory	11,070	7,290
Trade receivables	4,320	5,310
Bank	<u>90</u>	<u>Nil</u>
Total Assets	<u>45,180</u>	<u>32,940</u>
Equity and Liabilities:		
Equity shares of K1 each	9,000	5,400
Share premium	5,400	nil
Revaluation Reserve	1,350	450
Retained Earnings	<u>13,140</u>	<u>11,790</u>
Total Owners Equity	28,890	17,640
Non-Current Liabilities:		
6 percent loan notes	nil	3,600
Tax payable	1,800	270
Current Liabilities:		
Trade payables	14,490	10,350
Bank overdraft	<u>nil</u>	<u>1,080</u>
Total Equity & Liabilities	<u>45,180</u>	<u>32,940</u>

**Additional Information:**

- (i) An item of plant with a carrying amount of K2,160,000 was sold at a loss of K810,000 during the year. Depreciation of K2,520,000 was charged to cost of sales for property, plant and equipment in the year ended 31 March 2017. One of the properties was revalued by K900,000. Investment property was revalued by K180,000. This is included in Investment income in the Income Statement. There were no purchases or sales of investment property.
- (ii) There was an issue of 3,600 shares for cash on 1 September 2016 at a price of K2.5 each. There was no bonus issue of shares during the year.
- (iii) A dividend of 15 ngwee per share was paid on 1 January 2017.

**Required:**

- (a) Prepare a statement of Cash-flow using the indirect method recommended by IAS 7.  
(18 marks)
- (b) State the purpose of the statement of cash flows  
(2 marks)

**[Total: 20 Marks]**

#### **QUESTION FOUR**

Kay and Roy are in partnership business of buying hardware from China and selling to local SMEs in bulk. They prepare accounts up to 30 September each year and have been trading for a while sharing profits and losses in the ratio 5:3 respectively. Their trial balance at 30 September 2017 has been extracted as follows but items (i) – (ix) have not yet been taken into account. Partners are paid interest of 6% of their opening capital balances.

	Dr 'K'	Cr 'K'
Revenue		730,000
Drawings: Kay	15,800	
Roy	10,000	
Capital accounts: Kay		80,000
Roy		70,600
Bank account		8,000
Trade receivables	87,430	
Trade payables		44,000
Inventory at 1 October 2016	29,750	
Purchases	470,000	
Returns inwards	25,200	
Returns outwards		16,750
Rent and rates	42,110	
Wages	130,725	
Motor expenses	10,730	
Allowance for receivables at 1 October 2016		3,000
Insurance	2,000	
Land and buildings at cost (land 80,000)	280,000	
Buildings accumulated depreciation 1 October 2016		20,000
Plant and equipment at cost	420,000	
Plant and equipment accumulated depreciation 1 Oct. 2016		204,960
Motor vehicles at cost	60,000	
Motor vehicles accumulated depreciation at 1 October 2016		24,000
10% loan from Kay		7,000
Interest paid on loan	175	
Current accounts: Kay		302,350
Roy	-	<u>73,500</u>
	<u>1,584,160</u>	<u>1,584,160</u>

The following additional information is available as at 30 September 2017:

- (i) The partnership inventory of hardware was valued at K56,000.
- (ii) On 1 July 2017, Roy drew inventory of hardware to fit in his personal house to the value of K600. This has not yet been accounted for in the partnership accounting records. Other drawings were made on 1 October 2016.



- (iii) Rent and rates of K1,110 have been prepaid.
- (iv) Interest on drawings for the year is to be charged at 5% per annum.
- (v) The loan from Kay was brought into the partnership business on 1 July 2017.
- (vi) Kay is entitled to a partnership salary effective 1 May 2017 of K120,000 per annum.
- (vii) Depreciation on non-current assets is to be provided for as follows:
  - Buildings – 50 years straight line method
  - Plant and equipment – 20% reducing balance method
  - Motor vehicles – 5 years straight line method.
- (viii) Irrecoverable debts of K470 are to be written off and an allowance of 5% of receivables to be provided for.
- (ix) Kay and Roy both made contribution of capital prior to the commencement of trading activities.

**Required:**

- (a) Prepare a partnership statement of profit or loss and appropriation account for the year ended 30 September 2017. (17 marks)
- (b) Prepare Partners' current accounts as at 30 September 2017. (3 marks)

**[Total: 20 Marks]**

**Note:** a statement of financial position is NOT required. Round off all answers to nearest whole numbers.

**QUESTION FIVE**

Mulonga is a treasurer of the Livingstone cricket club whose main source of fees are donations from well-wishers, members' subscriptions and fundraising activities of different types including running a bar on a smaller scale to raise funds for small operational needs. The following receipts and payments summary has been presented to you by the treasurer as extracted from an electronic bank statement received via email by the treasurer from the club's bankers Finance Bank in the afternoon of the 31<sup>st</sup> of December, 2017.

<b>RECEIPTS</b>	<b>'K'</b>
Subscriptions	48,240
Fundraising activity income	65,520
Bar sales	<u>178,080</u>
Total receipts	<u>291,840</u>

## PAYMENTS

Insurance	9,480
Stationery	39,000
Rent and rates	36,810
Expenses on fundraising activities	23,850
Maintenance costs	10,980
Postages	33,120
Bar staff wages	51,600
Bar expenses	14,760
Bar purchases	<u>84,780</u>
Total payments	<u>304,380</u>

The following information is provided to you by the treasurer:

- (i) The club had cash at the bank on 1 January 2017 amounting to K36,720. The closing bank balance is to be determined by you.
- (ii) The club's inventory in the bar was K8,760 and K9,870 on 1 January 2017 and 31 December 2017 whereas suppliers of bar purchases were owed K16,320 and K19,920 on 1 January 2017 and 31 December 2017 respectively.
- (iii) The treasurer has advised you that the club had, on 1 January 2017, rent and rates prepaid of K2,100 and bar expenses owing of K384; the same having been K2,880 and K528 respectively on 31 December 2017.
- (iv) The treasurer has further narrated to you that subscription in advance amounted to K660 on 1 January 2017 while subscription in arrears were K5,940 on 31 December 2017.
- (v) The following is a summary of the club's non-current assets at the beginning and at the year-end:

	1 January 2017	31 December 2017
Land	360,000	?
Office furniture (cost K72,000)	57,600	?
Sports equipment (cost K98,400)	78,720	?

- Office furniture is depreciated at the rate of 10% per annum straight line.
- Sports equipment is depreciated at 20% per annum straight line.

- (vi) On 1 January 2017, donations of K596, included in opening bank balance were received from a former club member via bank transfer in the morning of the material day.
- (vii) The club's bar does not sell anything on credit.

**Required:**

- (a) Prepare a bar trading account for Livingstone Cricket Club for the year ended 31 December 2017. (3 marks)
- (b) Prepare the Income and Expenditure account for Livingstone Cricket Club for the year ended 31 December 2017. (7 marks)
- (c) Prepare a statement of financial position as at 31 December 2017. (10 marks)

**[Total: 20 Marks]****QUESTION SIX**

- (a) Since early 2,000, credit business has been a norm for most types of businesses due to numerous contributing factors. Among the factors, world economic down turn plays the major role. However, the facility is not without risks. Most businesses that sell on credit face one common risk - 'credit risk', which means inability of the seller to collect cash from credit customers.

Kabwe is a sole trader and supplies furniture on credit to customers in Lusaka and few others outside Lusaka. His criteria for credit is that a customer should personally be known to him or else they must make a cash purchase.

Details of Kabwe's receivables, irrecoverable debts and allowances for receivables for debts that are doubtful are as follows for the first three years of his trading:

<i>Year to 30 June 2015</i>	<i>'K'</i>
Balances owed by customers as at 30 June 2015	30,000
Debt to be specifically allowed for – 80% of Saul's debt of	5,000
General allowance to be made of 2% of outstanding receivables	
Irrecoverable debt to be written off for the year to 30 June 2015	2,500
 <i>Year to 30 June 2016</i>	 <i>'K'</i>
Balances owed by customers as at 30 June 2016	45,000
Debt to be specifically allowed for – owed by Musa	1,500
General allowance to be made of 3% of outstanding receivables	
Irrecoverable debt to be written off for the year to 30 June 2016	2,800
 <i>Year to 30 June 2017</i>	 <i>'K'</i>
Balances owed by customers as at 30 June 2017	50,000
Debt to be specifically allowed for	nil
General allowance to be made of 3% of outstanding receivables	
Irrecoverable debt to be written off for the year to 30 June 2017	3,000

**Required:**

Prepare irrecoverable debts account, allowance for receivables account for each of the three years to 30 June 2015, 2016 and 2017 including extracts from the statement of financial position as at 30 June each of the three years. (10 marks)

- (b) The IASB's framework for the preparation and presentation of financial statements was produced in 1989 and is gradually being replaced by the new conceptual framework for financial reporting.

**Required:**

- (i) Explain the purposes of the conceptual framework. (5 marks)
- (ii) Describe the recognition criteria of elements of financial statements. (2 marks)
- (iii) State and explain the underlying assumption in the preparation of financial statements. (3 marks)

**[Total: 20 Marks]**

**END OF PAPER**

## CA1.1: FINANCIAL ACCOUNTING SOLUTIONS

### SECTION A

#### QUESTION ONE

- 1.1. C
- 1.2. C
- 1.3. D
- 1.4. C
- 1.5. B
- 1.6. D
- 1.7. B
- 1.8. D
- 1.9. A
- 1.10. A

### SECTION B

#### SOLUTION TWO

- a) Monica's adjusted bank account as at 30 June 2017

	K(Dr)		K (CR)
Capital introduced	12,500	balance b/f	13,795
Dishonoured issued Cheque	1,380	Drawings	500
		Cheques understated	450
Balance c/d	<u>1,510</u>	Bank charges	<u>645</u>
	<u>15,390</u>	Balance b/f	<u>15,390</u>
			1,510

- b) Monica's reconciliation of Bank statement to adjusted cashbook as at 30 June 2017

	K
Balance as per bank statement	655
Add: uncredited cheques	2,285
Add: receipt omitted	260
Less unpresented cheques	<u>(4,710)</u>
Overdraft per adjusted cash book	<u>(1,510)</u>

c) Journal entries

i)	Purchases	600	
	Suspense		600
ii)	Sales	1,500	
	Motor Vehicle Disposal		1,500
iii)	Drawings	300	
	Motor expenses		300
iv)	Receivables	800	
	Sales		800
v)	Suspense	1,100	
	Payables		1,100

**Suspense account**

Payable	1,100	balance b/f	500(Bal fig)
		Purchases	<u>600</u>
	<u>1,100</u>		<u>1,100</u>

**SOLUTION THREE**

No.	Item 1	Item 2
i)	Current liabilities are obligations of an entity expected to be settled within 12 months of the reporting date. Examples include: tax payable, interest payable, trade payables, bank overdraft etc.	Non current liabilities are obligations of an entity expected to be settled after more than 12 months from the reporting date. Examples include: long term loans and loan notes.
ii)	<ul style="list-style-type: none"> <li>▪ A unit of investment through being part owner in the company</li> <li>▪ Investors are called shareholders</li> <li>▪ Shares are not secured on company assets</li> <li>▪ Dividends are only paid when profits allow</li> <li>▪ Annual benefits to investor are dividends</li> <li>▪ Are not subject to redemption unless the company winds up</li> <li>▪ Rate of dividends decided upon based on available profits. Holders do not receive profits in bad times and hence <b>highly risky</b> investment type.</li> <li>▪ Cannot enforce the payment of dividends</li> </ul>	<ul style="list-style-type: none"> <li>▪ A unit of investment through being a lender (payable) to the company.</li> <li>▪ Lenders are called loan holders</li> <li>▪ Interest must be paid even if there are no profits</li> <li>▪ Annual benefits to the investor is interest</li> <li>▪ Can be redeemed to reduce capitalization</li> <li>▪ Rate of interest is fixed.</li> <li>▪ Holders must receive interest with or without profits <b>hence less risky</b> type of investment.</li> <li>▪ Bond holders can enforce the payment of interest by way of legal action.</li> </ul>
iii)	<ul style="list-style-type: none"> <li>▪ Equity shares (popularly called ordinary shares) represent part</li> </ul>	<ul style="list-style-type: none"> <li>▪ Preference shares are a form of loan to the company and</li> </ul>

	<p>ownership in a company in which a shareholder undertakes maximum risk associated with the business. For this reason, holders are called risk holders.</p> <ul style="list-style-type: none"> <li>▪ Equity shares do not carry a fixed rate of dividend, but the rate is usually decided by directors after prior charges have been made on the profit of loan interest and dividends to preferred shareholders.</li> <li>▪ As a result, holders receive dividends last after their preferred counterparts.</li> <li>▪ They receive capital repayment last as well after preferred share holders</li> <li>▪ Holders vote at company meetings and hence have a say in the management of the company.</li> <li>▪ Equity share capital can not be redeemed during the life of the company. It is returned only when the company winds up.</li> </ul>	<p>hence shareholders do not undertake a maximum risk associated with the business.</p> <ul style="list-style-type: none"> <li>▪ Preference shares carry a fixed rate of dividend and hence are first to receive dividends compared to ordinary shareholders.</li> <li>▪ They are also first to receive capital repayment when the company winds up before their ordinary counterparts.</li> <li>▪ Holders do not vote at company meetings and hence have no say in the management of the company.</li> <li>▪ Preference share capital can be redeemed during the life of the company.</li> </ul>
iv)	<ul style="list-style-type: none"> <li>▪ Bonus issue is the issue of shares for no cash to existing shareholders in proportion to their current holding</li> <li>▪ It is issued at nominal price and hence does not give rise to share premium.</li> <li>▪ It does not lead to dilution of existing holding.</li> <li>▪ All shareholders are allotted the bonus issue and are obliged to take up</li> <li>▪ Meant to increase capital base of the company and gives creditors greater protection.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Rights issue is an issue of shares to existing shareholders in proportion to their existing holding at a price lower than the market value.</li> <li>▪ Rights issue raises cash for the company and may give rise to share premium.</li> <li>▪ Leads to dilution of existing holding.</li> <li>▪ Not all shareholders are obliged to take up rights issue.</li> <li>▪</li> </ul>

v)	<ul style="list-style-type: none"> <li>▪ Accruals basis of accounting is a system that accrues revenues and costs, ie they are recognized as they are incurred and earned and not when cash is received and paid.</li> <li>▪ Costs are incurred when services or goods are received and revenue earned when services or goods are provided.</li> <li>▪ It is subjective as it brings into account adjustments that are judgemental</li> <li>▪ It provides opportunity for manipulation of performance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cash basis of accounting only recognizes cash inflows and cash outflows resulting in cashbooks</li> <li>▪ No Statement of financial position as there are no other balances except cash</li> <li>▪ No non current assets</li> <li>▪ No current and non current liabilities</li> <li>▪ Sales recognized when cash is received</li> <li>▪ Purchases recognized when cash paid</li> <li>▪ It is objective and manipulation is difficult to achieve.</li> </ul>
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#### **SOLUTION FOUR**

a) Kay and Roy partnership statement of profit or loss and other comprehensive income for the year ended 30 September 2017.

	'K'	'K'
Revenue		730,000
Less returns inwards		<u>(25,200)</u>
Net sales		704,800
Less cost of sales:		
Opening inventory	29,750	
Purchases (470,240 – 600 drawings)	469,640	
Returns outwards	(16,750)	
Closing inventory	<u>(56,000)</u>	
		<u>(426,640)</u>
Gross profit		278,160
<b>Less expenses</b>		
Rent and rates (42,110 – 1,110)	41,000	
Wages	130,725	
Motor expenses	10,730	



Receivables expense (W1)	1,312	
Insurance	2,000	
Depreciation: Buildings (200,000/50 years)	4,000	
Plant and equipment (20% x [420,000-204960])	43,008	
Vehicles (5% x 60,000)	3,000	
Loan interest (10% x 7,000 x 3/12)	<u>175</u>	
		<u>(235,950)</u>
Net profit before appropriation		42,210
<b>Less appropriation</b>		
Add interest on drawings: Kay (w2)	790	
Roy	<u>575</u>	<u>1,365</u>
		43,575
Less salary: Kay (120,000 x 5/12)	(50,000)	
Interest on capital: Kay (6% x 80,000)	(4,800)	
Roy (6% x 70,600)	<u>(4,236)</u>	<u>(59,036)</u>
		(15,461)
Share of losses: Kay (5/8 x (15,461))	(9,663)	
Roy (3/8 x (15,461))	<u>(5,798)</u>	<u>.....</u>
	<u>(15,461)</u>	<u>(15,461)</u>

b) Partners current accounts

	Kay 'K'	Roy 'K'		Kay 'K'	Roy 'K'
Share of losses	9,663	5,798	balances b/f	302,350	73,500
Drawings	15,800	10,000	salary; Kay	50,000	-
Interest on drawings	790	575	Interest on cap.	4,800	4,236
			Interest on loan	175	.....
Balances c/d	<u>331,072</u>	<u>61,363</u>		<u>.....</u>	<u>.....</u>
	<u>357,325</u>	<u>77,736</u>		<u>357,325</u>	<u>77,736</u>
			Balance c/f	331,072	61,363

**WORKINGS** – all workings figure are in kwacha unless otherwise indicated.

1. Irrecoverable debt expense:

Allowance for receivables at start	3,000
Increase in allowance (bal. fig.)	842
Allowance for receivables at end [77,300 - 470 x (5%)]	<u>3,842</u>
Total expense = 470 + 842 =	1,312

2. Interest on drawings:

Kay [5% x 15,800]	790
Roy [5% x 10,000] + [5% x 600 x 3/12]	<u>575</u>

**SOLUTION FIVE**

a) Livingstone Cricket Club's Bar trading account for the year ended 31 December 2017

	'K'	'K'
Revenue		178,080
Cost of sales:		
Opening inventory	8,760	
Purchases (W1)	88,380	
Closing inventory	<u>(9,870)</u>	<u>(87,270)</u>
gross profit		
Gross profit		90,810
Less bar expenses		
Bar wages	51,600	
Bar expenses (W3)	<u>14,904</u>	<u>(66,504)</u>
Bar net profit		<u>24,306</u>

**b) Livingstone Cricket Club****Income and expenditure account for the year ended 31 December 2017**

	'K'	'K'
<b>Incomes</b>		
Subscriptions (W2)		54,840
Profit from bar trading activities (answer [a])		24,306
Income from fundraising activities (65,520-23,850)		41,670
Donation		<u>596</u>
Total income		121,412
<b>Expenditure</b>		
Stationery	39,000	
Rent and rates (36,810 – 2,880 + 2,100)	36,030	
Maintenance costs	10,980	
Postage	33,120	
Insurance	9,480	
Depreciation: Office furniture	7,200	
Sports equipment	<u>19,680</u>	<u>(155,490)</u>
Deficit		<u>(34,078)</u>

**c) Livingstone Cricket club Statement of financial position as at 31 December 2017.**

	'K'	'K'	'K'
<b>Non current assets</b>			
Land	360,000	-----	360,000
Sports equipment	98,400	39,360	59,040
Office furniture	<u>72,000</u>	<u>21,600</u>	<u>50,400</u>
Total non current assets	<u>530,400</u>	<u>58,960</u>	469,440
<b>Current assets</b>			
Inventory		9,870	
Rent prepaid		2,880	
Subscription in arrears		5,940	
Bank (36,720 +291,840 – 304,380)		24,180	<u>42,870</u>
Total assets			<u>512,310</u>
<b>Accumulated fund and liabilities</b>			
Accumulated fund (W4)			525,940
Less deficit			<u>(34,078)</u>
			491,862
<b>Current liabilities</b>			
Payables		19,920	
Bar expenses owing		<u>528</u>	
			<u>20,448</u>
Total accumulated fund and liabilities			<u>512,310</u>

## WORKINGS

'K'

1. Bar purchases		
Payables at the beginning	19,920	
Plus payment	84,780	
Less payables at end	<u>(16,320)</u>	
Bar purchases	88,380	
2. Subscriptions in advance b/f	660	
Add subscriptions received	48,240	
Add subscriptions owing c/f	<u>5,940</u>	
To I/E	<u>58,840</u>	
3. Bar expenses		
Owing c/f	528	
Paid in the year	14,760	
Less owing at start b/f	<u>(384)</u>	
To bar trading account	<u>14,904</u>	
4. Accumulated fund		
<b>Assets</b>		
Cash	36,124	
Inventory	8,760	
Land	360,000	
Equipment	78,720	
Office furniture	57,600	
Pent and rates prepaid	<u>2,100</u>	
Total assets		543,304
<b>Liabilities</b>		
Payables	16,320	
Bar expenses owing	384	
Subscriptions in advance	660	<u>(17,364)</u>
Accumulated fund		<u>525,940</u>

## SOLUTION SIX

a) Year to 30 June 2015

Irrecoverable debt expense account			
	K		K
Receivables	2,500	profit/loss	6,950
Allowance a/c	<u>4,450</u>		
	<u>6,950</u>		<u>6,950</u>

Allowance for receivables account			
	K		K
		Irrecoverable debt (w1)	4,450
Balance c/d	<u>4,450</u>		
	<u>4,450</u>		<u>4,450</u>
		Balance b/f	4,450

Statement of financial position extract

Current assets	K
Receivables (w1)	23,050

## Year to 30 June 2016

Irrecoverable debt expense account			
	K		K
Receivables	2,800	allowance for receivables	1,729
		Profit/loss	<u>1,071</u>
	<u>2,800</u>		<u>2,800</u>

Allowance for receivables account			
	K		K
		Balance b/f	4,450
Irrecoverable debt	1,729		
Balance c/f	<u>2,721</u>		
	<u>4,450</u>		<u>4,450</u>
		Balance b/f	2,721

Statement of financial position extract

Current assets	K
Receivables (w2)	39,479

Year to 30 June 2017

Irrecoverable debt expense account			
	K		K
Receivables	3,000	allowance for receivables	1,310
		Profit/loss	<u>1,689</u>
	<u>3,000</u>		<u>3,000</u>

Allowance for receivables account			
	K		K
		Balance b/f	2,721
Irrecoverable debt	1,310		
Balance c/d	<u>1,410</u>		
	<u>2,721</u>		<u>2,721</u>

Statement of financial position extract

Current assets	K
Receivables (w3)	45,590

WORKINGS

1. Receivables at 30 june 2015	30,000
Less irrecoverable debts	<u>(2,500)</u>
	27,500
Less specific allowance	<u>(5,000)</u> actual to add to 450 is 80% x
	<u>5,000</u>
	<u>22,500</u>
General allowance (2% x 22,500)	(450)

Note: if only a proportion of a debt is to be specifically allowed for, the whole debt should be subtracted from receivables merely for the purpose of correctly calculating general allowance for receivables. For example whole K5,000 was subtracted from receivables but only K4,000 (80% of it) will be added to general allowance to get the total allowance. See working 1.

$$\begin{aligned} \text{Total actual allowance} &= 450 + (80\% \times 5,000) \\ &= 4,450 \end{aligned}$$

2. Receivables at 30 June 2016	45,000
Less irrecoverable debts	(2,800)
Less allowance for receivables	<u>(1,500)</u>
	40,700
General allowance (3% x 40,700)	<u>(1,221)</u>
To SFP	<u>39,479</u>
3. Receivables at 30 June 2017	50,000
Less irrecoverable debts	<u>(3,000)</u>
	47,000
Less allowance for receivables	<u>(1,410)</u>
To SFP (47,000X3%)	<u>45,590</u>

b) i) the purposes of the conceptual framework for financial reporting include:

- To **assist the board** in the development of future IFRSs and in the review of existing ones.
- **Assist the board** in promoting harmonization of financial reporting matters eg reduce number of alternative treatments.
- Assist **national standard setting bodies** in developing national standards
- Assist **preparers** of financial statements in applying IFRSs and deal with topics not yet covered by IFRSs
- Assist **auditors** form an opinion as to whether financial statements comply with IFRSs
- Assist **users of financial statements** interpret financial information prepared in compliance with IFRSs
- Provide those **interested in the work of IASB** with information about its approach to IFRS formulation.

ii) recognition criteria for elements of financial statements recognition is the process of incorporating in the financial statements the elements of financial statements.

The following criteria must be met for items that meet the definition of an element:

- It is probable that any future economic benefit associated with the item will flow to or from the entity
- The item has a cost or value that can be measured with reliability.

iii) the underlying assumption is going concern. It means that the entity is normally viewed as continuing in operation for a foreseeable future. It is assumed that the entity has neither the intention nor the necessity of liquidation.

**END OF SOLUTIONS**



CA ZAMBIA PROGRAMME EXAMINATIONS

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KNOWLEDGE LEVEL

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CA 1.2: BUSINESS STATISTICS

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WEDNESDAY 13 DECEMBER 2017

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TOTAL MARKS – 100; TIME ALLOWED: THREE (3) HOURS

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**INSTRUCTIONS TO CANDIDATES**

1. You have fifteen (15) minutes reading time. Use it to study the examination paper carefully so that you understand what to do in each question. You will be told when to start writing.
2. This paper is divided into TWO sections:  
Section A: Ten (10) compulsory multiple choice questions.  
Section B: One (1) compulsory scenario question.  
Plus Four (4) scenario questions. Attempt any Three (3) questions.
3. Enter your student number and your National Registration Card number on the front of the answer booklet. Your name must **NOT** appear anywhere on your answer booklet.
4. Do **NOT** write in pencil (except for graphs and diagrams).
5. **Cell Phones** are **NOT** allowed in the Examination Room.
6. The marks shown against the requirement(s) for each question should be taken as an indication of the expected length and depth of the answer.
7. All workings must be done in the answer booklet.
8. Present legible and tidy work.
9. Graph paper (if required) is provided at the end of the answer booklet.



## SECTION A – (COMPULSORY)

Attempt all ten (10) multiple choice questions

### QUESTION ONE

Each of the following questions has only one correct answer. Write the letter of the correct answer you have chosen in your answer booklet. Marks allocated are indicated against each question.

- 1.1 The probability that an event will occur is a value that ranges between:
- A. 0 to 1
  - B. -1 to 0
  - C. -1 to 1
  - D. 0 and above (2 marks)
- 1.2 What is the name given to the statistical value which means 'the most frequently occurring value'?
- A. Arithmetic mean
  - B. Mode
  - C. Median
  - D. Standard deviation (2 marks)
- 1.3 An aptitude test was given to applicants for a Job in procurement department of a company. The results (in %) obtained by a sample of ten applicants is as follows:
- 27, 52, 45, 67, 80, 74, 55, 72, 90, 65
- From the data given above, calculate the standard deviation of the results.
- A. 18.39
  - B. 62.7
  - C. 63
  - D. 66 (2 marks)
- 1.4 If  $\sum y = 574$  ,  $\sum x = 650$  ,  $\sum y^2 = 59026$  ,  $\sum xy = 69330$  ,  $\sum x^2 = 85\ 500$  , and  $n = 6$  , the value of the coefficient of correlation , to 2 decimal places, is :
- A. 0.82
  - B. 0.90
  - C. 0.91
  - D. 0.83 (2 marks)

- 1.5 The horizontal axis of a line graph always represents:
- A. Frequencies
  - B. Products
  - C. Quantities
  - D. Time
- (2 marks)
- 1.6 The value of the second quartile is always equal to the:
- A. Mode
  - B. Median
  - C. Mean
  - D. None of the above
- (2 marks)
- 1.7 The graphic device that is most useful for illustrating the distribution of a company's total revenue from sales for a particular year is the:
- A. Frequency polygon
  - B. Component bar chart
  - C. Line graph
  - D. Pie chart
- (2 marks)
- 1.8 Which of the following is NOT true about the coefficient of correlation?
- A. It is the square of coefficient of determination
  - B. It is the square root of coefficient of determination
  - C. It lies between -1 and 1
  - D. It measures the relationship of two or more variables
- (2 marks)

1.9 The time taken to process an email enquiry is normally distributed with mean time of 100 second and a standard deviation of 10 seconds. What is the probability that a randomly selected email enquiry will be processed in less than 105 seconds?

- A. 2.5
- B. 0.6915
- C. 0.0062
- D. 0.00

(2 marks)

1.10 During a five – week period, a carpenter’s weekly incomes were follows: 185, 170, 195, 175 and 205. Compute the sample standard deviation to 2 decimal places.

- A. 205.00
- B. 14.32
- C. 12.00
- D. 13.00

(2 marks)

**[Total: 20 Marks]**

## **SECTION B**

Question **TWO** in this section is compulsory and must be attempted.

Then attempt any **THREE** (3) questions out of the remaining four.

### **QUESTION TWO - (COMPULSORY QUESTION)**

Zambezi Ltd produces three types of wooden blocks – type A, B and C for its customers in the Copperbelt province.

The accounts department of Zambezi Ltd has extracted the following annual sales for each product for the three years, 2014, 2015 and 2016 as shown in the table below.

**Sales/year**

<b>Product</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
Block A	1 000	1 200	1 700
Block B	900	1 000	1 000
Block C	500	600	700

Zambezi Ltd uses an automatic machine to drill holes in wooden blocks. The diameters of the holes are normally distributed with mean diameter of 550 mm and a standard deviation of 2 mm.

Zambezi Ltd is preparing the management report for the Board meeting for the third quarter of 2017. Your supervisor has asked you to provide input into the preparation of the management report. You are therefore required as part of your input to:

- (a) Present the annual sales data in a multiple bar chart. (7 marks)
- (b) Calculate the total amount obtained from the sales in the year 2015? (2 marks)
- (c) Calculate the total sales for the year 2016 as a percentage of the total sales for the three years? (3 marks)
- (d) Calculate the probability that a randomly selected block will have a hole with diameter which is:
  - (i) Less than 554 mm. (4 marks)
  - (ii) Between 548 mm and 552 mm (4 marks)

**[Total: 20 Marks]**

### **QUESTION THREE**

Chambeshi Plc produces 500 ml of bottled mineral water. The mineral water produced is tasted by a specialized machine to ensure that the quantity of water in each bottle is not less than 500 ml. Any bottle of water whose content is found to be less than 500 ml is rejected by the specialized machine.

In a particular week, the machine produced the following number of rejects in each successive period of three minutes:

20	25	30	28	15	28	31	29	30	17
31	28	30	7	31	27	28	19	26	26
16	26	33	25	22	26	32	29	11	21
26	32	23	27	27	26	7	23	17	35
27	32	28	13	24	37	34	27	24	12

Management of Chambeshi Plc would like the above data to be presented using a frequency distribution.

#### **Required:**

- (a) Construct a frequency distribution from these data, using five class intervals of equal width starting at 0 to 7, 8 to 15 and so on. (5 marks)
- (b) Using the frequency distribution, calculate an appropriate measure of:
- (i) Average (5 marks)
  - (ii) Standard deviation (4 marks)
  - (iii) Briefly explain the meaning of your calculated measures in (i) and (ii) above. (6 marks)

**[Total: 20 Marks]**

#### **QUESTION FOUR**

The Research Unit of the University of Zambia collected the following data of sales made by 69 SME for the last quarter of the year 2016:

Sales	Number of SMEs
Under K60 000	3
K60 000 to under K70 000	11
K70 000 to under K80 000	16
K80 000 to under K90 000	15
K90 000 to under K100 000	10
K100 000 to under K110 000	8
Over K110 000	6

During the year 2016, the Research Unit of the University of Zambia experienced high demand for data analysis. In order to cope up with this demand, the University advertised the position of Data Analyst. 100 individuals applied for the position. Of 100 individuals who applied for Data analyst position, 40 had some prior work experience, and 30 had a professional certificate. However, 20 of the applicants had both work experience and a certificate, and thus are included in both of the counts.

The University of Zambia intends to sale three of its computers in order to replace them with latest and fast data processing ones. The probability of selling each computer is  $P(S) = 0.3$ .

#### **Required:**

- (a) From the SME Sales data, calculate the mean sales for the last quarter of the year 2016 and interpret the results correctly. (6 marks)
- (b) Explain how you can estimate the mode and median of this data. (4 marks)
- (c) Suppose that, of the 100 individuals who applied for the position of Data Analyst,  $W$  represents the individuals with prior work experience and  $C$  represents the individual with professional certificates, calculate:
  - (i) The probability that a randomly chosen applicant had either work experience or a certificate (or both)? (2 marks)

(ii) The probability that a random chosen applicant had only work experience but not a professional certificate? (2 marks)

(d) Using the probability of selling each computer given in the scenario above, calculate the following:

(i) Probability that exactly two properties are sold (2 marks)

(ii) Probabilities that at least two properties are sold. (3 marks)

**[Total: 20 Marks]**

**QUESTION FIVE**

Eastern province of Zambia has a population that has people with both pre and post-secondary school education qualifications. It is believed that 10% of the population is known to have post-secondary school education qualification.

During a 50-day period, the number of people that were interviewed in Eastern province on their education qualifications is shown in the Table below. The observed frequencies have been converted into probabilities for this 50-day period in the last column of the table.

Number of people interviewed $X$	Number of days	Probability $P(X)$
3	3	0.06
4	7	0.14
5	12	0.24
6	14	0.28
7	10	0.20
8	4	0.08

**Required:**

(a) What is the probability of less than 5 people being interviewed on a randomly chosen day in this period? (2 marks)

(b) What is the probability of six or more being interviewed? (2 marks)

- (c) Find the expected value (average) of the number of people being interviewed. (3 marks)
- (d) Calculate the standard deviation based on the data given in the table above. (4 marks)
- (e) Given a sample of 200 people, use the normal distribution approximation to find the probability that:
- (i) At least 30 individuals have post-secondary school education qualification? (5 marks)
- (ii) Less than 15 individuals have post-secondary school education qualification. (4 marks)

**[Total: 20 Marks]**

**QUESTION SIX**

The following data shows the annual sales for Kafue Ltd:

Year	Sales (in millions Kwacha)
2006	320
2007	366
2008	390
2009	422
2010	456
2011	560
2012	620
2013	640
2014	690
2015	740

**Required:**

- (a) Estimate a linear trend line for the sales (4 marks)
- (b) Predict sales in 2016, 2017 and 2018 (3 marks)
- (c) Plot the data and graph the estimated line (3 marks)
- (d) Calculate  $R^2$ , the coefficient of determination (2 marks)



- (e) Use the three moving average to compute estimated values, to 2 decimal places. (5 marks)
- (f) What is the disadvantage of the method in part (e) compared with the estimated values in Part (a). (3 marks)

**[Total: 20 Marks]**

**END OF PAPER**

## CA 1.2: QUANTITATIVE ANALYSIS SOLUTIONS

### SOLUTION ONE

1.1 A

1.2 B

1.3 A

$$SD = \sqrt{\frac{1}{n-1} \sum (x - \bar{x})^2}$$

Since  $\bar{x} = 62.7$ , then

$$SD = \sqrt{\frac{1}{10-1} \sum (x - 62.7)^2} = 18.39$$

1.4 C  $r = \frac{69\,330 - \frac{650(574)}{6}}{\sqrt{\left[85\,500 - \frac{(650)^2}{6}\right] \left[59\,026 - \frac{(547)^2}{6}\right]}} = 0.907314621 \approx 0.91$  (2 decimal places)

1.5 D The horizontal axis of a line graph always represents time

1.6 B The value of the second quartile is always equal to the median

1.7 D the graphic device that is most useful for illustrating the distribution of a company's total revenue from sales for a particular year is a pie chart

1.8. A

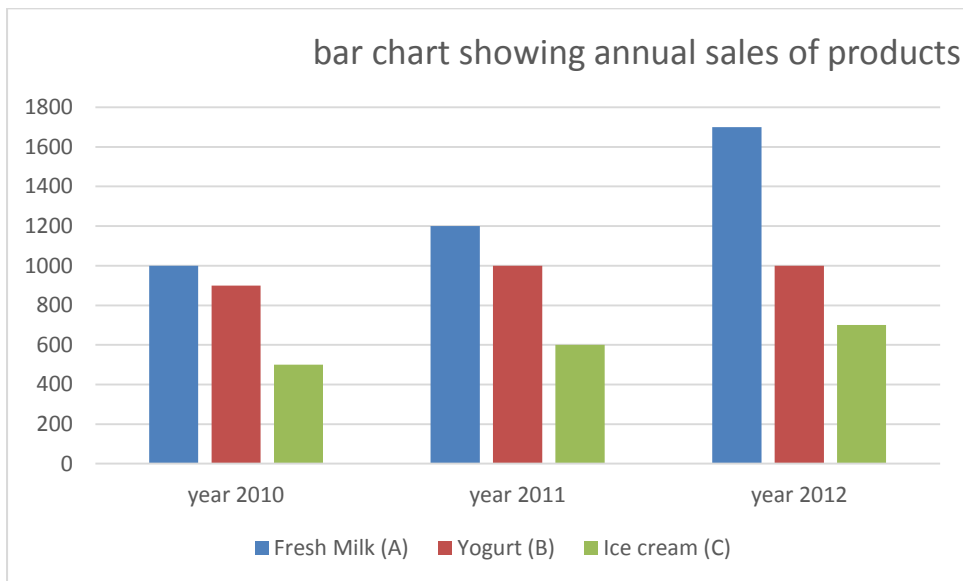
1.9. B

$$\begin{aligned} P(X < 105) \\ &= P\left(Z < \frac{105 - 100}{10}\right) \\ &= P(Z < 0.5) = 0.6915 \end{aligned}$$

1.10 B the sample standard deviation is:  $S = \sqrt{\frac{173\,800 - \frac{(930)^2}{5}}{4}} = \sqrt{205} = 14.32$  (2 decimal places)

## SOLUTION TWO

a.



$$\begin{aligned} \text{(b) Total sales} &= 1200 + 1000 + 600 \\ &= \mathbf{K2,800} \end{aligned}$$

(c)

Product	2014	2015	2016
Fresh Milk (A)	K1000	K1200	K1700
Yogurt (B)	K900	K1000	K1000
Ice cream (C)	K500	K600	K700
TOTAL	2400	2800	3400
<b>OVEARA TOTAL</b>	<b>8600</b>		

$$\begin{aligned} \text{Percentage for 2015} &= \frac{3400}{8600} * 100 \\ &= \mathbf{39.3\%} \end{aligned}$$

(d)

$$\begin{aligned} \text{i.} \quad & P(X < 554) \\ &= P\left(Z < \frac{554 - 550}{2}\right) \\ &= P(Z < 2) \\ &= \mathbf{0.97725} \end{aligned}$$

ii.

$$\begin{aligned}
 & P(548 < X < 552) \\
 &= P\left(\frac{548-550}{2} < Z < \frac{552-550}{2}\right). \\
 &= P(-1 < Z < 1) \\
 &\quad P(Z < 1) - P(Z < -1) \\
 &= 0.84134 - 0.15866 \\
 &= \mathbf{0.68268}
 \end{aligned}$$

### SOLUTION THREE

(a) We use 5 class intervals starting to 0 to 7, 8 to 15 with equal width

No. of rejects	Frequency
0 – 7	2
8 – 15	4
16 – 23	8
24 – 31	29
32 – 39	7
Total	50

(b)

No. of rejects	Mid – point ( $x$ )	Frequency ( $f$ )	$fx$	$fx^2$
0 – 7	3.5	2	7.0	24.5
8 – 15	11.5	4	46.0	529
16 – 23	19.5	8	156.0	3 042
24 – 31	27.5	29	797.5	21 931.25
32 – 39	35.5	7	248.5	8821.75
total		50	1255	34 348.5

(i) Average =  $\frac{\sum xf}{\sum f} = \frac{1255}{50} = 25.1$

(ii) 
$$\begin{aligned}
 S &= \sqrt{\frac{34\,348.5 - \frac{(1\,255)^2}{50}}{49}} \\
 &= \sqrt{58.12244898} \\
 &= 7.6238
 \end{aligned}$$

- (iii) The arithmetic mean indicates that the average number of rejects is 25.1 in the three minutes period, i.e. approximately 502 an hour.

The standard deviation measures the variability in the number of rejects from one three period to the next. Assuming the normal distribution of the number of rejects, then all of the time the number of rejects in any three – minute are 95% of the time the number should be within 15.2 of the estimated average.

#### SOLUTION FOUR

(a)

Sales	Mid mark (x)	Number of SMEs (ni)	Ni(x)
K50 to under K60	55	3	165
K60 to under K70	65	11	715
K70 to under K80	75	16	1200
K80 to under K90	85	15	1275
K90 to under K100	95	10	950
K100 to under K110	105	8	840
K110 to under K 120	115	6	690
TOTAL		69	5835

$$\begin{aligned} \text{Mean} &= \frac{1}{n} \sum n \cdot x \\ &= \frac{1}{69} (5835) \\ &= K84 \end{aligned}$$

- (b) **MODE:** first formulate a histogram and locate the class with the highest frequency from the histogram. The mode lies within the limits having the highest frequency.

**MEDIAN:** a cumulative frequency curve can be used to locate the median. The median is limit is the horizontal value coinciding with half of the vertical cumulative frequency value.

- (c)  $N=100$  applicants  
W=individuals with prior work experience and  
C= individual with professional certificates

$$P(W) = \frac{40}{100} = 0.4$$

$$P(C) = \frac{30}{100} = 0.3$$

$$P(W \cap C) = \frac{20}{100} = 0.2$$

i. 
$$\begin{aligned} P(W \cup C) &= P(W) + P(C) - P(W \cap C) \\ &= 0.4 + 0.3 - 0.2 \\ &= 0.5 \end{aligned}$$

ii. 
$$\begin{aligned} P(W \text{ only}) &= 0.4 - 0.2 \\ &= 0.2 \end{aligned}$$

(d) i. If  $P(S) = 0.3$ , Then  $P(S = 2) = 0.3(0.3)(0.7)$   
$$= 0.063$$

iii. 
$$\begin{aligned} P(\text{at least } 2) &= SS\bar{S} + SSS \\ &= 0.3 * 0.3 * 0.7 + 0.3 * 0.3 * 0.3 \\ &= 0.09 \end{aligned}$$

## SOLUTION FIVE

$$(a) P(X < 3) = P(3) + P(4) = 0.06 + 0.14$$

$$= 0.2$$

$$(b) P(X \geq 6) = P(6) + P(7) + P(8) = 0.28 + 0.20 + 0.08$$

$$= 0.56$$

$$(c) E(X) = \sum n.P(x) = 3 \times 0.06 + 4 \times 0.14 + 5 \times 0.24 + 6 \times 0.28 + 7 \times 0.20 + 8 \times 0.08$$

$$= 5.86$$

$$(d) \text{STANDAR DEVIATION SD} = \sqrt{E(X^2) - [E(X)]^2}$$

$$= \sum \frac{E(X^2)}{3^2 \times 0.06 + 4^2 \times 0.14 + 5^2 \times 0.24 + 6^2 \times 0.28 + 7^2 \times 0.20 + 8^2 \times 0.08} = 33.78$$

$$\sqrt{E(X^2) - [E(X)]^2}$$

$$= \sqrt{33.78 - 5.8^2}$$

$$= 0.37$$

$$(e)(i) \text{ Mean} = n\pi = 200(0.1) = 20$$

$$\text{Standard deviation } \sqrt{n\pi(1-\pi)} = \sqrt{200(0.1)(0.9)} = 4.24 \quad \text{using normal}$$

approximation, we subtract 0.5 from 30

$$P(X \geq 30)$$

$$= P\left(Z \geq \frac{29.5-20}{4.24}\right)$$

$$= P(Z \geq 2.24)$$

$$= 0.0125$$

$$(ii) P(X < 15)$$

$$= P\left(Z < \frac{14.5-20}{4.24}\right)$$

$$= P(Z < -1.30)$$

$$= 0.0968$$

## SOLUTION SIX

(a)

Year	$x$	$y$	$xy$	$x^2$	$y^2$
2006	1	K320	320	1	102400
2007	2	366	732	4	133956
2008	3	390	1170	9	152100
2009	4	422	1688	16	178084
2010	5	456	2280	25	207936
2011	6	460	2760	36	211600
2012	7	620	4340	49	384400
2013	8	640	5120	64	409600
2014	9	690	6210	81	476100
2015	10	740	7400	100	547600

$$b = \frac{(10)(32020) - (55)(5104)}{10(385) - (55)^2} = 47.85$$

$$a = \frac{5104}{10} - (47.85) \left( \frac{55}{10} \right) = 247.2$$

$$\hat{y} = 247.2 + 47.85x$$

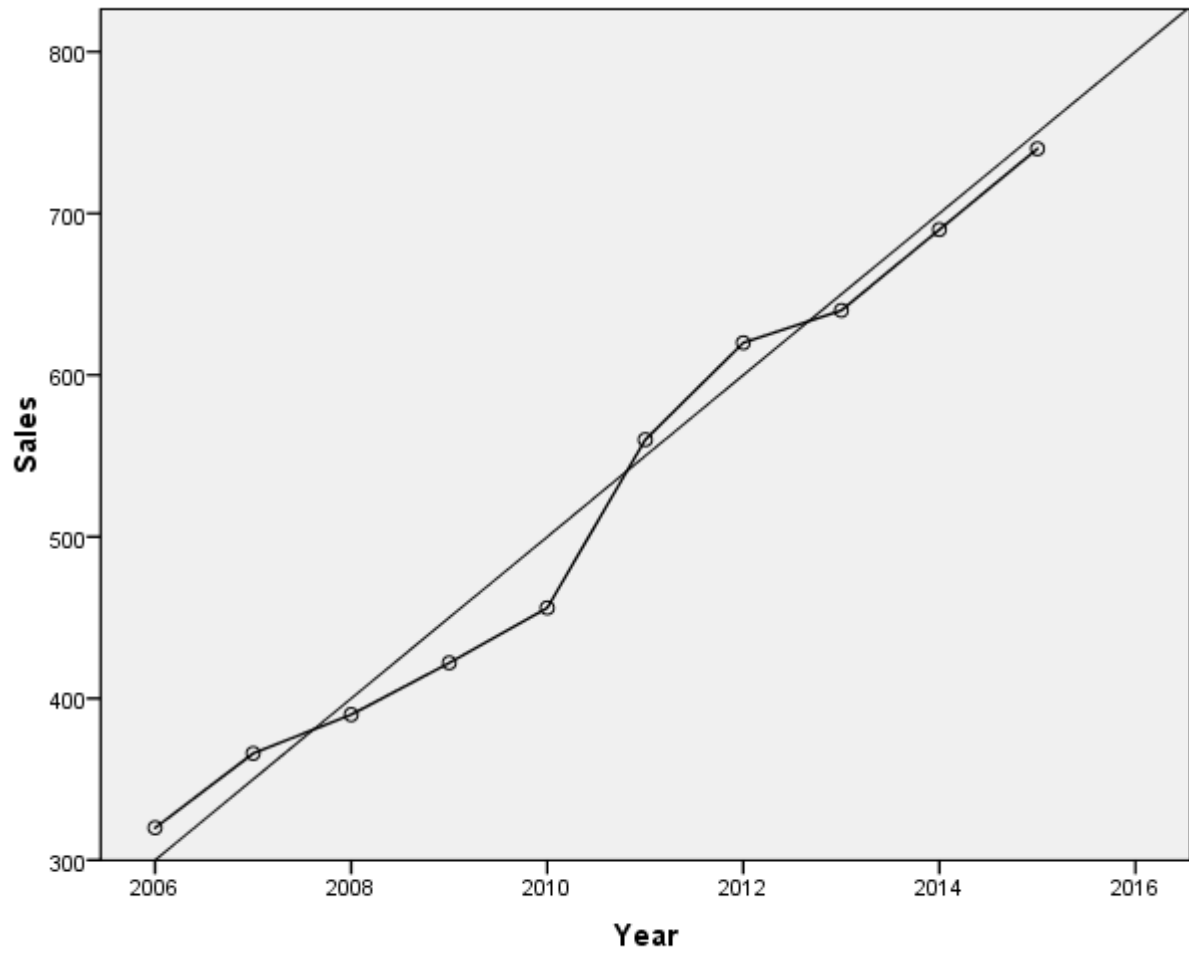
(b)

Year	Code	Predicated sales
2016	11	773.55
2017	12	821.40
2018	13	869.25



(c)

[DataSet0]



(d)

$$r = \frac{10(32020) - (55)(5104)}{\sqrt{[(10)(385) - (55)^2][(10)(2803776) - (5104)^2]}}$$

$$= 0.97511841 \approx 0.98$$

Therefore  $R^2 = 0.90855914 = 0.95$

(e)

Year	3 MT	3MA
2006		
2007	1076	358.67
2008	1178	392.67
2009	1268	422.67
2010	1438	479.33
2011	1532	510.67
2012	1820	606.67
2013	1950	650.00
2014	2070	690.00
2015		

(f)

The first and last year estimated values are absent in the case of the method of moving averages

**END OF SOLUTIONS**



CA ZAMBIA PROGRAMME EXAMINATIONS

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KNOWLEDGE LEVEL

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CA 1.3: BUSINESS ECONOMICS

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TUESDAY 12 DECEMBER 2017

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TOTAL MARKS – 100; TIME ALLOWED: THREE (3) HOURS

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**INSTRUCTIONS TO CANDIDATES**

1. You have fifteen (15) minutes reading time. Use it to study the examination paper carefully so that you understand what to do in each question. You will be told when to start writing.
2. This paper is divided into TWO sections:  
Section A: Ten (10) compulsory multiple choice questions.  
Section B: One (1) compulsory scenario question.  
Plus Four (4) scenario questions. Attempt any Three (3) questions.
3. Enter your student number and your National Registration Card number on the front of the answer booklet. Your name must **NOT** appear anywhere on your answer booklet.
4. Do **NOT** write in pencil (except for graphs and diagrams).
5. **Cell Phones** are **NOT** allowed in the Examination Room.
6. The marks shown against the requirement(s) for each question should be taken as an indication of the expected length and depth of the answer.
7. All workings must be done in the answer booklet.
8. Present legible and tidy work.
9. Graph paper (if required) is provided at the end of the answer booklet.

## SECTION A – (COMPULSORY)

Attempt all ten (10) multiple choice questions

### QUESTION ONE

Each of the following questions has only one correct answer. Write the letter of the correct answer you have chosen in your answer booklet. Marks allocated are indicated against each question.

- 1.1 “The government should collect higher taxes from the rich and use additional revenues to provide greater benefits to the poor”. This statement is an illustration of a:
- A. Testable statement
  - B. Basic principle of economics
  - C. Statement of normative economics
  - D. Statement of positive economics
- (2 marks)
- 1.2 A review of the performance of the Zambian economy during 1990s is primarily the concern of:
- A. Macroeconomics
  - B. Microeconomics
  - C. Both macroeconomics and microeconomics
  - D. Neither macroeconomics nor microeconomics
- (2 marks)
- 1.3 The price elasticity of demand for a horizontal demand curve is:
- A. Elastic
  - B. Inelastic
  - C. Perfectly elastic
  - D. Perfectly inelastic
- (2 marks)
- 1.4 Which of the following equalities is TRUE?
- A. Economic profit = Total revenue – accounting profit
  - B. Economic profit = Total revenue - explicit costs – accounting profit
  - C. Economic profit = Total revenue + accounting cost
  - D. Economic profit = Total revenue –(implicit costs + explicit costs)
- (2 marks)

1.5 Based on the Circular flow of income model, money flows from businesses to households in.....

- A. Factor market
- B. Product market
- C. Neither factor nor product market
- D. Both factor and product markets

(2 marks)

1.6 The phase of a business cycle during which real GDP reaches its minimum level is the .....

- A. Recession
- B. Depression
- C. Recovery
- D. Trough

(2 marks)

1.7 If the Marginal Propensity to Consume (MPC) is 0.55, a K200 million decrease in government spending would cause equilibrium output to .....

- A. Increase by K200 million
- B. Decrease by K364 million
- C. Increase by K444 million
- D. Decrease by K444 million

(2 marks)

1.8 Based on the Equation of Exchange, the money supply in the economy is calculated as .....

- A.  $M = V/PQ$
- B.  $M = V(PQ)$
- C.  $MV = PQ$
- D.  $M = PQ - V$

(2 marks)

1.9 The figure that results when goods imports are subtracted from goods exports is .....

- A. The capital account
- B. The balance of trade
- C. The current account
- D. Always equal to zero

(2 marks)

1.10 Which one of the following are the same at all levels of output under perfect competition?

- A. Marginal Cost and Marginal Revenue
- B. Price and Marginal Revenue
- C. Price and Marginal Cost
- D. All of the above

(2 marks)

**[Total: 20 marks]**

## SECTION B

**Question TWO in this section is compulsory and must attempted.**

**Then attempt any THREE (3) from the remaining four.**

### **QUESTION TWO- (COMPULSORY QUESTION)**

(a) In many market economies, Zambia inclusive, the private sector is the key engine or driver of economic growth. The aim of the private businesses is to maximise profits. However, this may come at a cost to the environment. Firms do business while the governments' main role is to create an enabling environment for the private sector to flourish. Government does this by enacting economic policies and through regulation. In light of the above, answer the following questions:

#### **Required:**

- (i) Explain the term 'market failure'. (3 marks)
- (ii) Explain how the government can use each of the following mechanisms to control air pollution:
  - 1) Tradable permits (3 marks)
  - 2) Emission tax (polluter pays' principle) (3 marks)
  - 3) Government regulation (3 marks)

(b) The table below shows the supply and demand for maize:

Price (K)	Quantity demanded	Quantity supplied
600	50	90
500	60	80
400	70	70
300	80	60
200	90	50

#### **Required:**

- (i) Find the equilibrium price and equilibrium quantity (without graphing) from the table for the supply and demand of maize above. (4 marks)
- (ii) Suppose the government intervenes in the market by setting the price at K200 for maize in the table above, explain the economic situation i.e. the market's response. (4 marks)

**[Total: 20 Marks]**

### **QUESTION THREE**

- (a) There has been an outcry from small farmers in Zambia that the maize floor price announced by the government of K60 is lower than last year's figure of K85 per 50kg bag. The Farmer Union has condemned the government for such a move to an extent of urging farmers not to sell their maize until the price is favourable. The government, on the other hand, responded that market forces are responsible for this reduction following a bumper harvest. Key to this puzzle is an appreciation of how different market structures determine prices, output and profits.

**Required:**

- (i) Explain any five (5) main features of oligopoly which differentiates it from other market structures?  
(10 marks)
- (ii) Explain any instrument which an oligopolistic firm may use to gain competitive advantage.  
(2 marks)
- (iii) With the help of a diagram, explain the concept of a "kinked oligopoly demand" curve.  
(4 marks)
- (b) Zambia currently has 18 registered commercial banks. With the exception of National Savings and Credit Bank which is fully owned by the government, the rest are privately owned. However, whatever the ownership of a commercial bank the objectives that they pursue are the same.

Explain the two (2) key objectives of commercial banks (4 marks)

**[Total: 20 Marks]**



#### **QUESTION FOUR**

International trade involves exchange of goods and services between countries. All countries of the world are engaged in trade as no country can produce everything the citizens of that country need in isolation. One of the main reasons is the inherent differences in climatic conditions and resource endowments. Thus, each country has to specialise in the good that it can produce relatively cheaper than its trading partner.

The following table gives data for two countries namely UK and USA with regard to the production of two products clothing and oil.

<b>Country</b>	<b>Clothing (Tones)</b>	<b>Oil (Barrels)</b>
UK	500	50
USA	250	20

#### **Required:**

- (a) What is meant by absolute advantage? According to the data in the above table, in which product does each country (that is, UK and USA) has absolute advantage. Explain your answer. (3 marks)
- (b) What is meant by comparative advantage? According to the data in the table given above, in which product does each country have a comparative advantage? Show your calculations. (5 marks)
- (c) Would trade between UK and USA be beneficial to both countries? Explain. (2 marks)
- (d) If one of the two countries had a continuous balance of payments deficit, state any two (2) measures it could take to (i) correct and (ii) finance the deficit. (4 marks)
- (e) Explain any four (4) benefits of international trade to a country like Zambia. (4 marks)
- (f) Explain any two (2) barriers to free international trade (2 marks)

**[Total: 20 Marks]**

### **QUESTION FIVE**

- (a) It has been reported recently in the media that ground water in Lusaka is contaminated. This means that it is not safe to drink. This revelation has greatly affected many Lusaka residents who are using boreholes as a source of water. These boreholes are sunk very close to septic tanks (manholes) within the small residential plots. This revelation has forced residents from the affected areas to start buying bottled water for drinking.

#### **Required:**

Use an appropriate diagram to analyze the effects on the market equilibrium price and quantity for bottled water following:

- (i) A fall in the price of bottled water (5 marks)
  - (ii) Revelation that Lusaka ground water is contaminated (5 marks)
  - (iii) A reduction in the per unit tax paid by producers of bottled water (5 marks)
- (b) In some industries a typical product is produced and sold by many firms. In contrast to this, other goods are produced and sold by one firm, for example Zesco in the electricity production and distribution industry.

#### **Required:**

Briefly explain any five (5) the characteristics that distinguish monopoly from other market structures. (5 marks)

**[Total: 20 Marks]**

### **QUESTION SIX**

Zambia is due to pay two (2) Eurobonds of \$750 million and \$1 billion in 2022 and 2024 respectively. Concerns have been raised about the country's debt-sustainability and its ability to make scheduled payments. However, the government argues that the country's external debt of \$6.7 billion or 35% of gross domestic product (GDP) as at September 2016 is far below the internationally accepted threshold of 40%.

- (a) Briefly describe the following terms:
- i) Eurobonds (3 marks)
  - ii) Debt-sustainability (3 marks)
  - iii) GDP (2 marks)
- (b) Explain any two (2) reasons given as to why the government borrowed these funds (4 marks)
- (c) Identify any two (2) measures the government has put in place to ensure the debt repayments will be made on schedule (4 marks)
- (d) Outline any four (4) benefits of investing in government securities (4 marks)

**[Total: 20 Marks]**

**END OF PAPER**

**CA1.3: BUSINESS ECONOMICS SOLUTIONS**

**SECTION A: MULTIPLE CHOICE**

**SOLUTION ONE**

**1.1 C**

**1.2 A**

**1.3 C**

**1.4 D**

**1.5 A**

**1.6 D**

**1.7 D**

**1.8 C**

**1.9 B**

**1.10 B**

## SECTION B

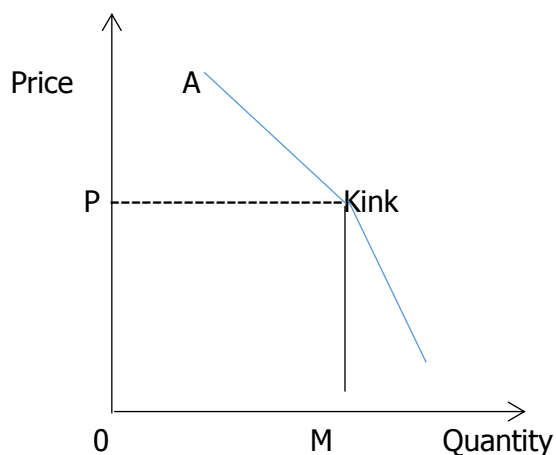
### SOLUTION TWO

- a) (i) Market failure is a situation in which market equilibrium results in too few or too many resources used in the production of a good or service. It occurs when a free market mechanism fails to produce the most efficient allocation of scarce resources
- (ii) 1) Tradable permit: This is where maximum permitted levels are set for a specific pollutants and a firm is given a permit to emit up to that level of pollution. If the firm emits below its limit, it is given a credit for the difference which it can then sell to a firm which needs to go above its permitted levels. Tradable permits are used in relation to carbon dioxide emissions, with the result that firms can now engage in carbon trading.
- (ii) 2) Emission tax or polluter pays tax: This is a tax levied on polluters equal to the cost of removing the effect of the externality they generate. This tax forces polluters to reduce production or change their production techniques so as to minimize their tax payments hence pollution e.g. taxation on airports.
- (ii) 3) Government regulation: Government could set limit for the maximum permitted levels of emissions, or for minimum levels of environmental quality. Firms which breach these limits could be fined.
- b) (i) Equilibrium price is K400; equilibrium quantity is 70
- (ii) Shortage of 40 units as there will be excess demand over supply. The lower price attracts buyers, but deters suppliers. To prevent an unfair allocation of the available units of maize, the government might have to introduce rationing or a waiting list. However, rationing results into the emergence of black markets.

### SOLUTION THREE

- a)
- i) The features of oligopoly which distinguish it from other market structures are:
- There are a few large sellers of a product
  - The sellers are very much interdependent
  - There are barriers to entry though they are not as strong as under monopoly
  - Firms are price-searchers. They have a small influence over the price of a product, that is, has ability to set prices
  - The product is differentiated or homogenous
  - An oligopolistic firm can sustain abnormal profits in the long run
- ii) An oligopolistic firm may employ restrictive trade practices (collusion), market sharing to raise prices and restrict production in much the same way as a monopoly. Where there is a formal agreement for such a collusion, this is called a cartel. An example of a cartel is the Organization of Petroleum Exporting Countries (OPEC) for international oil prices

- iii) A kinked demand curve is a demand curve that an oligopolistic firm as a price searcher faces. The theory is that if one firm reduces the price of the product, other firms will follow suit so as to defend their market share. However, if one firm decides to increase the selling price of the product, others will not follow suit in order to win a larger market share. This is what produces a kink or bend along the demand curve hence the name kinked demand curve. See the graph below:



- b) Key objectives of commercial banks;

- Profitability; most of the profit for banks comes out of lending the money which is received from depositors. The more deposits the more profit they can make and be able to pay higher dividends to their shareholders.
- Liquidity; liquidity is a measure of a bank's ability to readily meet its cash demands. Liquidity can be in form of direct cash holdings or in the form of securities that can be sold quickly with minimal loss.
- Security; because banks operate under conditions of uncertainty and risk, they have to maintain the safety of their assets. Banks must eliminate the amount of risks attached to different types of assets and consider consequences for each before taking any action.

## SOLUTION FOUR

- (a) **Absolute advantage** occurs when a country can produce a good using fewer resources than its trading partner. In the above table, UK has an absolute advantage in producing both goods.
- (b) A country has a **comparative advantage** in the good it can produce at lower opportunity cost than its trading partner. Thus the key to comparative advantage is the difference in opportunity costs.
- Comparative advantage of Clothing in UK =  $50/500 = 0.10$   
 Comparative advantage of Clothing in USA =  $20/250 = 0.08$   
 Comparative advantage of oil in UK =  $500/50 = 10$   
 Comparative advantage of oil in USA =  $250/20 = 12.5$

From the above calculations, UK has a comparative advantage in oil production as the opportunity cost of 10 is lower than 12.5 for USA. USA, on the other hand, has a comparative advantage in clothing production as the opportunity cost of 0.08 is lower than 0.10 for USA.

(c) Trade would be beneficial because each country has a comparative advantage in one product. Each country will specialise in one product and engage in a beneficial trade with the other country.

(d) i) A balance of payment deficit can be corrected by (Any two):

- Allowing domestic currency to depreciate which encourages exports and discourages imports.
- Restricting imports using barriers to trade
- Using deflationary measures aimed at reducing aggregate demand
- Raising interest rates to attract foreign exchange

ii) A balance of payment deficit can be financed by (Any two):

- Borrowing from official sources such IMF
- Using the country's reserves
- Sale of overseas investments
- Buying on credit
- Accepting gifts

(e) The following are the benefits of international trade (any four):

- Greater specialization – Zambia can specialize and increase production safe in the knowledge that she can export her surplus.
- Economies of scale – Zambia can gain economies of scale from access to the world market.
- Greater availability of goods- This is because of imports.
- Increased competition – Inflow of imports increases efficiency and limits the creation of monopolies.
- Technological Transfer – Zambia can develop her own industries through free movements of capital.
- Political goodwill – Free trade will promote good relations between Zambia and her trading partners.
- Zambia's resources can be allocated efficiently.

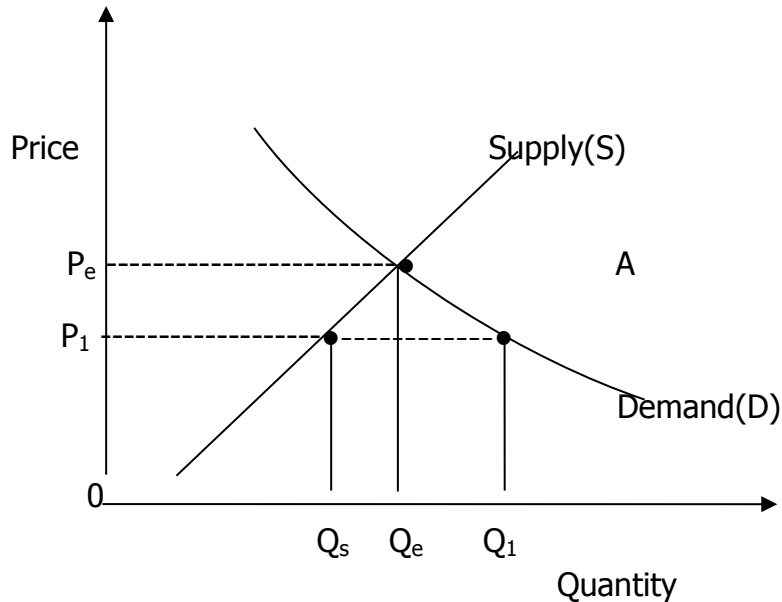
(f) Any of the following points;

- Tariffs
- Quotas
- Embargo
- Technical administrative barriers
- Exchange controls

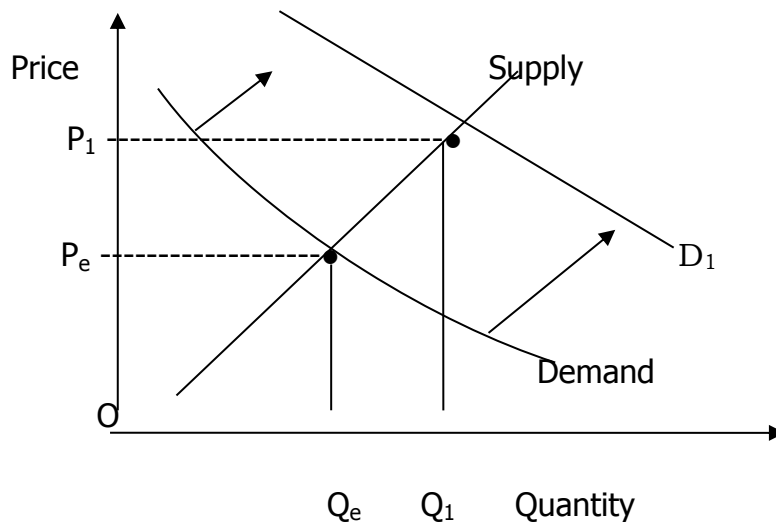
## SOLUTION FIVE

a) The diagrammatic illustrations are as follows:

- (i) Given a market for bottled water with demand curve (D) and supply curve (S) and initial equilibrium (price, quantity) combination ( $P_e, Q_e$ ), a reduction in the price of bottled water will result in a movement down the demand curve to the new equilibrium ( $p_1, q_1$ ): price decreases and quantity traded increases.

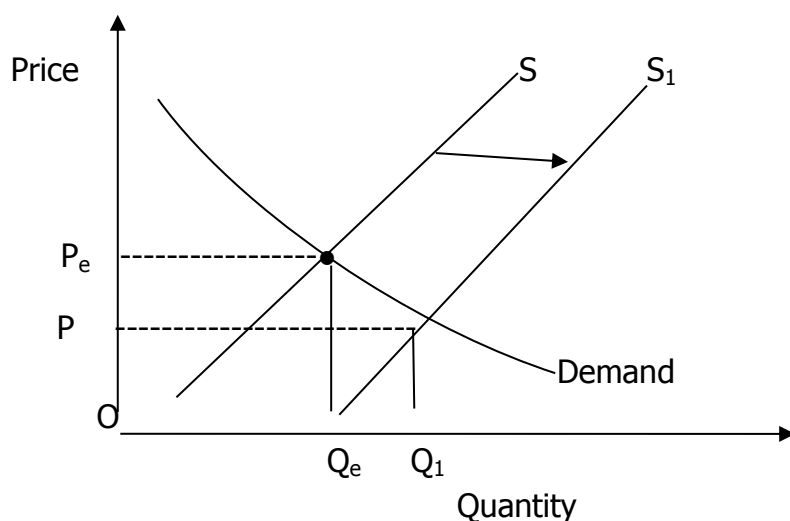


- (ii) Given a market for bottled water with demand curve (D) and supply curve (S) and initial equilibrium (price, quantity) combination ( $P_e, Q_e$ ), a revelation of the contamination of groundwater will cause people to demand more bottled water, shifting the demand curve outwards to  $D_1$ , giving the new equilibrium ( $P_1, Q_1$ ): price and quantity traded increase as shown below.



- (iii) Given a market for bottled water with demand curve (D) and supply curve (S) and initial equilibrium (price, quantity) combination ( $P_e, Q_e$ ), a reduction on per unit tax on the suppliers will shift the supply curve downwards to  $S_1$ , giving the new equilibrium ( $P_1, Q_1$ ): price decreases and quantity traded increases.





(b) The following are the characteristics of a monopoly industry.

- There is a single firm
- The product is unique
- There are strong barriers to entry
- The firm has market power
- The firm faces a downward sloping demand curve.
- There is imperfect information dissemination

### SOLUTION SIX

- a) (i) Eurobond: A bond denominated in US dollars issued in another country whose local currency is not US dollar.
  - (ii) Debt- sustainability: The ability of the country to repay the debt on schedule without stress. Factors considered include macroeconomic performance, etc.
  - (iii) GDP: The market value of all the final goods and services produced in a nation during a period of time, usually a year.
- b) The following are the reasons why the Zambian government issued the bonds:
    - To finance ambitious infrastructure projects the government embarked on
    - To finance the budget deficit
    - To finance Balance of payments deficit (current account deficit)
- c) The following are the measures put by the government so as to ensure repayment on schedule:
    - Creation of a sinking fund
    - Stabilizing the economy, particularly the exchange rate
    - Diversifying the economy away from copper
- d) The following are the benefits of investing in government securities:
    - They are default risk free
    - They are the most liquid securities in the market with many participants
    - The investor is guaranteed a regular income from the security
    - The securities can be used as collateral for a bank loan

- Paperless: Government securities have been dematerialized which make them safe and allows transactions in different denominations
- Locked in interest rates: Since most of the government securities cannot be called or redeemed before their final stated maturity date, an investor can lock in an interest rate for the full term of the security.

## **END OF SOLUTIONS**



CA ZAMBIA PROGRAMME EXAMINATIONS

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KNOWLEDGE LEVEL

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CA 1.4: COMMERCIAL AND CORPORATE LAW

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FRIDAY 15 DECEMBER 2017

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TOTAL MARKS – 100; TIME ALLOWED: THREE (3) HOURS

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**INSTRUCTIONS TO CANDIDATES**

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9. Graph paper (if required) is provided at the end of the answer booklet.

## SECTION A – (COMPULSORY)

Attempt all ten (10) multiple choice questions

### QUESTION ONE

Each of the following questions has only one correct answer. Write the letter of the correct answer you have chosen in your answer booklet. Marks allocated are indicated against each question.

- 1.1 ..... is a type of injunction that requires the defendant to take positive steps to stop a tort from being committed.
- A. Interim injunction
  - B. *Quia timet* injunction
  - C. Prohibitory injunction
  - D. Mandatory injunction (2 marks)
- 1.2 In a company limited by shares, limited liability means.....
- A. Member's liability is limited to the amount of share capital held by them in the company.
  - B. Company's liability is limited to its issued share capital
  - C. Company's and member's liability is limited to the share capital invested in the business.
  - D. None of the above (2 marks)
- 1.3 A debenture holder is entitled to ..... whether a company makes profit or not.
- A. Interest
  - B. Dividend
  - C. Commission
  - D. Return on capital employed (2 marks)
- 1.4 A meeting resolution passed by a bare majority of members present and voting at a general meeting is known as a .....
- A. extraordinary resolution
  - B. member's resolution
  - C. ordinary resolution
  - D. special resolution (2 marks)

- 1.5 Which of the following ways cannot be used by a partner to terminate a partnership?
- A. Death
  - B. Agreement
  - C. Illegality
  - D. Arrest of a partner
- (2 marks)
- 1.6 Which of the rules below, provides that it is vital to look at the intention of the drafters of the Act once other rules have failed?
- A. Fringe meaning rule
  - B. Golden rule
  - C. Mischief rule
  - D. Literal rule
- (2 marks)
- 1.7 Which one of the remedies is not available for the unpaid seller?
- A. A lien on goods
  - B. A rights of stoppage
  - C. A right not to sue for the price
  - D. A right to resale
- (2 marks)
- 1.8 Which of the following represents the **correct** Arms of Government?
- A. Legislature, Judiciary and President
  - B. Legislature, Executive, and President
  - C. Legislature, Executive and Judiciary
  - D. Legislature, Executive and Parliament
- (2 marks)
- 1.9 The call for bids during an auction sale is an example of...
- A. an acceptance
  - B. an offer
  - C. a consideration
  - D. an invitation to treat
- (2 marks)
- 1.10 In which one of the following dismissals may an employee be forced to resign?
- A. Wrongful dismissal
  - B. Summary dismissal
  - C. Unfair dismissal
  - D. Constructive dismissal
- (2 marks)

**[Total: 20 Marks]**

## **SECTION B**

**Question TWO in this section is compulsory and must be attempted.**

**Then attempt any THREE (3) questions from the remaining four.**

### **QUESTION TWO – (COMPULSORY QUESTION)**

Nongo Kubila is a renowned musician whose music is enjoyed by the old folks throughout the country. Yesterday, he saw an advert in The Mast Newspaper about guitars/Banjo going at a reduced price of K1, 505 from the usual price of K4, 000. He decides that he will take advantage of the promotion and buy the equipment. Owing to his busy schedule, he sends his employee Fines Zaire to go and buy a guitar from the Supplier's Warehouse in Lusaka within two hours as the stocks are very limited.

On his way to the warehouse, Fines Zaire decided to go through FNB Industrial Branch and delays to reach the Supplier's Warehouse. Nongo Kubila contacts Fines Zaire to find out as to whether he has bought the guitar to which he replies that he was still on the way and he went on to say 'please go there, I will give you a K500 as appreciation'. Upon arrival at the Supplier's Warehouse, Fines Zaire found that the guitars were going for K1, 550 not as advertised. He however, went ahead bought the guitar paying the difference using his personal money.

Nongo Kubila has refused to pay the K500 promised to Fines Zaire and agreed to only pay the K45 of Fines' money used to purchase the guitar and is also not happy with the seller.

#### **Required:**

Identify and explain from the above scenarios:

- (a) Invitation to treat (5 marks)
- (b) Communication of acceptance (5 marks)
- (c) the rule that Consideration must not be in the past (5 marks)
- (d) Fraudulent Misrepresentation (5 marks)

**[Total: 20 Marks]**

### **QUESTION THREE**

CHM Electronics Ltd sells topnotch mobile phones and other electronics. These products are imported from South Africa and come in Zambia either by CHM Electronics Ltd's own trucks or hired planes. On the 18<sup>th</sup> of September, 2017, one of the trucks carrying phones and other electronic accessories developed a fault right at the Kafue River Bridge and required that the truck be emptied for it to be repaired.

Fishermen and villagers who were nearby were called in to help offload the over 100, 000 phones and accessories that the truck was carrying. The villagers and fishermen stole a number of phones which they later on sold to others who were not at the scene.

As the truck was being emptied, some phone batteries dropped into the river and later on exploded polluting the water which led to a number of fish, frogs and crocodiles dying. Muyambango's dogs ate the poisoned fish as he was busy scrabbling for the phones and the dogs have all died. He has sued CHM Electronics in the High Court for Zambia claiming damages for the loss of his Germany Shepherd Dogs valued at K40, 000 and the judgment was made yesterday afternoon. In reading out the judgment, the Judge said, "*Following judicial precedent, there must be "duty of care, the duty must have been breached, the breach must have been caused by the tortfeasor (wrongdoer) and it must not be remote"*."

#### **Required:**

- (a) In reference to the sale of phones by the fishermen and villagers, discuss three (3) exceptions to the *nemo dat quod non habet* rule. (9 marks)
- (b) (i) Define judicial precedent (1 mark)
- (ii) State any two (2) advantages and two (2) disadvantages of judicial precedent. (4 marks)
- (c) In view of the Judge's judgment, explain:
- (i) Duty of care (3 marks)
- (ii) Damage (3 marks)

**[Total: 20 Marks]**

#### **QUESTION FOUR**

Musa, Banda, Lekani, Kabwe and Kondowe were very good friends who since childhood thought of starting up a business organisation. The idea was to start up a business which can be controlled by all of them depending on their shares. Lekani, told the others that it was important to incorporate a company under the Companies Act as this will be able to stand independent from them all. Musa objected to this proposal as he explained the difficulties of incorporating the said company and its existence. Kondowe and Kabwe agreed with Lekani and said by doing that the company will be controlled by other people and not them per se. Banda agreed with Musa and further proposed that the best would be to form a partnership so that all the facets mentioned by others could be incorporated.

They finally agreed to incorporate a company and Amankosi Banking Corporation Ltd was incorporated in Zambia. After providing financial services for about 4 years, it was realized by one of the directors, Mr. Mbulo that the bank was unable to meet its obligations as they fall due and that its assets were insufficient to meet its liabilities and further that, the amount of its regulatory capital requirement prescribed by the Bank of Zambia was lower. Mr. Mbulo advised his colleagues to go for voluntary winding up. The other directors objected to this as they did not really understand it.

#### **Required:**

- (a) Define a Partnership (2 marks)
- (b) Explain any 4 contents of a Partnership Deed to the parties above (8 marks)
- (c) Advice the directors on the procedures for:
  - (i) Members' Voluntary Winding Up (5 marks)
  - (ii) The Creditors' Voluntary Winding Up (5 marks)

**[Total: Marks 20]**



## **QUESTION FIVE**

Mr. and Mrs. Bobo are considering appointing an agent for their family business. They know that it is an established principle of law that a person cannot acquire rights or duties under a contract unless he or she is a party to that contract. If a contract is concluded by an agent on behalf of his principal, the acts of the agent are treated as if they are the acts of his principal.

Nevertheless, what Mr. and Mrs. Bobo were not sure of was what would happen if the principal does not appoint the agent but the agent goes ahead to act for him where he feels it necessary.

As they were contemplating on the issue of agency above, they decided to go for a summer vacation. Mr. and Mrs. Bobo booked into Mapapa Lodge and while at the reception, they paid and signed for everything. When they entered their room, they found *an exclusion clause* on the wall written "*The Lodge is not liable for any loss or damage while herein*".

They ignored this notice and 2 days later, their belongings were stolen. When they confronted management, management said it was not liable as per their notice in their room on the wall. The couple is confused as all their valuable goods were in the bags.

### **Required:**

- (a) Define an exclusion clause. (2 marks)
- (b) Explain to Mr. & Mrs. Bobo any four rules required for incorporation of exclusion clauses into a contract they signed with the lodge. (10 marks)
- (c) Explain to Mr. & Mrs. Bobo on the elements needed in this situation to prove that agency exists. (8 marks)

**[Total: 20 Marks]**

## **QUESTION SIX**

Mulenga, Jojo and Sampa formed a partnership to run a petrol station, called Petronella Ltd. Each of them put K75,000 into the business. Mulenga invested all the money he had into the business, and as he would be unable to raise any more money, it was agreed that his maximum liability for partnership debts would be fixed at his original contribution of K75,000. The partnership agreement also expressly stated that the business was strictly limited to the sale of petrol. In January, Jojo withdrew K10,000 from the partnership's bank account. As the funds were drawn on the partnership's overdraft facility, he told the bank that the funds would be used to finance a short-term partnership debt. However, he actually used the money to pay for a round the world cruise. In February, Spanner entered into a partnership to buy used cars worth K15,000. He planned to sell the cars from the garage forecourt in an attempt to expand the business. In March, the partnership reached the limit of its overdraft facility and the bank refused to honour a regular payment to the partnership's petrol supplier on the basis that the business had run out of money.

Mulenga's brother, Mr. Mutale is employed as a driver in Kafue Ltd. Mr. Mutale was expressly forbidden from driving at night by his employers due to his poor night vision. During one of his employment trips, he had a flat tyre at Kapiri-Mposhi. The fixing of the tyre caused a delay of over 4 hours. He therefore decided to drive at night to Serenje to recover the lost time. He knocked down a pedestrian on his way to Serenje and his employers denied liability.

### **Required:**

- (a) Advise Mulenga, Jojo and Sampa as to their obligations in the partnership.  
(10 marks)
- (b) Advise Mr. Mutale from a legal point of view on the Kafue Ltd's liability in the matter of him knocking down a pedestrian.  
(10 marks)

**[Total: 20 Marks]**

**END OF PAPER**

## CA 1.4: COMMERCIAL AND CORPORATE LAW SOLUTIONS

### SECTION A

#### SOLUTION ONE

- 1.1 C
- 1.2 A
- 1.3 A
- 1.4 C
- 1.5 D
- 1.6 C
- 1.7 C
- 1.8 C
- 1.9 D
- 1.10 D

### SECTION B

#### SOLUTION TWO

(a) **Invitation to treat** – This is the holding out by one person that he is ready to receive offers, which he may then either accept or reject. For example, the advert in The Mast about musical instruments was an invitation to the public to make offers to buy the musical instruments. Cases in support of invitation to treat include the following: *Carlill v. Carbolic Smoke Ball Co. Ltd (1893)*; *Partridge v. Crittenden (1968)*; *Bell v. Fisher (1960)* and *Pharmaceutical Society of Great Britain v. Boots Cash Chemist Ltd (1952)*

(b) **Communication of acceptance** – Acceptance is any positive act by a person to whom an offer has been made which brings the agreement into force. It must be unconditional i.e the offer must be accepted as it is.

In the case at hand, by paying the new price of K1, 550 instead of the advertised K1, 505, Fines Zaire accepted the offer for the sell of the guitar at a price which was higher than the one in the advert. Acceptance must be communicated *Powell v. Lee (1908)*. The payment was the communication of acceptance.

(c) **Consideration must not be in the past** - This means that consideration must not be done after the act has already been done. Past consideration is no consideration at all

– *ReMcArdle (1951)*. In this case, the promise of K500 whilst Fines Zaire was already on the way is past consideration because whether it was promised or not, he was still going to buy (he was already on the way/he had already started off). He started his journey without the expectation of the K500 in his mind, thus cannot claim it.

- (d) **Fraudulent Misrepresentation** – This is the making of a statement by a person who knows that his statement is false or has no belief in its truth or he is reckless, careless, whether it is true or false *Derry v. Peek (1889)*.

In the case at hand, the advertised price of K1, 505 when in fact the price of the guitar was K1, 550 amounted to fraudulent misrepresentation meant to invite people to the warehouse and then tell them the actual price to which they would be forced to pay as they would have already travelled long distances to the warehouse.

### **SOLUTION THREE**

- (a) Exceptions to the *nemo dat quod non habet* rule (no one can give what he has not got). Exceptions in this case means a seller without proper title can pass good title following circumstances:

- (i) *Estoppel* – This occurs where the owner of the goods being sold conducts himself as if the seller has title to the goods and in an event that the seller sells the goods based on the owner's conduct, the owner will be estopped (stopped) from denying that he conducted himself as if he gave the seller powers to sell – *Eastern Distributors Ltd v. Goldring (1957)*.

In the case at hand, if CHM Electronics Ltd conducted itself in a way that the villagers/fishermen who sold stolen phones in the village were the actual owners of the phones, then CHM Electronics would be stopped from denying the fact that it made buyers believe that the sellers had title to the phones. Thus the villagers would pass good title even if they are not the owners.

- (ii) *Agency* – An agent has authority to sell the principal's goods which are not his. Therefore, if the villagers/fishermen sold the phones as CHM Electronics Ltd's agents, they would have the right to pass title even if they were not owners.

- (iii) *Sale under Common Law or Statutory Power* – This is where a creditor or pawnbroker may sell pledged goods when the debtor defaults. Thus can transfer title even if not the owner. Therefore, if the villagers/fishermen were creditors to CHM Electronics Ltd and the company pledged the phones as security for a debt, the villagers will have power to sell the phones if the company defaulted even if they were not the owners.

- (iv) *Sale by a person with voidable title* – A person who acquires goods under a voidable title will acquire a good title to the goods provided he buys under good faith and can pass title anytime before revocation. Thus whoever buys

the phones from the villagers/fishermen without knowing that there was a breakdown where the phones were got from would pass good title if he decided to sell the phones he got.

- (v) *Sale under Disposal of Uncollected Goods Act CAP 410* – This Act provides for disposal of uncollected goods after a certain period of time e.g. 6 months. Thus a person who may have gotten the phones for repair and the phone is not collected within six months would have the right to sell the phone even if not his.
- (vi) *Sale under market overt* - This is one of the common law exceptions to *nemo dat quod non habet* rule which states that a buyer who buys the goods in good faith from an open market between 06:00 and 18:00 hours would get good title because all those who sale in open markets are presumed to be owners. So if phones were sold on an open market, a buyer who buys them in good faith would have good title.
- (vii) *Sale by seller in possession of goods or documents* – This an exception to the *nemo dat* rule which mean that if a seller has sold goods to buyer 1 but retains the goods or documents of title to the goods, he would have the right to sell the same goods to buyer 2 even if he is not infact the owner as he could have sold to buyer one.
- (viii) *Resale by buyer in possession of goods with consent of seller* – where a buyer gets goods from the seller with his consent, e.g if he has not finished paying, he can still pass good title to the new buyer as long as the new buyer is not aware of his status.

(b) (i) Judicial Precedent – This is a previous court decision which another court is bound to follow by deciding a subsequent case in the same way. This is tanding by the decision – *stare decisis* - as long as the case is similar and cannot be distinguished.

(ii) Any **Two Advantages and Two Disadvantages of Judicial Precedent**

#### Advantages

Certainty – the law becomes certain and predictable.

- Clarity – the law is clearly laid down and can be followed.
- Flexibility – the law is flexible enough to adapt with current needs of society.
- Details – the law develops enough interpretations which can used to solve many legal matters.
- Practicality – the law becomes practical as it is based on day-to-day happenings in society.

## Disadvantages

- Uncertainty – Following judicial precedent may result in judges making illogical decisions, making the law uncertain.
- Lack of Clarity – At times it becomes unclear to get to get what the judge is trying to say due to conflicts in opinions over the same matter.
- Inflexibility – Judicial precedent makes the law rigid and may hinder the law from moving with times.
- Too Bulky – making it hard to get the point. There would be too many rulings on the same point of law.
- Impracticality – sometimes precedents may be created perpetuating wrong doing.

(c) (i) *Duty of Care* – Duty of Care is also known as the neighbour principle established the case of *Donoghue v. Stevenson (1932)*. You owe a duty of care to persons who are so closely likely to be affected by your actions. In this case, Muyambo would have to prove that he was owed a duty by CHM Electronics Ltd, that the duty was breached, and the breach is what caused the death of his dogs.

(ii) *Damage* – This is the loss or injury which comes as a result of the wrongdoer's actions. In this case, the death of the dogs is the damage. Damage must not be too remote a consequence of the defendant's breach of duty. These cases illustrate the above points *Donoghue v. Stevenson (1932)*; *Michael Chilufya Sata v. Zambia Bottlers Ltd (2003)* and in the case of *Arida Mercy Chulu (2000)* where it was emphasized that only a person who has suffered damage can sue.

## **SOLUTION FOUR**

(a) The suggested solutions to this part of the question are as follows:

1. A partnership is defined as a, 'relation which subsists between persons carrying on a business in common with a view of profit'.
2. The four contents of a Partnership Deed that Musa, Bubulina, Wallen, Jon and Kondowe should know are:

a) **Nature of the business or practice**

This must be clearly stated in the agreement to avoid the possibility of disputes as to what actually constitutes the real business of the firm.

**b) Name of the firm**

The name used can be any name, provided it complies with the requirements of the Registration of Business Names Act No. 16 of 2011. The physical address of the firm must be given when registering the name so that people know it.

**c) Duration**

The date that the partnership commences should be stated. This date may be before the date of the agreement. The general rule is that a partnership only lasts as long as the will of the partners, unless a definite term is expressed or implied in the agreement. If there is no duration, then it is a partnership at will.

**d) Capital of the firm**

The agreement must state the capital of the firm and how the partners will subscribe for this.

**e) Division of profits**

All partners are entitled to share equally in the profits of the firm unless they agree otherwise.

**f) Bank accounts and drawing of cheques**

A partnership deed must specify into which bank account the firm's money and income (cash/cheques) will be deposited. It must also make provision as to the signatories to the bank account. Normally, a senior partner signs cheques or if the partners are all of equal rank, there must be provision that any or two of the partners can sign.

**g) Management**

The partnership deed must state whether all the partners are entitled to take part in the management of the firm or only some of them. In the absence of any provision, all partners are entitled to take part in management. It is also important to specify that no one partner can enter into any contract worth more than a specified amount and also cannot give credit to a debtor which is greater than a specified amount. A clause stating the extent to which a partner can engage or dismiss an employee must be provided.

**h) Accounts**

The deed must provide for the keeping of books of accounts as well as for preparing quarterly, half yearly and annual accounts.

**i) Retirement from the firm**

There should be a clause that states that any partner can retire by giving notice to that effect.

**j) Cessation on death or retirement**

The deed can provide that death/retirement of a partner will not automatically end the partnership in order that the firm's goodwill is not lost. Partners can agree that the partnership should continue.

**k) Restrictions on retiring partners**

It is necessary to have a clause preventing a retiring partner from carrying on a competing business. However, such a restriction can only be enforced if it is reasonable and this will depend on the circumstances of each case. A covenant in restraint of trade imposed on a retiring partner is enforceable where the covenant is a reasonable one.

- (b) Mbulala and his colleagues as directors must know that the following modes occur in their situation:

**(i) Members' voluntary winding up**

A members' voluntary winding up occurs where the shareholders of the company pass a resolution to wind up the company and appoint a liquidator. In order for it to be a members' voluntary winding up, the directors have to make the declaration of solvency confirming that the company will be able to pay all its debts. In a members' voluntary winding up, the company must appoint one or more liquidators. This is usually arranged at the same meeting, that is the extraordinary general meeting at which the resolution to wind up is passed. It is customary to fix the remuneration of the liquidator or liquidators at the same time. Who is appointed liquidator appears to be a matter purely for the company to decide. Where several liquidators are appointed every power given by the Act may be exercised by such one or more of them as may be determined at the time of their appointment, or in default of such determination, by any number not less than two. The liquidators may exercise all powers given by the Companies Act to the official liquidator. They may also exercise the powers given to the court of setting the list of contributories.

**(ii) Creditors' voluntary winding up**

A creditors' voluntary winding up occurs where the shareholders resolve to put the company into liquidation but cannot make a declaration of solvency. In this case, within 24 hours of the passing of the resolution to wind up the company the shareholders must convene a



meeting of the creditors. At this meeting, either the shareholders or the creditors appoint a liquidator.

In this case, if the company owes creditors then they can proceed by creditors winding up. On the other hand if it is not, the members of the company can bring up members voluntary winding up.

## **SOLUTION FIVE**

- (a) Makaka must know that this type of agency is agency by necessity. This type of agency is arise by operation of law in situations of pressing need or emergency. A person may be faced with an emergency in which the property or interests of another person are in imminent jeopardy. It then becomes necessary, in order to preserve the property or interests, to act for that person without his authority. The principle of agency of necessity is of restricted application. Its origins can be found in mercantile law, and in shipping law in particular.

On the other hand, it can be summarized as:

- (i) The agent must have no practical way of contacting the principal to obtain the principal's instructions.
  - (ii) The actions of the agent must be as a result of some pressing need for action, usually an emergency of some kind, involving for example perishable goods or starving animals.
  - (iii) The agent must have acted bona fide (in good faith). This means that he must act in the interest of the principal rather than in his own interests.
  - (iv) The action taken by the agent must have been reasonable and prudent in the circumstances.
- (b) (i) An exclusion clause is a clause in a contract which purports to exclude liability altogether or to restrict it by limiting damages or by imposing other onerous conditions. To be enforceable, a term must be validly incorporated into a contract.

(ii)The following are the rules:

1. The document containing notice of the clause must be an integral part of the contract.

2. If the document is an integral part of the contract, a term may not usually be disputed if it is included in a document which a party has signed.
3. The term must be put forward before the contract is made.
4. If the contract is not signed, an exclusion clause is not a binding term unless the person whose rights it restricts was made sufficiently aware of it at the time of agreeing to it.
5. Onerous terms must be sufficiently highlighted (it is doubtful whether this applies to signed contracts). In this event, the clause put by the resort are not part of the contract as they were introduced after the contract was made at the reception.

## **SOLUTION SIX**

### **(a) Rights and Obligations of Partners as Mentioned in the Partnership Act**

The relationship of partners among themselves, their rights and obligations are generally given in the partnership deed. If partnership deed is silent about it, then the partners shall have rights and obligations mentioned in the Partnership Act.

#### **Right of a Partner:**

- (i) Every partner has a right to take part in the conduct and management of the business.
- (ii) Every partner has a right to be consulted before taking important decisions. The decisions should be taken by mutual consent. If the decisions are unimportant, then they can be enforced by majority, but consensus of all partners is necessary for taking important decisions.
- (iii) The partners have a right to inspect books of accounts.
- (iv).Every partner will have an equal share in profits, unless otherwise mentioned, in partnership deed.
- (v) No new partner can be admitted into partnership without the consent of all partners.
- (vi).Every partner has a right to receive interest at the rate of 6% per annum on the excess money supplied over his capital.
- (vii) Every partner has a right to be indemnified by the firm in respect of expenses incurred or losses suffered for the normal conduct of the business.
- (viii) A partner has a right to get the firm dissolved under appropriate circumstances.
- (ix) The property of the firm shall be held and used exclusively for the purpose of the business.

### **Obligations of a Partner:**

(i) Every partner should carry on the business to the greatest common advantage. He must perform his duties honestly and diligently.

(ii) A partner is not entitled to get remuneration for the conduct of business, unless otherwise it is specially mentioned in the partnership deed.

(iii) A partner must indemnify the firm for loss suffered because of his fraudulent conduct or willful neglect.

(iv) A partner is bound to keep and render true and correct accounts of the business.

(v) A partner cannot carry on a competing business. If he carries on such business he shall account for and pay to the firm all profits made by him in that business.

(vi) A partner is bound to act within the scope of his authority.

(vii) No partner can make a secret profit of the partnership business by way of commission, etc. If he does so, he must return the money to the firm.

(b) **Vicarious liability** is a form of a [strict, secondary liability](#) that arises under the [common law](#) doctrine of [agency](#), [respondeat superior](#), the responsibility of the superior for the acts of their subordinate or, in a broader sense, the responsibility of any third party that had the "right, ability or duty to control" the activities of a violator. It can be distinguished from [contributory liability](#), another form of secondary liability, which is rooted in the [tort](#) theory of [enterprise liability](#) because, unlike contributory infringement, knowledge is not an element of vicarious liability.<sup>[1]</sup> The law has developed the view that some relationships by their nature require the person who engages others to accept responsibility for the wrongdoing of those others. The most important such relationship for practical purposes is that of employer and employee:

### **Employers' liability**

[Employers](#) are [vicariously](#) liable, under the [respondeat superior](#) doctrine, for negligent acts or omissions by their employees in the course of [employment](#) (sometimes referred to as 'scope and course of employment'). To determine whether the employer is liable, the difference between an independent contractor and an employee is to be drawn. In order to be vicariously liable, there must be a requisite relationship between the defendant the tortfeasor, which could be examined by three tests: Control test, Organisation test and Sufficient relationship test. An employer may be held liable under principles of vicarious liability if an employee does an authorized act in an unauthorized way.

Employers may also be [liable](#) under the [common law](#) principle represented in the Latin phrase, *qui facit per alium facit per se* (one who acts through another acts in one's own interests). That is a parallel concept to vicarious liability and strict liability, in which one person is held liable in [criminal law](#) or [tort](#) for the acts or omissions of another. However an employer is only liable if the employee commits torts during work. In [Panorama Developments \(Guildford\) Limited v Fidelis Furnishing Fabrics Limited](#) [1971] 2 QB 711, a company secretary fraudulently hired cars for his own use without the knowledge of the managing director. A company secretary routinely enters into contracts in the company's name and has administrative responsibilities that would give apparent authority to hire cars. Hence, the company was liable.

If liability for the particular tort requires a state of mind, then to be liable, the director or senior officer must have that state of mind and it must be attributed to the company. **In [Meridian Global Funds Management Asia Limited v. Securities Commission](#) [1995] 2 AC 500**, two employees of the company, acting within the scope of their authority but unknown to the directors, used company funds to acquire some shares. The question was whether the company knew, or ought to have known, that it had acquired those shares.

The [Privy Council](#) held that it did. Whether by virtue of their actual or ostensible authority as agents acting within their authority ( **Lloyd v Grace, Smith & Co. [1912] AC 716**) or as employees acting in the course of their employment ( **Armagas Limited v Mundogas S.A. [1986] 1 AC 717**), their acts and omissions and their knowledge could be attributed to the company, and this could give rise to liability as joint tortfeasors where the directors have assumed responsibility on their own behalf and not just on behalf of the company.

**END OF SOLUTIONS**



CA ZAMBIA PROGRAMME EXAMINATIONS

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KNOWLEDGE LEVEL

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CA 1.5: MANAGEMENT THEORY AND PRACTICE

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MONDAY 11 DECEMBER 2017

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TOTAL MARKS – 100; TIME ALLOWED: THREE (3) HOURS

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**INSTRUCTIONS TO CANDIDATES**

1. You have fifteen (15) minutes reading time. Use it to study the examination paper carefully so that you understand what to do in each question. You will be told when to start writing.
2. This paper is divided into TWO sections:  
Section A: Ten (10) compulsory multiple choice questions.  
Section B: One (1) compulsory scenario question.  
Plus Four (4) scenario questions. Attempt any Three (3) questions.
3. Enter your student number and your National Registration Card number on the front of the answer booklet. Your name must **NOT** appear anywhere on your answer booklet.
4. Do **NOT** write in pencil (except for graphs and diagrams).
5. **Cell Phones** are **NOT** allowed in the Examination Room.
6. The marks shown against the requirement(s) for each question should be taken as an indication of the expected length and depth of the answer.
7. All workings must be done in the answer booklet.
8. Present legible and tidy work.
9. Graph paper (if required) is provided at the end of the answer booklet.

## **SECTION A – (COMPULSORY)**

**Attempt all ten (10) multiple choice questions**

### **QUESTION ONE**

Each of the following questions has only one correct answer. Write the letter of the correct answer you have chosen in your answer booklet. Marks allocated are indicated against each question.

- 1.1 Which of the following statements is true?
- A. A sole trader nature of business makes profits
  - B. Partnership involves two or more people doing a business together
  - C. A limited corporation is made of private individuals
  - D. None of the above
- (2 marks)
- 1.2 The ..... and ..... are components of the External environment.
- A. Positives, Negatives
  - B. Opportunities, Threats
  - C. Markets, Profits
  - D. Wrongs, Rights
- (2 marks)
- 1.3 Identification of the forces affecting competitive dynamics of an industry will be very usefully by the manager to formulate ..... for the organization.
- A. Budget
  - B. Strategies
  - C. Plans
  - D. Solutions
- (2 marks)
- 1.4 Which of the following statements is true?
- A. Corporate Social Responsibility means buying food for the community
  - B. Corporate Social Responsibility means the company must pay all taxes
  - C. Corporate Social Responsibility means taking positive and meaningful responsibility towards the community social and environmental issues.
  - D. Corporate Social Responsibility involves building houses for workers.
- (2 marks)

- 1.5 Which one of the following statements is true?
- A. A matrix Organization is a structure where vertical and horizontal lines of authority are combined to form a project team design specifically for a particular project.
  - B. A matrix Organization is a structure where function authorities are established for a profit.
  - C. A matrix Organization is a structure where marketing and Accounts department works together.
  - D. None of the above is correct.
- (2 marks)
- 1.6 Teams are products of effective and goal oriented groups. The following are stages in group formation.
- A. Storming – Forming – Norming – Adjourning - Performing
  - B. Forming – Adjourning – Storming – Norming - Performing
  - C. Norming – Forming – Storming – Adjourning – Performing
  - D. Forming – Storming – Norming – Performing – Adjourning
- (2 marks)
- 1.7 Which of the following is NOT an advantage of globalization?
- A. Transactions with individuals and Organizations in other countries
  - B. It creates trade barriers among nations
  - C. Increased importance of global economic policy
  - D. Rise of emerging, newly industrialized nations
- (2 marks)
- 1.8 Which of the following best describes centralizations?
- A. Resources being controlled by one Authority
  - B. A Pyramid management structure
  - C. A public sector system
  - D. None of the above
- (2 marks)

1.9 Which one is NOT the Objective of the Human Resource Management?

- A. To create and maintain a conducive working environment for all the employees
- B. To Motivate the employees through training and Development
- C. To Offer high wages and salaries to all employees
- D. To develop an employment policy for the organization.

(2 marks)

1.10 ..... Analysis can be used to analyze the macro-environment.

- A. SWOT
- B. PESTLE
- C. POTERS Five Forces
- D. MASLOWS

(2 marks)

**[Total: 20 Marks]**



## **SECTION B**

**Question TWO in this section is compulsory and must be attempted.**

**Then attempt any THREE (3) questions from the remaining four.**

### **QUESTION TWO – (COMPULSORY QUESTION)**

Hersey and Blanchard's situational leadership theory is based on the notion that the most effective leadership style varies according to the level of maturity of the followers and the demand of the situation. A young graduate Miss Katanekwa has landed herself with a managerial job at a big Auditing firm. Being young and inexperienced, many of her subordinates in the department would disrespect and make fun of her especially for using guesswork to make decisions. This has made her work life difficult but she is determined to make her work life better as she exercise her authority.

- (a) Explain four (4) different types of **power bases** a Manager/Leader can use. (8 marks)
- (b) Explain the bases/sources of power influence Katanekwa can apply in order to stamp her authority. (6 marks)
- (c) Discuss the differences between a Leader and a Manager. (6 marks)

**[Total: 20 Marks]**

### **QUESTION THREE**

Most of the organizations adopt a common framework for management and administration. The framework is invariably concerned with the establishment of functional areas within an organization. It is important for each area to be managed and administered properly but it is equally important for the areas to inter-relate properly.

- (a) Explain and illustrate what is meant by functional areas of the organization. (5 marks)
- (b) Discuss why the establishment of individual functional areas might help the operations of an organization. (15 marks)

**[Total: 20 Marks]**

#### **QUESTION FOUR**

Most companies try to make the responsibilities and authorities at each level of management fairly consistent. For instance, a supervisor in Department A should have the same general responsibilities as a supervisor in Department B. Their authorities would be generally the same even though the specific duties of each might differ widely. In the absence of the supervision, authority is delegated to the other person who should continue with the work. To delegate requires the provisions of the necessary information to the person who is being delegated to. Information is useless unless it is communicated to the right person in a right place at the right time via the most appropriate mode.

- (a) Discuss three (3) benefits of delegation. (9 marks)
- (b) List any four (4) factors that should be considered in selecting the most appropriate information transmission mode. (4 marks)
- (c) Define and briefly discuss three (3) stage process for change (7 marks)

**[Total: 20 Marks]**

#### **QUESTION FIVE**

- (a) Douglas McGregor developed a typology of two opposed views about employee behavior, and considered their implications for management and motivation. The two views are known as Theory X and Theory Y.

Distinguish clearly in your own words- between McGregor's 'Theory X- type' manager and 'Theory Y- type' Manager. (9 marks)

- (b) One of the major contributions of the Scientific Management (Fredrick Taylor) is Work study. Work study is a Management service found within many Organisations and the aim is to improve organization effectiveness.
  - (i) Explain the meaning of the following terms in relation to Work Study:  
**Method study** and **Work measurement** (6 marks)
  - (ii) Explain the general purpose of work planning. (5 marks)

**[Total: 20 Marks]**

### **QUESTION SIX**

When an organization has a vacancy for a particular job, one of the responsibilities of the Human Resource Department is to conduct Recruitment and Selection activities. People are invited for employment, and are usually asked to fill in a standard application form. Each applicant for the job fills in an application form, providing some basic information about him or herself.

- (a) Discuss any five (5) basic sets of information that is important from an applicant. (10 marks)
- (b) Explain what is meant by "Recruitment and Selection"? (4 marks)
- (c) List three (3) advantages and three (3) disadvantages of internal recruitment. (6 marks)

**[TOTAL: 20 Marks]**

**END OF PAPER**

## CA 1.5: MANAGEMENT THEORY AND PRACTICE SOLUTIONS

### SECTION A-

#### SOLUTION ONE (Answers for the Multiple Choice questions.)

QUESTION NO.	ANSWER
1.1	<b>B</b>
1.2	<b>B</b>
1.3	<b>B</b>
1.4	<b>C</b>
1.5	<b>A</b>
1.6	<b>D</b>
1.7	<b>B</b>
1.8	<b>A</b>
1.9	<b>C</b>
1.10	<b>B</b>

### SECTION B

#### SOLUTION TWO

a) The different types of power bases a Manager/Leader can use include the following:

- **Coercive power-** The coercive power base is being dependent on fear or threats
- **Reward Power** - People comply because doing so produces positive benefits; therefore, one who can distribute rewards that others view as valuable will have power over those others
- **Legitimate Power-** In formal groups and organizations, the most frequent access power is one's structural position. It represents the power a person receives as a result of his/her position in the formal hierarchy.
- **Referent / Charismatic power** - Is an extension of referent power stemming from an individual's personality and interpersonal style. Others follow because they can articulate attractive visions, take personal risks, demonstrate follower sensitivity, etc.
- **Information power.** People in an organization who have data or knowledge that others need can make those others dependent on them. Managers, for instance, because of their access to privileged sales, cost, salary, profit, and similar data, can use this information to control and shape subordinates' behaviour.
- **Expert power** - *Expert power* is "influence wielded as a result of expertise, special skill, or knowledge." Expertise has become a powerful source of influence as the world has become more technological. As jobs become more specialized, we become increasingly dependent on experts to achieve goals.

b) Katanekwa can apply **Legitimate, Coercive** and **Expert power**, Information in order to stamp her authority given the situation she is facing. The candidate is expected to justify the use of these three power bases to demonstrate understanding of the concepts.

**c) Differences between a Leader and a Manager may include:**

The main difference between leaders and managers is that leaders have people follow them while managers have people who work for them. The following are some of the differences between a leader and a manager

- Managers have employees, Leaders win followers.
- Managers react to change, Leaders create change.
- Managers have good ideas, Leaders implement them.
- Managers communicate, Leaders persuade.
- Managers direct groups, Leaders create teams.
- Managers try to be heroes, Leaders make heroes of everyone around them.
- Managers take credit, Leaders take responsibility.
- Managers are focused, Leaders create shared focus.
- Managers exercise power *over* people. Leaders develop power *with* people.
- Managers has his eyes on the bottom line; leader has his eye on the horizon.
- Managers is a copy, leader is the original
- Manager imitates, leader originates
- Manager maintains, leader develops
- Manager accept the status quo, leader challenge the statu quo
- Manager ask how and when, leader ask what and why
- Manager has a short-range view, leader has a long-range perspective

### **SOLUTION THREE**

**(a) Meaning of functional areas of the organization.**

Functional structure is one where workers and operations are grouped according to the functions which they perform. Functional areas are based on specialization which makes most the most efficient and effective use of the trained personnel.

\*\*An Example of a well labeled structure will be important to support the answer.

**(b) Rationale for the establishment of individual functional areas might help the operations of an organization.**

Benefits of functional areas include:

- i- they allows specialization and expertise
- ii- they provides an easy way to operate and manage
- iii- they are easy and familiar to be understood by members of an organization
- iv- they are cost effective in operation- avoidance of duplication of expertise
- v- they provide an easy way to coordinate.

### **SOLUTION FOUR**

**(a) Three benefits of delegation.**

- i. **Best use of time-**Delegation leaves the manager free to make profitable use of time, to concentrate on the more important tasks and to spend more time in managing and less in doing.
- ii. **Training and development-** Delegation provides a means of training and development, and of testing the subordinate's suitability for promotion. It can be used as a means of assessing the likely performance of a subordinate at a higher level of authority and responsibility.
- iii. **Strength of the workforce-** Delegation should lead to an improvement in the strength of the workforce. It should give subordinates greater scope for action and opportunities to develop their aptitudes and abilities.

**(b) Any Four factors that should be considered in selecting the most appropriate information transmission mode.**

Any of the following can be considered:

- i. The Nature of the message
- ii. The recipient or receiver
- iii. The Volume of information

- iv. The format required
- v. The quality of transmission required
- vi. The security of transmission required
- vii. The cost constraints which apply

**(c) Definition of change and the three stage process for change as suggested by Lewin.**

- Change is inevitable in every situation. It means doing something differently. In an organization change can be a response to business challenges or opportunities.
- **Lewins three stage change process**
  - Stage 1-** Unfreeze- individuals encouraged to openly make contributions and suggestions to the problem
  - Stage 2** Change (Implement) - To make changes from the old ways to news of doing things.
  - Stage 3-** Re-Freeze- After the change has been implemented, workers attitudes must be refrozen again.

**SOLUTION FIVE**

**(a) Distinction between McGregor's 'Theory X- type' manager and 'Theory Y- type' Manager.**

*Under Theory X, the four assumptions held by managers are:*

- Employees inherently dislike work and, whenever possible, will attempt to avoid it.
- Since employees dislike work, they must be coerced, controlled, or threatened with punishment to achieve goals.
- Employee will avoid responsibilities and seek formal direction whenever possible.
- Employees lack creativity and self-motivation
- Employees are lazy

*Under Theory Y, the assumptions are:*

The more rounded view of people is encompassed in Theory Y, the characteristics of which are as follows:

- The expenditure of physical and mental effort in work is as natural as play or rest, and the average human being learns, under the proper conditions, not

only to accept but to seek responsibility.

- External control and the threat of punishment are not the only means for bringing about effort towards organisational objectives. People will exercise self-direction and self-control in the service of objectives to which they are committed, and commitment to objectives is a function of the rewards associated with their achievement.
- The capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organisational problems is widely, not narrowly, distributed in the population, and under the conditions of modern industrial life, the intellectual potential of the average human being is only partially used
- Theory Y seeks to produce an environment in which employees are not frustrated and can take an interest in their work and the overall objectives of the organization. This puts the emphasis on self-motivation and self-direction.

**(b) (i) Meaning of the following terms in relation to Work Study: Method study and Work measurement**

Work study is a general term for all those techniques which are used to examine work such as Method study and Work measurement.

***Method Study-*** a systematic technique of recording and critically examining the existing and proposing the alternative way of doing the work with the view to develop and apply the cost effective process.

***Work Measurement-*** it is the application of techniques designed to establish the time it takes or should take to be completed. It is a basis of setting the reasonable standard time.

**(ii) General purpose of work planning.**

The purpose of "work planning" by an organization is to ensure that the right tasks are carried out in the rightful way by the right people at the right time in order to meet the organisational objectives. At the individual level planning minimize the wastage of time, effort and resources.



## **SOLUTION SIX**

**(a) Five basic sets of information that is important from a Job applicant.**

Applicants for the job are normally asked to fill in a Job application for and the basic information needed includes:

- i. Personal details- Name, Age, contact address and Phones Number
- ii. Details of schooling and other Education qualifications
- iii. Detail of individuals current job and any other previous jobs
- iv. Applicants social and leisure interests and activities
- v. Information why the applicants wants the job and future intentions

**(b) What is meant by "Recruitment and Selection"**

Recruitment is a systematic process of concerned with finding applicants for the job vacancy. It is a positive action by management involving going into the labor market to communicate the opportunities and generating interest.

Selection, involves choosing the best applicants for the job. It is the negative process of eliminating the unsuitable applicants and picking the best through the process of tests and interviews.

**(c) List of possible advantages and disadvantages of Internal recruitment.**

**Advantages**

- i. -Cost effective
- ii. -Time saving on induction
- iii. -Improves Morals and Motivation of workforce
- iv. -Promotes career developments

**Disadvantages**

- i. -No new ideas that could have been brought by an external applicant
- ii. -Resistance from the fellow employees
- iii. Insufficient or limited skill from the internal applicants

**END OF SOLUTIONS**



CA ZAMBIA PROGRAMME EXAMINATIONS

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KNOWLEDGE LEVEL

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CA 1.6: BUSINESS COMMUNICATION

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WEDNESDAY 13 DECEMBER 2017

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TOTAL MARKS – 100; TIME ALLOWED: THREE (3) HOURS

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**INSTRUCTIONS TO CANDIDATES**

1. You have fifteen (15) minutes reading time. Use it to study the examination paper carefully so that you understand what to do in each question. You will be told when to start writing.
2. This paper is divided into TWO sections:  
Section A: Ten (10) compulsory multiple choice questions.  
Section B: One (1) compulsory scenario question.  
Plus Four (4) scenario questions. Attempt any Three (3) questions.
3. Enter your student number and your National Registration Card number on the front of the answer booklet. Your name must **NOT** appear anywhere on your answer booklet.
4. Do **NOT** write in pencil (except for graphs and diagrams).
5. **Cell Phones** are **NOT** allowed in the Examination Room.
6. The marks shown against the requirement(s) for each question should be taken as an indication of the expected length and depth of the answer.
7. All workings must be done in the answer booklet.
8. Present legible and tidy work.
9. Graph paper (if required) is provided at the end of the answer booklet.

## SECTION A – (Compulsory)

Attempt all ten (10) multiple choice questions

### QUESTION ONE

Each of the following questions has only one correct answer. Write the letter of the correct answer you have chosen in your answer booklet. Marks allocated are indicated against each question.

- 1.1 If a spread sheet column is not wide enough to display its contents, which of the following would appear?
- A. # REF!
  - B. # NUM!
  - C. #####
  - D. #DIV/O!
- (2 marks)
- 1.2 Which of the following processing systems should provide the most up to date data?
- A. Database system
  - B. Real-time system
  - C. Interactive system
  - D. Batch processing system
- (2 marks)
- 1.3 What does the term 'justification' refer to?
- A. The character style
  - B. The way that the text is laid out
  - C. The way that the file is saved
  - D. The contents of a cell
- (2 marks)
- 1.4 Which of the following is an example of types of information systems?
- A. Computer based information system
  - B. Operational
  - C. Functional based
  - D. Accounting information systems.
- (2 marks)
- 1.5 Which of the following is a type of application control?
- A. Hardware
  - B. Software
  - C. Automatic revalidation
  - D. Data Controls.
- (2 marks)

- 1.6 Which of the following is not an advantage of oral communication?
- A. It is very fast
  - B. Information can be easily be clarified
  - C. It confirms oral communication
  - D. There is immediate feedback. (2 marks)
- 1.7 Which of the following best defines the term courtesy?
- A. Communicating what you want to convey in the best possible words
  - B. Communicating with emotions and feelings.
  - C. Communicating to someone with politeness and friendliness
  - D. Communicating accurate information to someone (2marks)
- 1.8 Which of the following types of minutes is **NOT** used in organisations?
- A. Reaction minutes
  - B. Narrative minutes
  - C. Resolution minutes
  - D. Verbatim minutes. (2 marks)
- 1.9 Which of the following is an example of Gantt chart communication?
- A. A formal report
  - B. A memorandum
  - C. A business letter
  - D. A progress report showing the actual work alongside planned work. (2 marks)
- 1.10 Which of the following is **NOT** a barrier to effective communication?
- A. Inappropriate language
  - B. Specifying the information
  - C. Using wrong medium
  - D. Information overload (2 marks)

**[Total: 20 Marks]**

## SECTION B

**Question TWO in this section is compulsory and must be attempted.**

**Attempt any THREE (3) questions from the remaining four.**

### **QUESTION TWO - (COMPULSORY QUESTION)**

You are the Assistant to the chief Accountant in the organization that you work for. Your supervisor is unable to facilitate a workshop on the six types of information system in an organization. He has requested you to give a talk on the six types of information systems in an organization on his behalf.

#### **Required:**

Prepare notes for an oral presentation on the six (6) types of information systems in an organization, your notes should have the introduction, main body and a conclusion.

**[Total: 20 Marks]**

### **QUESTION THREE**

You have been recently recruited as an Assistant Accountant in one of the government departments using an Enterprise Resource Planning System (ERP). The first assignment is to use the ERP system called the Integrated Financial Management Information System (IFMIS) which the department uses to produce various financial reports. The data in the system is from Procurement and Accounts units.

#### **Required:**

- (a) Identify and describe **two business operations** found in the IFMIS –ERP which allow data sharing between the units. (10 marks)
  
- (b) Explain two advantages of **integration** with regards to IFMIS – ERP system you are now using as a new recruit.

(10 marks)

**[Total: 20 Marks]**

#### **QUESTION FOUR**

Your organisation has an integrated software system to support their sales ordering and invoicing.

The sales order processing system requires the operator to enter the customer code (to retrieve the customer details) and the stock code (to retrieve the product description). Part of the data entry screen for Sales orders is shown below.

<b>Sales Order Entry</b>					
<b>Customer Code:</b> 908070					
<b>Order number:</b> 63967					
<b>Order Date:</b> 12/12/2017					
<b>Customer Name:</b>					
Katalina Musonda					
23 Chiwempala Road					
Mufulira					
<b>Stock code</b>	<b>Description</b>	<b>Qty</b>	<b>Net Price</b>	<b>VAT</b>	<b>Total</b>
<i>7654356</i>	Disk drive	1	560	12.5	572.2
<i>3242567</i>	Server rack	2	1,850	250	2,100

Values shown in italics are entered by the operator (e.g. 7654356). For example, both stock code and order quantity (Qty) are entered by the operator during the input of order details.

Other values are retrieved or calculated by the system (e.g. Disk drive). For example, both Order number and Order date are retrieved and displayed by the system.

The stock code has to be entered to retrieve the product description. The software can undertake a set of validation checks on the stock code to identify data entry errors.

#### **Required:**

- (a) Briefly describe, with an example of each, four (4) validation checks the software can apply to this stock code (12 marks)
- (b) The sales order entry screen shows that both order number and order date are produced automatically by the system.

How will the software get the relevant information to display the following values on the data entry screen?

- (i) Order number (2 marks)
- (ii) Order date (2 marks)
  
- (c) The quantity (Qty) has to be entered for each line of the order. The integrated software has access to stock information. Explain how access to this information will affect the processing of the sales order (2 marks)
  
- (d) Briefly describe one type of control which might be used to detect the quantity of raw materials normally written in pounds weight but entered in error as tonnes.

(2 marks)

**[Total: 20 Marks]**

### **QUESTION FIVE**

You asked one of the junior staff to write a letter to clients informing them about the upward adjustment of five (5) products that you offer in your organization. Before the letter was sent to the client, you had an opportunity to go through the letter and noted the following errors: wrong spellings, only one address was indicated on the letter, there was no subject line and the complementary close was not matching with the salutation.

#### **Required:**

- (a) Write a correct letter to your client in order to avoid a poorly written letter to your client by your junior staff. Create all the necessary details for your content. (15 marks)
  
- (b) State any five (5) features of a semi blocked format of a letter. (5 marks)

**[Total: 20 Marks]**

### **QUESTION SIX**

You work at M & M Auditing firm where a new electronic communication gadget was installed. The new Electronic gadget improved the exchange of information in the Accounts department. However the system has its own advantages and disadvantages

#### **Required:**

- (a) Briefly explain any five (5) examples of security risks that you are likely to experience as you communicate in your daily operations (10 marks)
  
- (b) Briefly explain any five (5) advantages of using email as a means of communication.

(10 marks)

**[Total: 20 Marks]**

**END OF PAPER**

## CA1.6 BUSINESS COMMUNICATION SOLUTIONS

### SECTION A - MULTIPLE CHOICE

#### SOLUTION ONE

- 1.1 C ####
- 1.2 B Real- Time
- 1.3 B The way that text is laid out
- 1.4 A Computer Based Information System
- 1.5 C Automatic revalidation
- 1.6 C It confirms oral communication
- 1.7 C Communicating to someone with politeness and friendliness
- 1.8 A Reaction minutes
- 1.9 D A progress report showing the actual work alongside planned work.
- 10.0 B Specifying the information

#### SOLUTION TWO - COMPLUSORY

### Types of Information Systems in Organisations

#### Introduction

We are going to look at the types of information systems that are commonly used in organizations. The following types of information systems will be discussed. Executive systems (EIS) or executive support systems, Management information systems, Decision support systems, Knowledge work systems, office automation systems and transaction processing system. A conclusion will also be provided at the end of the presentation.

#### Main body

**Executive information system** – draw data from the MIS and allow communication with external sources of information. They are not designed to use analytical models for specific problem solving. EIS are designed to facilitate senior manager's access to information quickly and effectively. They tend to have Menu-driven user- friendly interfaces and interactive graphics to help visualization of the solution. EIS summaries and tracks strategically critical information from the MIS and DSS and includes data from external sources.

**Management information systems**- are computer based or manual systems that convert data from mainly internal sources into information that can be used to support decision making.eg reports. This information enables managers to make timely and effective decisions for planning, directing and controlling the activities for which they are responsible. MIS generate information for monitoring and maintaining coordination. MIS extracts and summaries information from TPS and provides reports to managers

**Decision support system (DSS)** which is sometimes called business intelligent system serves the middle management level They are specifically designed to help management



make decisions in a situations where there is uncertainty about the possible outcome of these decisions .DSS comprises of tools and techniques to help gather relevant information and analyse the options and alternatives. They often use complex spreadsheet and databases to create what –if models. DSS have analytical power than other systems.

**Knowledge work system (KWS)** – supports highly skilled workers in the creation and integration of knowledge in the company. E.g. Computer Aided Design (CAD) systems used by product designed not only allows to make modifications easily without having to redraw the entire object , but also enables them to test the product without having to build physical prototypes. Financial institutions allows managers to get instant analysed results on huge amounts of financial data and provide access to external data bases. This allows portfolio management and supports trading.

**Office automated systems** – are computer designed systems meant to increase the productivity of data and information workers. AS supports the major activities performed in a typical office such as document management, facilitating communication and managing data. E.g. word processing, desk top publishing and digital filing system, spreadsheets, videoconferencing, internet and many others not mentioned.

**Transaction processing systems** – are used for routine tasks where transactions must be processed so that operations can continue A business can have several TPS for example billing system to send invoices to customers, system to calculate the weekly or monthly payroll and tax. A TPS will process transactions using either batch processing. TPS are vital for the organization as they gather all the input necessary for other types of systems.

## **Conclusion**

From the discussion. It can be concluded that the organization use different types of information systems such as EIS, DSS, KWS, MIS, TPS and OAS. All these systems are meant to support strategic, management, Knowledge and general smooth operation of an organization.

## **SOLUTION THREE**

Purchase Ledger is a business process which stores records of purchases and expenses paid and not yet paid. The data are then used to update the balance sheet which is also integrated. The Purchases ledger also holds data on every supplier account the business has dealings with in terms of all the purchase made on credit. The IFMIS –ERP is able through its stored functions makes data able to share with other business unit applications.

Accounts Payable business operation holds data on funds owned by the business to the supplier which are then shown on the balance sheet as liabilities. This business operation allows the business to identify credits given by suppliers of goods and services. These are shown as limited period liabilities. The information and data in the IFMIS – ERP is interchangeable between the Purchases ledger and other business unit applications.

Two Advantages of integration.

- i) Cost reduction – this in cost are in form of development costs for the development of individual business application which constitute the IFMIS – ERP. The other costs could include cost of hardware as data is shared in the central database
- ii) Data Integrity – there are few changes on financial data as it is not held in various location which are not links thereby compromising the data integrity. Data could be entered remotely and in real-time updates the central database on the ERP

## **SOLUTION FOUR**

### **a) Validation Checks**

Validation checks are checks performed by the computer on data being input to the computer system. Validation checks on the stock code may include any or all of the following:

**Existence check** – ensures that data is valid for that particular system. The computer program will check that the stock code exists by looking up or comparing that the number with valid numbers in a reference or master file. If the code is found, then that code is correct and processing of that stock item can continue. If the code is not found then this indicates an input error has been made and an appropriate message will be displayed on-screen advising the user of the mistakes.

**Format check** – ensures that the contents and size of the data being entered into one field is correct. E.g. it appears that the stock code is always numeric so the computer will ensure that only numbers have been entered into this field. It is also possible that the code has to be seven digits long, so the computer will reject codes that do not contain seven numbers.

**Check digit** – to avoid keying errors, the last digit of the code is input, the computer re-performs this calculation and compares the result with the check digit entered. Any difference between the two numbers will indicate a keying error and the user will be asked to re-input the number.

**Completeness check** – ensures that all the fields necessary to complete an order or other similar document have some inputs. If there is no input then an error message is displayed. E.g. if a stock quantity is entered, but no stock code, then the computer will signal an error. The appropriate stock code will have to be entered prior to the transaction being processed.

- b) i) Order numbers are likely to be allocated in numeric sequence to ensure that each number is unique and to provide a check on how many orders have been produced. The software can retain a record of the last order number used, when the next order is input, a mathematical calculation can add one to the last order number to give the next order number. This number is allocated to that order. The last order number is also updated by one and the process repeated for all new orders.
- ii) The order date is likely to be the date the order was received. When orders are entered into the computer as received, then the order date can be retrieved by reference to the computer system clock. All computers maintain a record of the current date and time. Any application program can access this information and use it, in this case the integrated software accesses that date and places it in the order date field
- c) The stock code and the quantity required of that specific item of stock are input by the user. This data will allow the integrated software to find the specific stock record in the stock file and from this ascertain the quantity of stock available for sale. If there is sufficient stock available to meet the customer requirements for that order, then the processing of the order can continue.
- d) **Range or limit validation** - It is possible to impose minimum and maximum values for all data entering a computer, so that data which falls outside these values is rejected.

## **SOLUTION FIVE**

**(a)**

KMC Entrprises  
Po box 31735  
Lusaka  
Our Ref: Kmc/141/01  
Your Ref: \_\_\_\_\_  
Malumbo General Dealers  
PO Box 31375  
Lusaka

Dear Sir

Upward adjustment of prices in products and services.

We are pleased to have been in business with you for the past 5 years. Over the past 5 years, you may agree with us that we have not raised any prices of our products in all these years despite the continuous rise in service and production expenses.

We would like to inform you that with effect from (date during examination period) our prices on selected items would have increased by 10 % only.

We cannot avoid the increase expenses that go in the production of our products.

Other expenses such as transportation and importation of supplies from other countries have also gone up, hence the increase.

This situation has disadvantaged us in a way. As you well know, we have never compromised the quality of our products even in the hardest of times. We endeavor to keep going with the mission of excellent quality and for that, an increase in prices has become an apparent necessity

The 10 % upward adjustment is on the following products

<b>Type of product</b>	<b>Old price</b>	<b>New Price</b>
Mobile phones	K900	K 910
Printers	K 2000	K2, 200
Laptops	k3000	K3, 300
Desk tops	K 5000	K 5, 500
Batteries' for laptops	K 800	K880

For any further clarification you are free to contact the undersigned. We look forward to your cooperation in the process of doing business with you and hope to continue doing business with you.

Yours faithfully,

Mr. Mutale

Accountant

**(b)**

The features of a semi blocked format of a letter are:

- Sender address is placed on the opposite side(right hand margin)
- Addresses are punctuated
- Salutation is punctuated
- Subject is centered
- Paragraphs are indented in some cases
- Complementary close is centered
- Complementary close is punctuated

**SOLUTION SIX**

(a) The security risks that you are likely to be experienced as one communicates in daily operations are:

- (i) **Leaking-** confidential emails between employees or among third parties are at risk of being leaked to the public by those with high-level access to organisations email system or by the recipient themselves.
- (ii) **Viruses and malicious software (malware).** This can be hidden in emails attachment or internet links sent through an electronic message service. Once opened they may infect the user's computer or network unless anti-virus software is in place.
- (iii) **Unintended distribution** – A common fault with email system is that messages can be sent to a person with the same user or similar name as the intended recipient by accident. Another problem is where a user replies to all rather than just replying to the sender of an email. This may cause miscommunication
- (iv) **Phishing attack-** These occur where innocent or official emails or messages are sent which entice the user to provide sensitive or confidential information. They are commonly in form of emails which appear to be from a user's bank which require the entry of account information that enables the phisher to access and empty their victims account.
- (v) **Impersonation** – instant messaging services offer users no guarantee that the person they are chatting with are actually who they say they are. It is important to worry about providing any personal information over such systems.

(b) Advantages of using emails

- (i) It is very fast
- (ii) One message can be sent to many people
- (iii) It is available 24 hours in 7 days ( available all the time)
- (iv) Large volumes of information can be sent through attachments
- (v) It is user friendly
- (vi) It is password protected

**END OF SOLUTIONS**