



CA ZAMBIA PROGRAMME EXAMINATIONS

KNOWLEDGE LEVEL

CA 1.1: FINANCIAL ACCOUNTING

MONDAY 14 DECEMBER 2020

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

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.
2. This paper is divided into TWO (2) 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.

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR.

SECTION A

Attempt all ten (10) multiple choice questions

QUESTION ONE

There are 10 multiple choice questions in this section. Attempt all of them by selecting your best answer from the options given.

- 1.1 ZikomoTwalumba, a sole trader had an opening capital K10,000 and closing capital of K4,500. During the year ended 31 March 2020, she introduced capital of K4,000 and withdrew K8,000 for her own use.

Her profit or loss during the period was:

- A. K1,500 loss
- B. K9,500 loss
- C. K1,500 Profit
- D. K7,500 profit

(2 marks)

- 1.2 Which of the following will **NOT** result in a debit entry in the accounts?

- A. Increase in expense
- B. Increase in revenue
- C. Increase in assets
- D. Decrease in liabilities

(2 marks)

- 1.3 Opening inventory was K29,000, carriage outwards was K2,000, carriage inwards was K1,000, closing inventory was K31,500, purchases were K128,000, and purchase returns were K8,500. What was cost of sales?

- A. K128,000
- B. K234,000
- C. K118,000
- D. K122,000

(2 marks)

- 1.4 Who issues International Financial Reporting Standards (IFRSs)?

- A. The Zambia Institute of Chartered Accountants
- B. The IFRS Interpretations Committee
- C. The Financial Accounting and Reporting Standards Board
- D. The International Accounting Standards Board (IASB)

(2 marks)

1.5 Which of the following lists the four (4) **enhancing** qualitative characteristics of financial statements as defined in the IASB's Conceptual Framework for Financial Reporting?

- A. Comparability, verifiability, timeliness and understandability.
- B. Comparability, relevance, timeliness and understandability.
- C. Relevance, timeliness, understandability and going concern.
- D. Timeliness, understandability, going concern and faithful representation.

(2 marks)

1.6 Profit for the year ended 31 March 2020 was calculated as being K10,200. It was later discovered that capital expenditure of K3,000 had been treated as revenue expenditure.

The **correct profit** for the year should have been:

- A. K10,200
- B. K13,200
- C. K7,200
- D. K16,200

(2 marks)

1.7 The general name used to describe computer programs is:

- A. Nominal Ledger
- B. Hardware
- C. Software
- D. Firmware

(2 marks)

1.8 The following items were extracted from Shanene's accounting records. Sales K150,000, opening inventory K10,000, closing inventory K15,000. The business applies a constant mark up of 25%. Calculate the total purchases for the year.

- A. K115,000
- B. K145,000
- C. K117,500
- D. K125,000

(2 marks)

1.9 Bonilinda a manufacturing company based in Luapula province, has the following figures for the year ended 31st March 2020:

Direct materials	K8,000
Factory overheads	K12,000
Direct labour	K10,000
Sales returns	K5,000
Decrease in work-in-progress	K4,000

How much is the Prime cost:

- A. K18,000
- B. K26,000
- C. K30,000
- D. K34,000

(2 marks)

1.10 An asset must be _____ by the business to be shown as an asset in its "Statement of the financial position":

- A. Possessed
- B. Owned
- C. Controlled
- D. Used

(2 marks)

[Total: 20 Marks]

SECTION B

Question TWO (2) in this section is compulsory and must be attempted. Then attempt any THREE (3) questions from the remaining four (4) questions.

QUESTION TWO – (COMPULSORY)

Mukapasa Limited Liability Company was established in 1980 by a family and has since then built up a loyal and expanding customer base. The following trial balance was extracted from the books at 31 December 2019:

	Dr K'000	Cr K'000
General reserve		100
Land at valuation	4,950	
Buildings: -at cost	3,500	
- depreciation to 1 January 2019		200
Plant and machinery: - at cost	2,200	
- depreciation to 1 January 2019		300
Inventory at 1 January 2019	2,100	
Receivables	8,750	
Cash in hand	4,620	
Payables		3,180
Bank		900
Administration expenses	2,640	
Selling and distribution expenses	2,920	
Ordinary dividends paid	350	
Loan note interest paid	150	
Returns inwards	4,000	
Sales		29,920
Purchases	20,450	
Carriage inwards	150	
Carriage outwards	100	
Returns outwards		1,340
Discounts received		1,690
Retained earnings at 1 January 2019		1,900
10% Preference shares, K1 each		1,000
Suspense		1,500
Share premium		1,000
Revaluation reserve as at 1 Jan. 2019		350
Ordinary shares of K1 each		11,000
12% Loan notes		2,500
	<u>56,880</u>	<u>56,880</u>

The following additional information is available at 31 December 2019:

- (1) One (1) million new ordinary shares were issued for K1.5 per share on 1 October 2019. The proceeds have been left in a suspense account. The company proposed to pay a final ordinary dividend of K666,000 for the year.
- (2) At 31 December 2019, prepaid administration expenses were K120,000 and accrued selling and distribution expenses were K170,000.
- (3) Mukapasa uses revaluation model as allowed by IAS 16 Property, Plant and equipment. The independent specialists in land valuation based in Kitwe, have advised that the land should be revalued upward by K50,000.
- (4) Depreciation is to be provided as follows:
 - (i) Buildings at 4% per annum on their original cost.
 - (ii) Plant and machinery at 10% per annum on their carrying amount.All depreciation expense must be charged as part of administration expenses
- (5) The charge for corporation tax of K80,000 is to be provided for the year.
- (6) The 12% loan note were issued on 1 of July 2019.
- (7) A customer ceased trading owing the company K280,000. The debt is not expected to be recovered and an adjustment is yet to be made. Further, an allowance for receivables of K10,000, is to be created.
- (8) Inventory at the close of business has been valued at K1,940,000.
- (9) The preference shares are redeemable preference shares and preference dividends for the year, have not yet been accounted for.
- (10) Directors approved to transfer K200,000 from retained to general reserves. This transaction is yet to be accounted for.
- (11) It was discovered that credit sales invoices totalling to K1,000,000 for goods delivered to customers on 22 December 2019 had by mistake been dated 2 January 2020 and thus excluded from the sales for the year and from account receivables at the year end.

Required:

Prepare the following:

- (a) Statement of profit or loss and other comprehensive income for the year ended 31 December 2019 for Mukapasa Ltd.(10 marks)
- (b) Statement of financial position as at 31 December 2019 for Mukapasa Ltd.
(10 marks)

[Total: 20 Marks]

QUESTION THREE

Musonda and Mwaba have been trading as partners and sharing profits and losses equally. From 1 October 2019 they decided to revise their profit sharing Agreement as they realized that Mwaba had special skills to boost the business and claimed a salary entitlement. Their capital and current accounts as on 1 January 2019 are as follows:

	Capital Accounts	Current Accounts	Additions In the year
Musonda	K120,000	K18,250	K30,000
Mwaba	K120,000	K15,840	-

The Profit Sharing Agreement (PSA) was revised on 1 October 2019 when Musonda brought in additional capital as follows:

Interest is to be charged on capital at the rate of 10% per annum (8% before change in Profit Sharing Agreement), and on drawings at the rate of 5% (3% before change in Profit Sharing Agreement). Mwaba would be entitled to an annual salary of K60,000. The new profit sharing ratio is 3:2 between Musonda and Mwaba respectively.

Drawings were made by partners as follows:

	1 March	1 July 2019	1 November 2019
Musonda	K50,000	-	K20,000
Mwaba	-	K50,000	K30,000

Draft accounts were prepared and the profit made for the year was K325,000. A bank reconciliation has just been completed and reveals that interest of K15,000 on a fixed deposit account has been credited while bank charges amounting to K1,680 were debited to the account. Profits are deemed to accrue evenly throughout the year.

Required:

- Calculate the profit or loss to be shared by partners for periods before and after the revision of terms in the Profit Sharing Agreement. (4 marks)
- Calculate the total profit appropriations to each partner for the year ended 31 December 2019 (12 marks)
- Prepare the Current Accounts for the partners using the figures you calculated in (b), clearly showing the closing balances. (4 marks)

[Total: 20 Marks]

QUESTION FOUR

- (a) You are the Accountant of Amazon Co. You prepared a receivables (sales) ledger control account at 31 March, 2020 for you to reconcile with the list of sales ledger balances at that date. You discovered that the total list of all the personal accounts extracted from the sales ledger at 31 March 2020 was K128,915, whereas the balance on the receivables control account on the same date amounted to K125,500.

The following discrepancies were discovered after carrying out investigations:

1. Cash received from a credit customer of K25,530 had been debited to a personal account.
2. Discounts received of K5,321 had been debited to G.H.K. Ltd in the receivables ledger account.
3. Cash received of K8,972 had been credited to a personal account as K7,127.
4. Discounts allowed amounting to K11,527 had not been entered in the control account.
5. A personal account balance had been under cast by K20,450.
6. A contra item of K42,352 with the payables ledger had not been entered in the control account.
7. A debt of K54,976 from a customer who is bankrupt had not been entered in the control account.
8. Cash received of K75,389 had been entered in a personal account as K68,169.
9. Returns inwards of K21,392 had not been included in the control account.
10. A cheque for K34,765 received from a customer had been dishonoured by the bank, but no adjustment had been made in the control account.
11. Sales for the period amounting to K85,629 had been omitted from the control account.
12. An account balance of B. Suzyo Ltd. of K31,728 had not been included in the list of balances.

Required:

- (i) Prepare a corrected receivables control account, bringing down the amended balance as at the opening period. (4 marks)
 - (ii) Prepare a statement showing the adjustments that are necessary to the list of personal account balance so that it reconciles with the corrected receivables control account balance. (4 marks)
 - (iii) Explain the purpose of preparing control accounts. (4 marks)
- (b) You have recently joined Zeze Limited, an engineering company as an Assistant Accountant and one of your tasks is to prepare bank reconciliation statements on a weekly basis. The following extract from the cash book of the company for the month of June 2020 shows the company's cheque receipts and payments:

<u>Cash book</u>			
Balance b/d	9,167	Purchases ledger	1,392
Credit transfer	4,023	Salaries and wages	2,613
Dividends from ZBL Ltd	2,194	Californian Beverages Ltd.	981
Royalties received	7,249	Rent and rates	3,290
		Balance c/d	<u>14,357</u>
	<u>22,633</u>		<u>22,633</u>

The company Assistant Accountant obtained the following bank statement on the same date:

Bank statement for the month of June 2020

	Debit (K)	Credit (K)	Balance (K)
Balance b/d			7,645
Lodgement 000301		2,491 10,136	
Cheque 000104	969		9,167
Insurance D/D	2,413		6,754
Credit transfer		4,023 10,777	
Cheque 000105	1,392		9,385
Cheque 000106	2,613		6,754
Rent and rates: cheque 000108	3,290		3,482
Dividends		2,194	5,676
Bank charges	563		<u>5,113</u>

Required:

- (i) Prepare an adjusted cash book for Zeze Ltd. as at 30 June 2020. (2 marks)
- (ii) Prepare the bank reconciliation statement starting with balance as bank statement as at 30 June 2020. (4 marks)
- (iii) Explain any two (2) reasons for preparing bank reconciliation statement. (2 marks)

[Total: 20 Marks]

QUESTION FIVE

BusumaMusonda is a treasurer of the Lusaka squash club and has presented you with the following Receipts and Payments account for the club for the year ended 30 November 2019.

Lusaka Squash club's Receipts and Payments account for the year ended 30 November 2019:

	K'000		K'000
Balance b/f	14,420	Rates	7,476
Subscriptions	42,140	Electricity	1,190
Donations	14,000	restaurant wages	30,100
Receipts from social events	31,220	Ground wages	16,870
Restaurant takings	103,880	Payables – restaurants	49,455
		Printing and stationery	12,285
		Social events expenses	13,916
		Insurance	18,340
		Restaurant expenses	8,610
		Balance c/d	<u>47,418</u>
	<u>205,660</u>		<u>205,660</u>
Balance b/d	47,418		

Busuma has also provided you with the following relevant balances:

	30 November 2018	30 November 2019
	K'000	K'000
Subscriptions prepaid	385	-
Rates prepaid	1,225	1,680
Subscriptions owing	-	3,465
Electricity owing	224	308
Food inventory at restaurants	5,110	5,740
Sports grounds	91,000	91,000
Club house (cost K140,000)	133,000	126,000
Furniture and fittings (cost K42,000)	33,600	29,400
Sports equipment (Cost K57,400)	45,920	34,440
Restaurant payables	9,520	11,620

Additional information:

1. The Net realisable values of the Food inventory at the restaurant was K6,543,210.
2. Besides offering facilities for playing squash, the club provides numerous other functions in a bid to raise funds for its continued operational needs.
3. Ground wages of K3,069,000 for the last three months for the year have not been accounted for.
4. The club's policy for depreciating non-current assets is as follows:

Club house	5% per annum straight line
Furniture and fittings	10% per annum straight line
Sports equipment	20% per annum straight line

Required:

- (a) Calculate the amount of accumulated fund at 1 December 2018 for Lusaka squash club. (4 marks)
- (b) Prepare the Club income and expenditure account for the year ended 30 November 2019.(8 marks)
- (c) Prepare the club's statement of financial position as at 30 November 2019. (8 marks)

[Total 20 Marks]

QUESTION SIX

The conceptual framework for financial reporting sets out the concepts that underlie the preparation and presentation of financial statements for users. The objectives of financial statements is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users in making economic decisions. The trial balance is an internal control check to confirm the arithmetic accuracy of the general ledger; therefore a trial balance is not part of financial statements.

Required:

- (a) Define the five (5) elements of financial statements. (5marks)
- (b) Identify five (5) benefits that financial statements provide to its users. (5marks)
- (c) Explain four (4) objectives of preparing a trial balance. (4 marks)
- (d) Give three (3) advantages and three (3) disadvantages of a limited liability company. (6 marks)

[Total: 20 Marks]

END OF PAPER

SUGGESTED SOLUTIONS

SECTION A

SOLUTION ONE

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

SECTION B

SOLUTION TWO

a) Mukapasa Ltd

	K'000
Revenue (29,920 – 4,000 + 1000)	26,920
Cost of sales (w4)	<u>(19,420)</u>
Gross profit	7,500
Administrative expenses (W5)	(1,160)
Selling and distribution (W6)	<u>(3,480)</u>
Operating profit	2,860
Finance cost (150 +100)	(250)
Profit before tax	2,610
Income tax	(80)
Profit for the year	2,530
Other comprehensive income:	
Gains on land revaluations	<u>50</u>
Total comprehensive income	<u>2,580</u>

NON CURRENT ASSETS

	K'000	
Property, Plant and Equipment (w7)	9,870	
Current assets		
Inventory		1, 940
Receivables (8, 750 – 280-10+1,000)		9, 460
Prepaid administrative expenses		120
Cash		4, 620
		—————
		16, 140
		—————
Total Assets		26, 010
		—————
Equity and Liabilities		
Equity		
Ordinary share capital (11,000 + 1,000)		12, 000

General reserve (100 +200)	300
Share premium (1,000 + 500)	1,500
Revaluation reserve (350 + 50 rev. gain)	400
Retained earnings(1,900 b/d+ 2,530 profit –350 div -200)	<u>3,880</u>
	18,080

Liabilities

Non-current liabilities

Preference shares	1,000
12% Loan notes	2,500

Current liabilities

Trade payables	3,180	
Bank overdraft	900	
	Preference divid	100
Accrued selling and distrib expenses		170
Income tax		<u>80</u>
		<u>4,430</u>
Total equity and liabilities		<u>26,010</u>

Workings

All workings are in K'000

(W1) Depreciation

	K
Buildings 4% x K3,500 =	140
Plant and machinery 10 % x (K2,200 –K300)	<u>190</u>
	<u>330</u>

(W2) Loan note interest

$$K2,500 @ 12\% \times 6/12 = K150$$

(W3) To clear suspense account

Debit suspense by	K1,500
Credit Share capital by	K1,000
Credit Share premium by	K 500

(W4) Opening inventory	2,100
Purchases (20,450 + 150 – 1,340)	19,260

Closing inventory

(1, 940)

19,420

W5 administrative expenses	
Per trial balance (2,640 – 120)	2,520
depreciation	330
discount received(<u>1,690</u>)	
total	<u>1,160</u>

W6) selling and distribution expenses	
Per trial balance	2,920 +170 3,090
Carriage out	100
Irrecoverable debts	280
Allowance for receivables	<u>10</u>
<u>3,480</u>	

W7property, plant and equipment

	Cost/valuations	Accumulated depreciation	Carrying amount
	K	K	K
Non-current assets			
Land (4, 950 + 50)	5, 000	-	5, 000
Buildings (Acc. Dep. =200 + 140 w1)*	3, 500	*(340)	3,160
Plant and mach. (Acc. Dep. 300+190 w1)**	2, 200	** (490)	1,710
	<u>11, 200</u>	<u>830</u>	<u>9, 870</u>
TOTAL PPE = 9,870			

SOLUTION THREE

(a)

1. Calculation of Profit to be shared by partners:

Net Profit per draft accounts	325,000
Interest received	15,000
Bank Charges	<u>(1,680)</u>
Adjusted net Profit	<u>338,320</u>

2. Splitting profit between the first nine months and the last three months:

First 9 months $338,320 \times 9/12$	253,740
Second 3 months $338,320 \times 3/12$	84,580

(b) Sharing profits of the first 9 nine months (Profit or Loss Appropriation Account):

	K	K	K
Profit for nine months		253,740	
ADD: Interest on Drawings			Musonda
$50,000 \times 3\% \times 10/12$	1,250		Mwaba
$50,000 \times 3\% \times 6/12$	<u>750</u>		
		<u>2,000</u>	
		255,740	
LESS: Interest on Capital			Musonda
$120,000 \times 8\% \times 9/12$	7,200		Mwaba
$120,000 \times 8\% \times 9/12$	<u>7,200</u>		
		(14,400)	
LESS: Salaries (None)		_____	
Residue profit		241,340	
LESS: Share of residue Profit			
Musonda $241,340 \times 1/2$		120,670	
Mwaba $241,340 \times 1/2$		<u>120,670</u>	
			<u>(241,340)</u>

Sharing profits of the last 3 months (Profit or Loss Appropriation Account):

	K	K	K
Profit for 3 months		84,580	
ADD: Interest on Drawings			Musonda
$20,000 \times 5\% \times 2/12$	167		Mwaba $30,000 \times$

5% x 2/12	250		Total
		<u>417</u>	
		84,997	
LESS: Interest on Capital			Musonda
150,000 x 10% x 3/12		3,750	Mwaba 120,000 x
10% x 3/12	<u>3,000</u>		
	(6,750)		LESS: Salaries
		<u>15,000</u>	
			<u>(15,000)</u>
Residue profit			63,247
LESS: Share of Profit			
Musonda 63,247 x 3/5		37,948	
Mwaba 63,247 x 2/5		<u>25,299</u>	
			<u>(63,247)</u>

(c) Current Accounts (in columnar form):

	Musonda	Mwaba	
	K	K	K
<i>Credit side: Accrued amounts</i>			
Opening balances	18,250	15,830	
Salaries	-	15,000	
Interest on Capital	10,950	10,200	
Share of Profits	<u>158,617</u>	<u>145,969</u>	
Sub-totals	<u>187,817</u>	<u>186,999</u>	

	Musonda	Mwaba	
	K	K	K
<i>Debit side: Accrued utilised</i>			
Drawings	70,000	80,000	
Interest on Drawings	<u>1,417</u>	<u>1,000</u>	
Sub-total	<u>71,417</u>	<u>81,000</u>	
Closing balances	116,400	105,999	

Workings:

<i>Interest on capital:</i>		Musonda
7,200 + 3,750 =	10,950	Mwaba 7,200 + 3,000 =
		10,200
<i>Share of Profits:</i>		Musonda
120,670 + 37,948 =	158,618	Mwaba 120,670 + 25,299
=	145,969	

Interest on Drawings:

$$1,250 + 167 =$$

1,000

1,417

Musonda
Mwaba 750 + 250 =

Drawings in the year :

$$50,000 + 20,000 =$$

=

80,000

70,000

Musonda
Mwaba 50,000 + 30,000

SOLUTION FOUR

a) i) Receivables control account

Uncorrected balance b/d	125,500 (1/2)	Discount omitted	11,527 (1/2)
Sales omitted	85,629 (1/2)	Contra set off omitted	42,352 (1/2)
Dishonoured cheque	34,765 (1/2)	Irrecoverable debts omitted	54,976 (1/2)
		Returns inwards omitted	21,392 (1/2)
		Balance c/d	<u>115,647 (1/2)</u>
	<u>245,894</u>		<u>245,894</u>

ii) Statement of adjustments to list of personal account balances

	K	K
Original total list of balances		128,915 (1/2)
Add:		
Debit balance omitted	31,728 (1/2)	
Debit balance understated	<u>20,450 (1/2)</u>	
		<u>52,178 (1/2)</u>
		181,093
Less:		
Transposition error—understatement of cash received	1,845 (1/2)	
Cash debited instead of credited (2 x 25,530)	51,060 (1/2)	
Discounts received wronged debited	5,321 (1/2)	
Understatement of cash received	<u>7,220 (1/2)</u>	
		<u>65,446</u>
		<u>115,647</u>

iii) The purposes of control accounts are:

- Accuracy of ledger accounts-control accounts help to check the accuracy of ledger accounts that they control.
- Segregation of duties-they enable segregation of duties by allocating the job of maintaining the sales ledger and purchases ledger to one person and the job of maintaining the control account to another person, thereby reducing the risks of fraud.
- Speedy preparation of the trial balance-control accounts enables the trial balance to be prepared more speedily, as the receivables and payables total can be extracted from the control accounts rather than waiting for the individual accounts to be balanced and totalled.
- Speedy identification of errors-control accounts enables speedy identification of reasons as to why the trial balances fail to balance so that investigations can be carried out.

b) i)

<u>Adjusted cash book</u>			
	K		K
Balance b/d	14,357 (1/2)	Insurance	2,413 (1/2)
		Bank charges	563 (1/2)

	Balance c/d	<u>11,381</u> (1/2)
<u>14,357</u>		<u>14,357</u>

ii) Bank reconciliation statement

	K
Balance as per bank statement	5,113 (1/2)
Add: lodgementcheques	<u>7,249</u> (1/2)
	12,362 (1/2)
Less: unpresented cheques	<u>(981)</u> (1/2)
Balance as per cash book	<u>11,381</u>

iii) Purposes of bank reconciliation

- To correct any errors at an early stage.
- To prevent or detect fraud.
- To ensure the correct balance of cash at bank is reflected in the statement of financial position.

SOLUTION FIVE

Accumulated fund at 1 December 2018

Assets	K'000	K'000
Rates prepaid	1,225	
Food inventory	5,110	
Sports grounds	91,000	
Club house	133,000	
Furniture and fittings	33,600	
Sports equipment	45,920	
Bank balance b/f	14,420	
Liabilities		
Subscriptions prepaid		385
Electricity owing		224
Restaurant payables		9,520
Accumulated fund (bal. fig.)_____		<u>314,146</u>
	<u>324,275</u>	<u>324,275</u>

b) Lusaka squash Club's income and expenditure account for the year ended 30 November 2019

	K'000	K'000
Incomes		
Subscriptions (W1)	45,990	
Donations	14,000	
Receipts from social events	31,220	
Profit from restaurant trading (w5)	14,245	
Total incomes		105,455

Expenditure		
Rates (W2)	7,021	
Electricity (W3)	1,274	
Ground wages (16, 870 + 3069)	19,939	
Printing and stationery	12,285	
Social events expenditure	13,916	
Insurance	18,340	
Depreciation:		
Club house (5% x 140,000)	7,000	
Furn.& fit.(10% x 42,000)	4,200	
Sports equipment (20% x 57,400)	11,480	
Total expenditure		<u>(95,455)</u>
Surplus		<u>10,000</u>

(c) Lusaka Squash Club's Statement of financial position as at 30 November 2019

Non-current assets	Cost	Accumulated carrying	
		Depreciation value	
	K'000	K'000	K'000
Sports grounds	91,000	-	91,000
Club House	140,000	14,000	126,000
Furniture and fittings	42,000	12,600	29,400
Sports equipment	<u>57,400</u>	<u>22,960</u>	<u>34,440</u>
	<u>330,400</u>	<u>49,560</u>	<u>280,840</u>
Current assets			
Inventory		5,740	
Bank		47,418	
Rates prepaid		1,680	
Subscriptions owing		<u>3,465</u>	<u>58,303</u>

339,143

Accumulated fund and liabilities:

Accumulated fund	314,146
Add surplus	<u>10,000</u>
	324,146

Current liabilities

Trade payables	11,620
Ground wages	3069
Electricity owing	<u>308</u>
	<u>14,997</u>

Total accumulated fund and liabilities 339,143

Workings

1.Subscription account

	K'000		K'000
		Prepaid b/f	385
		Bank	42,140
I/E (bal. fig.)	<u>45,990</u>	owing c/d	<u>3,465</u>
	<u>45,990</u>		<u>45,990</u>
Owing b/d	3,465		

2.Rates account

	K'000		K'000
Prepaid b/f	1,225	I/E (bal. fig.)	7,021
Bank	<u>7,476</u>	prepaid c/d	<u>1,680</u>
	<u>8,701</u>		<u>8,701</u>

3.Electricity account

	K'000		K'000
--	-------	--	-------

Bank	1,190	Owing b/f	224
		I/E (bal. fig.)	1,274
Owing c/d	<u>308</u>		
	<u>1,498</u>		<u>1,498</u>

4. Payables control account

	K'000		K'000
Bank	49,455	balance b/f	9,520
Balance c/f	<u>11,620</u>	purchases (bal fig)	<u>51,555</u>
	<u>61,075</u>		<u>61,075</u>

5. Restaurant statement of profit or loss for the year ended 30 November 2019

	K'000	K'000
Revenue		103,880
Less cost of sales:		
Opening inventory	5,110	
Purchases (W4)	51,555	
Less closing inventory	<u>(5,740)</u>	
		<u>(50,925)</u>
Gross profit		52,955
LESS EXPENSES		
Restaurant expenses	8,610	
Restaurant wages	<u>30,100</u>	
		<u>(38,710)</u>
Net profit		<u>14,245</u>

Note: For **theory questions**, exact wordings **NOT** required.

SOLUTION SIX

(a) The elements of financial statements

Based on 2018 Conceptual framework .

Asset

An asset is a present economic resource controlled by an entity as a result of past events. .

Liability

A liability is a present obligation of the entity to transfer an economic resource as a result of past events. Examples of liabilities include payables, finance lease obligations, accruals etc.

Equity interest is the residual interest in the assets of the entity after deducting all its liabilities.

Income is increases in assets or, decreases in liabilities that result in increases in equity, other than those relating to contributions from holders of equity claims.

Expenses is decreases in assets or, increases in liabilities, that result in decreases in equity, other than those relating to distributions to holders of equity claims.

Or

Based on old definitions

An **asset** is a resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise.

A **Liability** is a present obligation of the enterprise arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits.

Once assets and liabilities are defined, the remaining **three definitions** are expressed in relation to assets and liabilities. This focus on the balance sheet is referred to as a **balance sheet approach to the financial statements**.

Equity interest is the residual amount found by deducting all liabilities of the entity from all of the entity's assets.

Income is increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases in liabilities that result in increases in equity, other than those relating to contributions from equity participants.

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

(b) Possible benefits of financial statements to users of financial statements include the provision of information;

- To allow decisions to be made for the good of the company on the value of shareholders investments and the income they derive from their shareholding.

- To allow employees to look for alternative work in a different company, or look for pay increases and promotions based on the financial health of the company.
- To allow trade payables and banks to identify if the company can meet its financial obligations and commitments to them.
- To allow accountants audit or prepare tax returns on behalf of the company.
- To help government plan effectively.

(c) Objectives of preparing a trial balance

- i. To check the arithmetical accuracy

The trial balance may confirm the correctness of postings in ledger accounts as well as the accuracy of the ledger accounts' balances among others.

- ii. To help in the preparation of financial statements

The trial balance provides ledger account balances for various items that go in the preparation of statement of profit or loss and statement of financial position.

- iii. Helping in locating errors

The trial balance must always balance. If it does not balance, that may be an indication of errors in posting transactions to respective ledger accounts and/or in extracting balances from ledger accounts among others. However, it is worth noting that not all errors affect the agreement of the trial balance.

- iv. Helps in comparison

It helps management to make informed decisions by comparing ledger account balances from one period to the other.

- v. Helps in making adjustments

The trial balance may help the preparer of financial statements to identify items that require adjusting.

(d) Advantages of a limited liability company

(i) **Limited liability** of owners – once they contribute capital in full, shareholders are not personally liable for debts of company.

(ii) **Easier to raise finance** because of limited liability and generally can issue shares to many shareholders.

(iii) **Separate legal entity** – company continues to exist regardless of the identity of its owners.

(iv) **Tax advantage** – company taxed as separate entity from its owners.

(v) **Transferability of shares** – relatively easy to transfer from one owner to another.

Disadvantages of a limited liability company

(i) Have to **publish** annual financial statements, therefore, anyone including competitors can have access to performance of company, good or bad.

(ii) Have to **comply with rigorous** legal and accounting requirements.

(iii) Financial statements of larger companies have to be **audited**; time consuming and expensive.

(iv) Share**issues** are **regulated by law**.

END OF SUGGESTED SOLUTIONS



CA ZAMBIA PROGRAMME EXAMINATIONS

KNOWLEDGE LEVEL

CA 1.2: BUSINESS STATISTICS

WEDNESDAY 16 DECEMBER 2020

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

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.
2. This paper is divided into TWO (2) 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.
10. A mathematical/statistical formulae book **MUST** be provided. **Request for one if not given by the Invigilators.**

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR.

SECTION A – (COMPULSORY)

Attempt all the ten (10) multiple choice questions.

QUESTION ONE

Each of the following questions has only ONE (1) 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 A mining company buys 100 machine parts, then it is discovered that 80 of the items are perfect and 20 are defective. There are three (3) types of defect: A, B, C. of the 20 defective items, 5 possess defect A alone, 4 have defect B alone, 2 have defect C alone, 4 have defect A and B (but not C), 3 have defect A and C (but not B) and 2 have all three defects. One (1) item is randomly selected from the items bought. Two (2) different items are drawn at random. The probability that they both have all three (3) defects is:
- A. $1/50$
 - B. $1/4950$
 - C. $1/2500$
 - D. $1/2450$
- (2 marks)
- 1.2 Which of the following measures is usually greater than half of the observations in the data set?
- A. Mean
 - B. Median
 - C. Mode
 - D. Standard deviation
- (2 marks)
- 1.3 Which of the following measures of variability is NOT dependent on the exact value of every measurement?
- A. Mean deviation
 - B. Variance
 - C. Range
 - D. Standard deviation
- (2 marks)

- 1.4 If the probability of success on a single trial is 0.3 and two (2) trials are performed, what is the probability of at least one success?
- A. 0.91
 - B. 0.41
 - C. 0.51
 - D. 0.49
- (2 marks)

- 1.5 The following numbers are the hours spent studying by six (6) ZiCA students in a randomly selected week: 52, 20, 24, 31, 35, 42. The standard deviation of this data is:
- A. 10.8
 - B. 11.8
 - C. 12.8
 - D. 13.8
- (2 marks)

- 1.6 The first step in time series analysis is to:
- A. Calculate the moving average
 - B. Perform preliminary regression calculations
 - C. Identify relevant correlated variables
 - D. Plot the data on the graph
- (2 marks)

- 1.7 Mr. Gomwi is a stone products salesman. Let x be the number of contacts he makes on a particular day. The following table gives the probability distribution of x :

X	1	2	3	4
P(X=x)	0.12	0.25	0.56	0.07

- What is the probability that Mr Gomwi makes at most three times on a particular day?
- A. 0.37
 - B. 0.63
 - C. 0.07
 - D. 0.93
- (2 marks)

- 1.8 For two (2) events A and B, which of the following is a true probability statement?
- A. $P(A \text{ or } B) = P(A) + P(B)$ if A and B are independent
 - B. $P(A \text{ or } B) = P(A) + P(B)$ if A and B are mutually exclusive
 - C. $P(A \text{ and } B) = P(A) \times P(B)$ if A and B are mutually exclusive
 - D. $P(A \text{ or } B) = P(A) \times P(B)$ if A and B are independent
- (2 marks)
- 1.9 A bank receives twenty seven (27) applicants for the position of Manager. Three (3) of the applicants have doctorate degrees and the rest have master's degrees. A sample of five (5) applicants is selected at random for scrutiny, what is the probability that the sample contains one (1) applicant with a doctorate degree?
- A. 0.108
 - B. 0.270
 - C. 0.369
 - D. 0.500
- (2 marks)
- 1.10 The ages (in years) of nine employees of an insurance company are distributed as follows: 47 28 39 51 33 37 59 24 33.
The interquartile range for the data is:
- A. 19
 - B. 18.5
 - C. 18
 - D. 17 (2marks)

[Total: 20 Marks]

SECTION B

Question TWO (2) in this Section is compulsory and must be attempted.

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

QUESTION TWO - (COMPULSORY)

- (a) The prices on a particular day, of 53 stocks, on the Lusaka Stock Exchange are summarized in the table below:

Stock Price (K)	Number of Stocks
[75 – 95]	6
[95 – 100]	10
[100 – 105]	12
[105 – 110]	13
[110 – 120]	7
[120 – 135]	5

Required:

Calculate:

- (i) The average stock price from the data given above. (2 marks)
- (ii) The median price. (3 marks)
- (iii) The Modal price. (3 marks)
- (iv) Calculate the standard deviation. (4 marks)
- (b) A contractor has submitted bids on three state jobs: an office building, a theater, and a parking garage. State rules do not allow a contractor to be offered more than one (1) of these jobs. If this contractor is awarded any of these jobs, the profits earned from these contracts are K10 million from the office building, K5 million from the theater, and K2 million from the parking garage. His profit is zero if he gets no contract. The contractor estimates that the probabilities of getting the office building contract, the theater contract, the parking garage contract, or nothing are 0.15, 0.30, 0.45, and 0.10, respectively. Let x be the random variable that represents the contractor's profits in millions of Kwacha.
- (i) Write the probability distribution of x . (2 marks)

- (ii) Compute the mean and standard deviation of x . Give a brief interpretation of the values of the mean and standard deviation. (6 marks)

[Total: 20 Marks]

QUESTION THREE

- (a) The relationship between monthly orders and years of experience of ten orders and years of experience of ten sales representatives is shown in the following table:

Sales representative	1	2	3	4	5	6	7	8	9	10
Experience(years)	13	9	15	18	10	11	13	5	17	4
Orders (K000)	65	30	58	73	61	46	56	33	76	21

Required:

Calculate:

- (i) The product – moment coefficient of correlation (6 marks)
- (ii) The coefficient of rank correlation (6 marks)
- (b) 85% of the girls and 70% of the boys at a school are able to play a musical instrument. If one (1) girl and one (1) boy are chosen randomly from the school.

Required:

Calculate the probabilities that:

- (i) Both are able to play a musical instrument. (1 mark)
- (ii) Only one (1) of them is able to play a musical instrument. (3 marks)
- (iii) Given that the ratio of the number of girls to the number of boys in the school is 3: 5, calculate the probability that, a randomly chosen pupil from the school is able to play a musical instrument. (4 marks)

[Total 20 Marks]

QUESTION FOUR

- (a) The weights of bags of red gravel soil may be modelled by the normal distribution with mean 26.9 kg and standard deviation 0.6 kg.

Required:

Determine:

- (i) Probability that a randomly selected bag of red gravel will weigh by less than 26 kg.(3marks)

(ii) Probability that a randomly selected bag of red gravel will weigh between 26.5 kg and 27.5 k (3 marks)

(iii) To two decimal places, the weight exceed by 75% of the bags. (4 marks)

(b) The value of sales (in K000) of golf equipment by a large department store is shown for each period of three (3) months are as follows:

Quarter	2010	2011	2012	2013
1		9	21	41
2		31	51	63
3		61	81	93
4	25	21	41	

Required:

Find the four (4) yearmoving average trend values.

(10 marks)

[Total 20 Marks]

QUESTION FIVE

(a) Define the following probability terms:

(i) Experiment (1 mark)

(ii) Outcome (1 mark)

(iii) Sample space (1 mark)

(iv) Event (1 mark)

(b) In an organisation out of 200 employees, 40 are having their monthly salary more than K15,000 and 120 of them are regular takers of coffee. Out of those 40, who are having their monthly salary more than K15,000, 20 are regular takers of coffee. If a particular employee is selected, what is the probability that he is having a monthly salary of more than K15,000, if he is a regular taker of coffee? (4 marks)

(c) Hundreds of Zambians get up each morning and go to work in their offices at Home. The growing use of personal computers is suggested to be one of the reasons more people can operate at-home businesses. The following is a sample of ages for individuals working at home.

22 58 24 50 29 52 57 31 30 41
44 40 46 29 31 37 32 44 49 29

Required:

Compute:

- (i) Mean (2 marks)
- (ii) Mode (1 mark)
- (iii) First quartile (2 marks)
- (iv) Third quartile (2 marks)
- (v) Quartile deviation (2 marks)
- (vi) 40th percentile. (3 marks)

[Total: 20 Marks]

QUESTION SIX

- (a) The time (in seconds) that a random sample of employees took to complete a task is as follows:

23 35 14 37 28 45 12 40 27 13 26 25
37 20 29 49 40 13 27 16 40 20 13 66

Required:

- (i) Develop a stem –and–leaf display for the data (3 marks)
 - (ii) Find the median (2 marks)
 - (iii) Find the range (1 mark)
 - (iv) Find the standard deviation (2 marks)
 - (v) Describe the shape of the distribution (2 marks)
- (b) Employees at XYZ Electronics Associates are on a flextime system. They can begin their working day at 7:00, 7:30, 8:00, 8:30 or 9:00 hours. The following data represent a sample of the starting times selected by the employees.

7:00	8:30	9:00	8:00	7:30	7:30	8:30	8:30	7:30	7:00
8:30	8:30	8:00	8:00	7:30	8:30	7:00	9:00	8:30	8:00

Required:

Construct:

- (i) A frequency distribution (2 marks)
- (ii) A percent frequency distribution (2 marks)
- (iii) A simple bar graph (2 marks)

(iv) A pie chart
[Total: 20 Marks]

(4marks)

END OF PAPER

SUGGESTED SOLUTIONS

SOLUTION ONE

1.1 B

$$P(\text{both have all three defects}) = \frac{2}{100} \times \frac{1}{99} = \frac{1}{4950}$$

1.2 B

1.3 A

1.4 C

Let X denote the number of trials.

Therefore, we have that;

$n = 2$, $P(\text{success}) = p = 0.3$ ($q = 1 - p = 0.7$), So that $X \sim B(2, 0.3)$.

And we know that: $P(X = x) = \binom{n}{x} p^x q^{n-x} = \binom{n}{x} p^x (1 - p)^{n-x}$, $x = 0, 1, 2, \dots, n$.

$$P(X = 0) = \binom{2}{1} (0.3)^1 (1 - 0.3)^{2-1} = 0.42 \quad P(X = 0) = \binom{2}{2} (0.3)^2 (1 - 0.3)^{2-2} = 0.09$$

$$P(X \geq 1) = P(1) + P(2) = 0.42 + 0.09 = 0.51$$

1.5 B

$$S = \sqrt{\frac{(52-34)^2 + (20-34)^2 + (24-34)^2 + (31-34)^2 + (35-34)^2 + (42-34)^2}{6-1}} = 11.8$$

1.6 D

1.7 D $P(X \leq 3) = P(1) + P(2) + P(3) = 0.12 + 0.25 + 0.56 = \mathbf{0.93}$

1.8 B

1.9 C

$$5 \times \frac{27}{30} \times \frac{26}{29} \times \frac{25}{28} \times \frac{24}{27} \times \frac{3}{26} = 0.369$$

1.10 B

Lower Quartile = $\left(\frac{n+1}{4}\right)$ th value

= $\left(\frac{9+1}{4}\right)$ th value

= 2.5th value

(Average of 2nd and 3rd values)

$$= \frac{28 + 33}{2}$$

$$= 30.5$$

$$\text{Upper Quartile} = \frac{3}{4}(n + 1)\text{th value}$$

$$= \frac{3}{4}(9 + 1)\text{th value}$$

$$= 7.5\text{th value}$$

(Average of 7th and 8th values)

$$= \frac{47 + 51}{2} = 49$$

$$\text{Inter-quartile range} = \text{Upper Quartile} - \text{Lower Quartile}$$

$$= 49 - 30.5$$

$$= 18.5.$$

SOLUTION TWO

Solution 1 (a)

Stock Prices	Mid-point X	Number of Stocks F	Cumulative	(f)(x)	$f(x - \bar{x})^2$
[75 – 95[	85	6	6	510	34808.17
[95 – 100[	97.5	10	16	974	78617.78
[100 – 105[	102.5	12	28	1230	105281.34
[105 – 110[	107.5	13	41	1397.5	126556.45
[110 – 120[	115	7	48	805	78899.53
[120 – 135]	127.5	5	53	637.5	70408.89
TOTAL		53		5554	3940581.16

i. **The mean:** $\frac{1}{n} \sum nf = \frac{1}{53}(5554) = 104.79$

[1 mark for working and 1 mark correct answer]

- ii. To find the median, first locate the median class which is the class that fall on the mid of the values of cumulative frequency, then find the lower limit of the median class and the class width, and calculate using the formula

$$median = l_k + \frac{w}{n_k} \left(\frac{n}{2} - cf_{k-1} \right). \quad k = 3$$

$$100 + \frac{5}{28} \left(\frac{53}{2} - 16 \right) = 101.88$$

[1 mark for working and 1 mark correct answer]

- iii. **Modal price**

$$Mo = L_k + \omega \left(\frac{d_1}{d_1 + d_2} \right), \quad k = 4$$

$$Mo = 105 + 5 \left(\frac{1}{1 + 6} \right) = 105.71$$

Note:

$$d_1 = n_k - n_{k-1} = 13 - 12 = 1$$

$$d_2 = n_k - n_{k+1} = 13 - 7 = 6$$

1 marks for working 1 mark correct answer

iv. **Standard deviation**

$$s = \sqrt{\frac{\sum f(x - \bar{x})^2}{f - 1}} = \sqrt{\frac{3940581.16}{53 - 1}} = 275.28$$

3 marks for working 1 mark correct answer

(b) probability distribution

i.

X	0	2	5	10
P(X=x)	0.1	0.45	0.3	0.15

ii. $E(X) = \sum X \cdot P(X = x) = (0 \times 0.1) + (2 \times 0.45) + (5 \times 0.3) + (10 \times 0.15) =$
K3.9 Million

$$E(X^2) = \sum X \cdot P(X = x) = ((0)^2 \times 0.1) + ((2)^2 \times 0.45) + (5^2 \times 0.3) + (10^2 \times 0.15) = 24.3$$

Therefore, $= E(X^2) - [E(X)]^2 = 24.3 - 3.9^2 = 9.09$.

$$\text{Standard deviation} = \sqrt{9.09} = K3.015 \text{ Million}$$

SOLUTION THREE

(a)

(i) $\sum x = 115, \quad \sum y = 519, \quad \sum xy = 6654, \quad \sum x^2 = 1519, \quad \sum y^2 = 30097$

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{(n \sum x^2 - (\sum x)^2)(n \sum y^2 - (\sum y)^2)}}$$

$$r = \frac{10(6684) - (115)(519)}{\sqrt{[10(1519) - (115)^2][10(30097) - (519)^2]}} = \frac{7155}{7881.096688}$$

$$r = 0.907868572 \approx 0.91$$

(ii)

x_r	y_r	d	d^2
4.5	3	1.5	2.25
8	9	-1	1
3	5	-2	4
1	2	-1	1
7	4	3	9
6	7	-1	1
4.5	6	-1.5	2.25
9	8	1	1
2	1	1	1
10	10	0	0
Total		$\sum d = 0$	$\sum d^2 = 22.5$

$$r_s = 1 - \frac{6 \sum d^2}{n(n^2 - 1)} = 1 - \frac{6(22.5)}{10(99)} = 0.863636363 \approx 0.86$$

(b)

(i) $P(\text{both}) = (0.85)(0.70) = 0.595$

(ii) $P(\text{one of them}) = (0.85)(0.30) + (0.15)(0.70)$
 $= 0.255 + 0.105 = 0.36$

$$\begin{aligned} \text{(iii)} \quad P(\text{randomly chosen pupil}) &= \frac{3}{8} \times (0.85) + \frac{5}{8} \times (0.70) \\ &= \frac{2.55+3.5}{8} = \frac{6.05}{8} = 0.75625 \end{aligned}$$

SOLUTION FOUR

(a) $\mu = 26.9 \text{ kg}$, $\sigma = 0.6 \text{ kg}$

(i) $P(X < 26) = P\left(Z < \frac{26-26.9}{0.6}\right) = P(Z < -1.5)$
 $= 0.5000 - 0.4332 = 0.0668$

(ii) $P(26.5 < X < 27.5) = P\left(\frac{26.5-26.9}{0.6} < Z < \frac{27.5-26.9}{0.6}\right)$
 $P(-0.67 < Z < 1.00) = 0.2485 + 0.3413 = 0.5899$

(iii) The Z value corresponding to 75% is -0.67

$$Z = \frac{X - \mu}{\sigma} = -0.67 = \frac{X - 26.9}{0.6}$$

$$-0.67(0.6) = X - 26.9$$

$$X = 26.9 - 0.402 = 26.498$$

Therefore $X = 26.50$ (to two decimal places)

(b) The calculations are given in the table below

year	Quarter	Sales	Four quarterly moving total	Centered values = trend
2010	1			

	2			
	3			
	4	25		
2011	5	9		
			126	
	6	31		15.75
			122	
	7	61		15.25
			134	
	8	21		36
			154	
2012	9	21		41
			174	
	10	51		46
			194	
	11	81		51
			214	
	12	41		55
			226	
2013	13	41		58
			238	
	14	63		
	15	93		
	16			

SOLUTION FIVE

(a)

- i. Experiment refers to the process of obtaining observed result of some phenomenon.
- ii. An outcome is a possible result of an experiment.
- iii. A sample space is a set of all possible outcomes of an experiment.
- iv. An event is a subset of a sample space.

(b) Let A = be an event that an employee's monthly salary is more than K15,000.

B = be an event that the employee is a regular taker of coffee

Then,

$$P(A \cap B) = \frac{20}{200} = 0.1$$

$$P(B) = \frac{120}{200} = 0.6$$

$$\text{We want } P(A/B). \text{ Therefore, } P(A/B) = \frac{P(A \cap B)}{P(B)} = \frac{0.1}{0.6} = 0.167$$

(c)

- i. The mean is given by

$$\bar{x} = \frac{\sum x}{n} = \frac{775}{20} = 38.75$$

- ii. The mode is 29

- iii. Rearranging the observations in numerical order we have:

22 24 29 29 29 30 31 31 32 37
40 41 44 44 46 49 50 52 57 58

$$\therefore n = 20$$

$$\text{Position of first quartile } Q_1 = \frac{1}{4}(n+1)^{\text{th}} \text{ value}$$

$$= \frac{1}{4}(20+1)^{\text{th}} \text{ value}$$

$$= 5.25^{\text{th}} \text{ value}$$

\therefore First quartile is on the 5th position i.e. $Q_1 = 29$.

- iv. Position of third quartile $Q_3 = \frac{3}{4}(n+1)^{\text{th}} \text{ value}$

$$= \frac{3}{4}(20+1)^{th} \text{ value}$$
$$= 15.75^{th} \text{ value}$$

∴ Third quartile is on the 16th position i.e. $Q_3 = 49$.

v. Quartile Deviation = $\frac{Q_3 - Q_1}{2} = \frac{49 - 29}{2} = \frac{20}{2} = 10$

The position of the 40th percentile is given by

$$P_{40} = \frac{40}{100}(n+1)^{th} \text{ value}$$

$$= \frac{40}{100}(20+1)^{th} \text{ value}$$

$$= 8.4^{th} \text{ value}$$

$$\therefore P_{40} = 31$$

SOLUTION SIX

(a)

i. Arranging the observations in numerical order we have

12 13 13 14 16 20 20 23 25 26 27 27
28 29 35 37 37 40 40 40 45 49 66

The stem –and –leaf is as shown below

stem	Leaf
1	2 3 3 4 6
2	0 0 3 5 6 7 7 8 9
3	5 7 7
4	0 0 0 5 9
5	6

[

ii. Position of the median is given by

$$= \frac{1}{2}(n+1)^{\text{th}} \text{ value}$$

$$= \frac{1}{2}(24+1)^{\text{th}} \text{ value}$$

$$= 12.5^{\text{th}} \text{ value}$$

$$\therefore \text{Median} = \frac{27+27}{2} = 27$$

iii. Range = Highest value – Lowest value

$$= 66 - 12 = 54$$

iv. Lower quartile (Q_1) is the $\frac{1}{4}(n+1)^{\text{th}}$ value = 6.25^{th} value i.e. $Q_1 = 16$

Upper quartile (Q_3) is the $\frac{3}{4}(n+1)^{\text{th}}$ value = 18.75^{th} value i.e. $Q_3 = 40$

We know that median (Q_2) = 27

$$Q_3 - Q_2 = 40 - 27 = 13$$

$$Q_2 - Q_1 = 27 - 16 = 11$$

$$\therefore Q_3 - Q_2 > Q_2 - Q_1$$

Hence the distribution is said to have positive skew or skewed right.

i.

ii. A frequency distribution is shown below:

Time	Tally	Frequency
7:00	///	3
7:30	////	4
8:00	///	4
8:30	//// //	7
9:00	//	2
	TOTAL	20

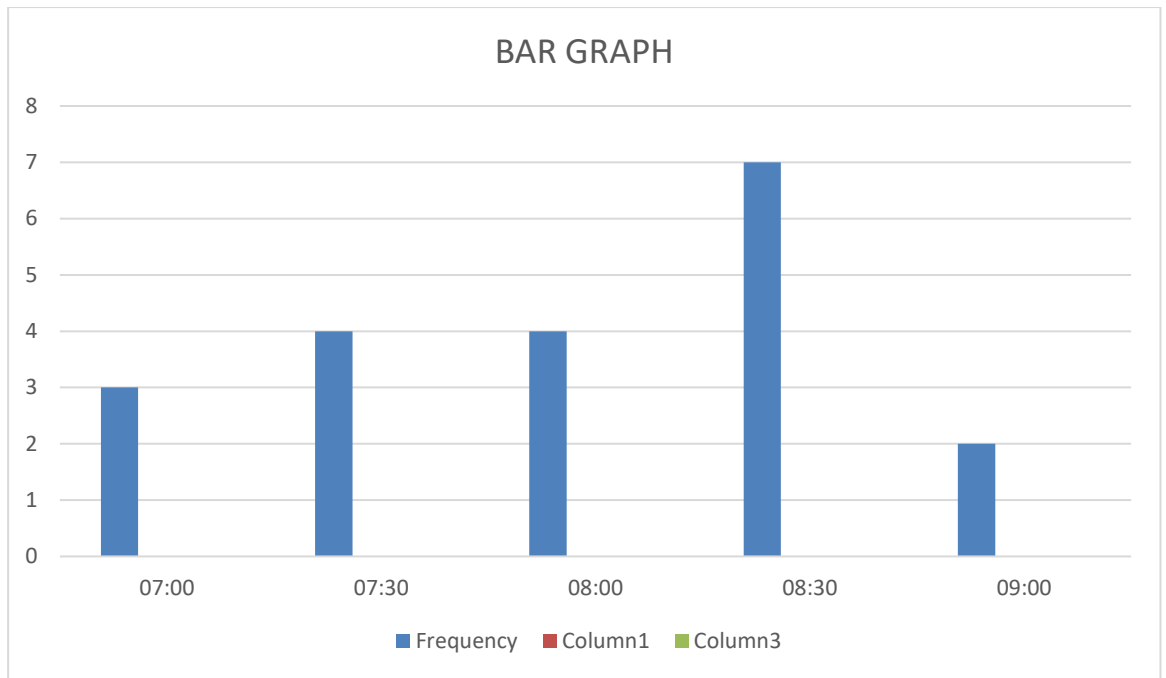
iii.

iv. A percent frequency distribution is as shown below:

Time	Relative Frequency	Percent Frequency
7:00	0.15	15
7:30	0.20	20
8:00	0.20	20
8:30	0.35	35
9:00	0.10	10
TOTAL	1.00	100

v.

vi. A bar graph is as shown below:



vii. The size of the angle at the Centre for each flextime will be as follows:

$$7:00 \rightarrow \frac{3}{20} \times 360^\circ = 54^\circ$$

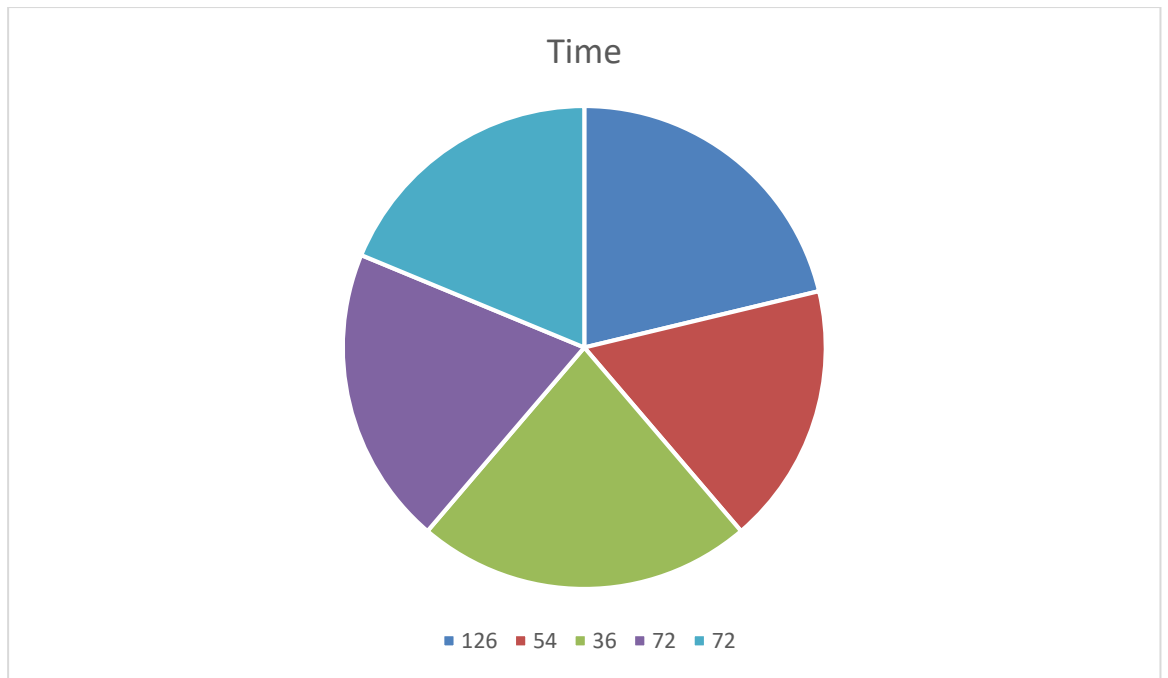
$$7:30 \rightarrow \frac{4}{20} \times 360^\circ = 72^\circ$$

$$8:00 \rightarrow \frac{4}{20} \times 360^\circ = 72^\circ$$

$$8:30 \rightarrow \frac{7}{20} \times 360^\circ = 126^\circ$$

$$9:00 \rightarrow \frac{2}{20} \times 360^\circ = 36^\circ$$

Pie chart of Flextime



viii. Most of the employees prefer 8:30 as the starting time.

END OF SOLUTIONS



CA ZAMBIA PROGRAMME EXAMINATIONS

KNOWLEDGE LEVEL

CA 1.3: BUSINESS ECONOMICS

TUESDAY 15 DECEMBER 2020

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

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 (2) 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.

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR.

SECTION A – (COMPULSORY)

Attempt all Ten (10) multiple choice questions.

QUESTION ONE

Each of the following questions has only one (1) 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 demand curve for a normal good will shift to the left when there is
- A. A rise in household income
 - B. An increase in the product's desirability from the point of view of fashion
 - C. A fall in the price of a substitute good
 - D. A fall in the price of a complementary good
- (2 marks)
- 1.2 Which of the following will always rise when a manufacturing company increases its output?
- (i) Fixed costs
 - (ii) Marginal costs
 - (iii) Average variable costs
 - (iv) Total cost
- A. (i) and (ii) only
 - B. (ii) and (iii) only
 - C. (iii) and (iv) only
 - D. (iv) only
- (2marks)
- 1.3 Which of the following solutions to market failure is least likely to distort economic decision of businesses?
- A. Establishing property rights
 - B. Imposing a price floor
 - C. Imposing a quota
 - D. Subsidy to encourage production
- (2 marks)
- 1.4 In a perfectly competitive market structure, all producers charge the same price because.....
- A. They are all profit maximizers
 - B. They incur same costs of production
 - C. The product is homogenous
 - D. None of the above

(2 marks)

- 1.5 What function is money serving when you deposit money in your savings bank account?
- A. A unit of account
 - B. A store of value
 - C. A means for deferred payments
 - D. A medium of exchange
- (2 marks)
- 1.6 The unemployment rate in a named country is 18%. The country's labour force is 7 million. Calculate the number of the employed people in that country.
- A. 5.74 million
 - B. 1.26 million
 - C. 8.26 million
 - D. 7 million
- (2 marks)
- 1.7 Which one of the following best describes demand-pull inflation?
- A. Inflation caused by increases in the costs of production
 - B. Inflation caused by too much money chasing too few goods
 - C. Inflation caused in decrease in the costs of production
 - D. Inflation caused by imported goods
- (2 marks)
- 1.8 Which of the following is not a method that a company can use to finance long-term investments?
- A. Bank loan
 - B. Retained earnings
 - C. Issue of new shares
 - D. Bank overdraft
- (2 marks)
- 1.9 The purpose of a cartel is to:
- A. Reduce consumer uncertainty
 - B. Rationalize production
 - C. Create a monopoly type operations
 - D. Standardize product quality
- (2 marks)

1.10 Which one (1) of the following are characteristics of perfect competition?

- (i) Large number of sellers of a product
- (ii) Differentiated product
- (iii) Normal profit in the long run
- (iv) Freedom of entry into and exit from the industry

- A. (i), (ii) and (iii) only
- B. (i), (iii) and (iv) only
- C. (ii), (iii) and (iv) only
- D. All of the above

(2 marks)

[Total: 20 Marks]

SECTION B

Question TWO (2) in this section is compulsory and must be attempted.

Then attempt any THREE (3) from the remaining four (4).

QUESTION TWO - (COMPULSORY QUESTION)

The market forces of demand and supply interact in the market to determine the price of a good or service, without the intervention of the government. Economists favour this kind of arrangement as prices adjust automatically to ensure that equilibrium is attained. For example, when the price is above equilibrium price, there will be a downward pressure on the price until equilibrium is established and vice versa. However, the government may intervene in the market by way of price controls which may take the form of price ceiling and price floor for a good or service. Further, the government can restrict demand by rationing a good. A tax on a good shifts the supply curve to the left causing an increase in equilibrium price and decrease equilibrium quantity. A subsidy to the producer will do the opposite and lower the equilibrium price and raise the equilibrium quantity. When this happens, disequilibrium is introduced.

In line with this scenario, answer the following questions:

Required:

(a) Define 'price ceiling' giving one (1) example from the Zambian economy (2 marks)

(b) Define 'price floor' and giving one (1) example from the Zambian economy (2 marks)

(c) The market demand and supply equations for a good are:

$$Q_D = 300 - 3P$$

$$Q_S = 100 + 5P$$

Where Q is the quantity and P is the price:

(i) Calculate the equilibrium price and quantity for this good. (4 marks)

(ii) Suppose that an increase in the consumer income resulted in the new demand equation $Q_D = 420 - 3P$. What is the new equilibrium price and quantity for this good. (4 marks)

(iii) Suppose the government enacts legislation that imposes a price ceiling equivalent to the original equilibrium price, what is the result of the legislation (4 marks)

(iv) Suppose the government wishes to subsidize the production of this good by placing a price floor of K30 per unit, what would be the new relationship between quantity supplied and quantity demanded for this good (4 marks)

[Total: 20 Marks]

QUESTION THREE

Musonda is a sole trader who sells goods worth K50,000. He incurs material costs of K12,000, hired labour costs of K16,000 and other expenses of K4,000. He rents an office for his business at K1,500. Suppose that Musonda's car that he uses could have been put on the road as a pirate taxi earning K2,400 and his own labour as a business manager could get him a job with a monthly salary of K18,500.

- (a) Distinguish between economic costs and accounting costs (6 marks)
- (b) Calculate Musonda's accounting profit or loss for the month(5 marks)
- (c) Calculate Musonda's economic profit or loss for the month(5 marks)
- (d) Advice Musonda, in economic terms, based on your calculations to part (c) whether or not he made the right decision(4 marks)

[Total: 20 Marks]

QUESTION FOUR

A firm that has no competitors in its industry is called a monopoly. Monopolies are usually not liked by consumers because their profit incentive leads them to raise prices and lower output in order to squeeze more money out of the consumers. As a result, Governments typically go out of their way to break up monopolies and replace them with competitive industries that generate lower prices and higher output. At times, however, governments also intentionally create monopolies in other situations, for example through the issue of patents and licenses.

Required:

- (a) Using a diagram explain the profit-maximizing monopoly in the short-run (6 marks)
- (b) Outline any four (4) advantages of monopoly (4 marks)
- (c) Outline any four (4) disadvantages of monopoly (4 marks)
- (d) Explain any three (3) approaches that a Government can adopt to prevent monopoly abuse of power or dominant position (6 marks)

[Total: 20 Marks]

QUESTION FIVE

The Zambian kwacha depreciated immensely to the United States Dollar during the month of December 2019 from an average of K11 to K16 per US\$. This did not go well for importers and exporters who called on the relevant authorities to act to arrest the free-fall of the local currency.

Clearly, it can make a big difference whether a nation fixes its exchange rate or allow the value of the local currency to float. To what extent might adopting a floating exchange rate enhance national economic stability? Under what circumstances is it desirable to peg the exchange rate of a nation's currency? What are the advantages and disadvantages of a floating exchange rate for monetary and fiscal policymaking? These are questions of real-world significance to economists.

Required:

- (a) Distinguish between a fixed exchange rate and a floating exchange rate. (4 marks)
- (b) Explain any three (3) advantages of a floating exchange rate. (6 marks)
- (c) Explain any three (3) disadvantages of a floating exchange rate. (6 marks)
- (d) Explain any two (2) approaches that a government use to intervene in foreign exchange market. (4 marks)

[Total: 20 Marks]

QUESTION SIX

In Zambia, December to February of every year are reserved as the fish breeding period. As such, a fish ban is enforced during this period. However, it is common sense that fishermen rarely observe this ban. This is because open lakes and rivers are common resources which are non-excludable and but rival. They are a special kind of public goods. Since fishermen do not bear the private costs of reducing the number of available fish to others, so it is rational for them to overfish.

Required:

- (a) Explain the concept of common resource (3 marks)
- (b) Explain what is meant by the term 'non-excludable good' (3 marks)
- (c) Explain the meaning of the term 'rival good' (3 marks)
- (d) Explain the meaning of the term 'public goods' (3 marks)
- (e) Explain any two (2) policy interventions that the government can use to manage a common resource like fish apart from using a fish ban. (8 marks)

[Total 20 Marks]

END OF PAPER

SUGGESTED SOLUTION

SOLUTION ONE

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

SOLUTION TWO

- a) A price ceiling is a legally established maximum price a seller can charge. The aim is to protect consumers against 'too high' a price that can be set by the market for essential goods. An example is a rent control and Mealie Meal prices (at times).
- b) A price floor is a legally established minimum price a seller can be paid. The aim is to protect sellers against 'too low' a price that can be set by the market. Examples in Zambia are Minimum wage and Maize floor price.
- c) (i) Equilibrium is characterized by the condition $Q_D = Q_S$, $300 - 3p = 100 + 5P$, solving for P , we have K25 as equilibrium price. Substituting P in either demand or supply equation and solving $Q_D = 300 - 3(25) = 225$ units.
- (ii) $420 - 3P = 100 + 5P$, equilibrium $P = K40$; equilibrium $Q = 300$
- (iii) At a price ceiling of $P = K25$, the quantity demanded is $Q_D = 420 - 3(25) = 345$
At the ceiling price quantity supplied is $Q_S = 100 + 5P$, $100 + 5(25) = 225$
Based on these, there is a shortage in this market of $Q_D - Q_S = 345 - 225 = 120$
- (iv) $Q_S = 100 + 5(30) = 100 + 150 = 250$
 $Q_D = 300 - 3(30) = 300 - 90 = 210$
Surplus is $250 - 210 = 40$

SOLUTION THREE

a) Economic costs represent explicit plus implicit costs. Explicit costs are out of pocket while implicit costs represent opportunity cost of the factors of production that are used. Accounting costs, on the other hand, are explicit or out-of-pocket costs of production.

b) The accounting profit or loss is calculated as follows:

	K	K
Sales		50,000
Less Explicit costs:		
Material Costs	12,000	
Labour	16,000	
Rentals	1500	
Other expenses	4,000	<u>(33,500)</u>
Profit		<u>16,500</u>

c) The economic profit or loss is calculated as follows:

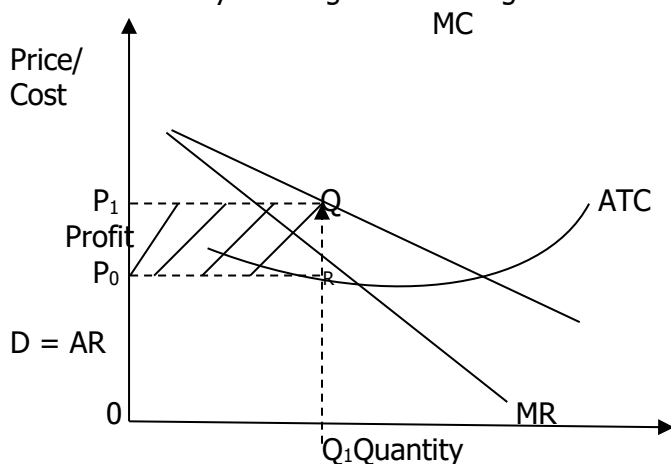
	K	K
Sales less explicit costs (as given above)		16,500
Less Implicit costs:		
Forgone taxi earnings	2,400	
Forgone salary as an employee	18,500	<u>(20,900)</u>
Loss		<u>(4,4 00)</u>

d) In economic terms, Musonda made a loss. It would pay Musonda to put his car to alternative use, and sell his labour for a salary.

SOULUTION FOUR

a) Profit-maximizing monopoly in the short-run:

A monopoly maximizes profit at a point where Marginal Revenue = Marginal Cost. However, for the monopolist after equating MR to MC he moves up until he touches the demand curve so as to charge a higher price and supply less quantity. The profit maximization position can be shown by drawing the following curves.



b) The following are the advantages of monopoly:

- Greater stability of supply because a monopoly can use its supernormal profits as a cushion against losses if the market suffers a downturn
- Monopolies can afford to spend more on research and development, and are able to exploit innovation and technological progress than small firms
- Monopolies may be needed to achieve maximum economies of scale, lower unit costs, and marginal costs of production often translate into lower prices
- Monopolies may find it easier to raise new capital on the capital markets, so can finance new technology and new products which enhance growth
- Patents rights rewards monopolies for taking risks to innovate new products and serves as a motivator

c) The following are the disadvantages of monopoly:

- Resources are not allocated efficiently as average costs are not minimized (i.e. $MR = MC$ but $MC < AC$)
- Monopolies might stifle competition
- If there are no economies of scale less will be produced and more sold at a higher price than would be the case un a competitive market
- Monopolies may become slack about cost control or adopt a complacent attitude to innovation, because they are not threatened by competition and earn supernormal profits.
- Restrictive practices such as price discrimination can be carried out to increase supernormal profits
- There might be diseconomies of scale in a large monopoly

d) The following are the measures that the government can take to control of monopoly abuse power:

- By trying to make monopolized industries more competitive
- By regulating the behavior of monopolies
- By turning some private monopolies into public enterprises
- By doing nothing at all

SOLUTION FIVE

- a) A fixed exchange rate is one where the rate is fixed by the government whereas a floating exchange rate is one where the exchange rate is determined by the market forces of demand and supply.
- b) The following are the advantages of a floating exchange rate:
- Governments do not have to spend or even hold foreign currency reserves
 - Balance of payments deficits or surpluses are automatically corrected. A deficit will result in an exchange rate falling which improves competitiveness, raise exports and restore equilibrium.
 - Governments need not adopt economic policies that may be undesirable for other reasons to maintain exchange rates
 - Encourage efficient allocation of resources since exchange rates will reflect economic conditions.
- c) The following are the disadvantages of a floating exchange rate:
- If exchange rates appreciate too much under a floating rate system, then firms' international competitiveness may be reduced, and output and employment may fall across the economy.
 - Uncertainty surrounding fluctuations in the exchange rate could deter trade
 - If exchange rates fall too much, import prices, and hence inflation, will rise
 - Currency risk will be maximized under a system of floating exchange rates
 - The freedom afforded by governments by (c) in the advantages above may mean governments do not pursue domestic policies which they should.
- d) A government can intervene in the foreign exchange markets by:
- Selling its own currency in exchange for foreign currencies. This is done to keep the exchange rate of its domestic currency low. The foreign currencies it buys can be added to the official reserves
 - Buying its own currency and pay for it with the foreign currencies in its official reserves. It will do this when it wants to keep the exchange rate high when market forces are pushing it down
 - Changing domestic interest rates. This can either attract or discourage investors in financial instruments which are denominated in the domestic currency.
 - Exchange rate controls. Government may put some controls on the purchase of foreign currencies to protect the local currency

SOLUTION SIX

- a) A common resource is a good that is rival but not excludable. They are goods that get used more than desirable from the standpoint of society as a whole.
- b) An non-excludable good is one that people cannot be prevented from using regardless of who has or has not paid for it.
- c) A rival good is one for which one person's use of it diminishes another person's enjoyment of it e.g. Pizza is both excludable and rival
- d) A public good is a good that is neither excludable nor rival e.g. National defense which protects everyone as no one can be prevented from enjoying the benefits of it, so it isn't excludable and is non-rival.
- e) The two ways that government can use to protect a common resource in general are:
 - Introduce property rights: This means making open lakes and rivers where fishing takes place as private properties. People are allowed to fish throughout but only those on their own property. With private ownership and profit motive now on their side, fishermen will avoid overfishing.
 - Regulation: Government may enact various laws to protect the fish. This can be done by issuing charges and/or licenses for fishing which restricts the lengths of the fishing. Further, fishermen are required to throw back small fish. These laws reduce the use of a common resource and help maintain fish population.



CA ZAMBIA PROGRAMME EXAMINATIONS

KNOWLEDGE LEVEL

CA 1.4: COMMERCIAL AND CORPORATE LAW

FRIDAY 18 DECEMBER 2020

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

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.
2. This paper is divided into TWO (2) 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.

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR

Section A – (COMPULSORY)

Attempt all Ten (10) multiple choice questions.

QUESTION ONE

Each of the following questions has only one (1) 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 one (1) of the following is the first requisite for any contract?

- A. Agreement
- B. Consideration
- C. Negotiation
- D. Meeting

(2 marks)

1.2 Which of the following defines an invitation to treat?

- A. An offer made to the Public
- B. An invitation to receive offers from the public
- C. An offer to sell
- D. All of the above

(2 marks)

1.3 The definition of a contract of Sale has been defined differently by so many scholars, which one of the following is the most acceptable one:

- A. The purchaser makes the contract with the vendor, even if the vendor still has something to do to put the goods into a deliverable state.
- B. The purchaser notifies the vendor he is ready to receive delivery.
- C. The Seller transfers or agrees to transfer the property in the goods to the buyer for a money consideration called the price.
- D. Passing of property has occurred.

(2 marks)

1.4 Which one (1) of the following is not a vitiating factor?

- A. Mistake
- B. Frustration
- C. Misrepresentation
- D. Undue influence

(2 marks)

1.5 This remedy requires payment of a reasonable amount to cover work done, even though there was no agreed upon sum or the work is less than what was contracted for:

- A. Specific performance
- B. Injunction
- C. Rescission
- D. *Quantum meruit*

(2 marks)

1.6 Which of the following is not true about limited companies

- A. They have legal capacity to enter into contracts.
- B. They have directors as its agents.
- C. They are not exempt from tax.
- D. They do not need court orders to alter their share capital

(2 marks)

1.7 Which of the following is not true about Partnerships?

- A. They are regulated by the law
- B. Law firms do not qualify as Partnership
- C. Limited liability partnership has partners as agents of the firm
- D. All of the above

(2 marks)

1.8 Which of these is not true consideration?

- A. Something a party did prior to contemplation of the contract.
- B. A promise to perform a pre-existing contractual obligation to a third party.
- C. Money.
- D. A little red

(2 marks)

1.9 In a strict liability tort, it is necessary to prove that:

- A. The other person intended to do the specific act.
- B. The other person intended to do the specific act and, in some cases, that the person intended harm.
- C. A reasonable person would not have acted that way.
- D. The specific act occurred.

(2 marks)

1.10 Which one (1) is true about customary law as a source of Law?

- A. It is judge made
- B. It is based on indigenous practices of citizens
- C. Customs and International customary law are the same
- D. The Parliament must approve it

(2 marks)

[Total: 20 Marks]

SECTION B

Question Two (2) in this Section is Compulsory and must be attempted.

Attempt any three (3) questions out of the remaining four (4)

QUESTION TWO - (COMPULSORY)

- (a) Write notes on the following sources of law in Zambia
- (i) The constitution
 - (ii) Acts of Parliament
 - (iii) Delegated legislation
 - (iv) Case law
 - (v) Customs (10marks)
- (b) The land mark case of *Christine Mulundika and 7 others v the Attorney Generals* critical to the Zambian jurisprudence on Constitutional law.
- Explain the principle of law that was set out in this case. (5marks)
- (c) Explain the difference between criminal and civil matters and in doing so, show how liability arises in both. (5 marks)

[Total: 20Marks]

QUESTION THREE

- (a) A contract may come to an end with the parties discharged from their contractual obligations in four main ways, namely: Performance; Agreement; Frustration and Breach. Discuss the types of performance as a way through which a contract may be discharged. (10 marks)
- (b) Explain the difference between an implied warranty and implied condition in a contract of sale. (5marks)
- (c) The driver of a petrol tanker was engaged in transferring petrol to an underground tank when he lit a cigarette and threw a match stick to the floor. This caused a fire and an explosion which did great damage. The question which arose was as to "who was to be held liable"?

Required:

With reference to the above scenario and using the rules of employment law, advise as to who will be liable. (5 marks)

[Total: 20Marks]

QUESTION FOUR

- (a) Explain incorporation of a company (4marks)
- (b) Explain the distinction between a partnership and an incorporated company.
(4 marks)
- (c) Describe the essential elements of agency by necessity. (12 marks)

[Total: 20 Marks]

QUESTION FIVE

- (a) There are different types of business entities that can be formed in Zambia. Among them are companies, sole proprietorships, business trusts, partnerships *inter alia*. A company is the biggest type of business entity that can ever be formed. The Zambian Company Law provides for four main types of companies that can be registered in Zambia.

Required:

Discuss the main types of companies recognised in Zambia. (10 marks)

- (b) Mr. and Mrs. Malumo are a happy couple that recently got married. One day, Mrs. Malumo cooked a nice meal which her husband enjoyed so much that he promised to buy her a plot. After a few months, she heard a rumour that her husband had a lover, but when asked, Mr. Malumo refused. Later on it was proven that the rumour was actually true and the couple has since been on judicial separation. Mrs. Malumo now wishes to sue her husband for not fulfilling his promise of buying her a plot.

Required:

With reference to the above scenario and making further reference to the rules of intention to create legal relations, advise Mrs. Malumo. (10 marks)

[Total: 20 Marks]

QUESTION SIX

Butemwe is a successful young lady who in spite of her riches, does not enjoy flying. She is a regular customer of Magudu Bus Services and she has been using this bus for more than 10 years now. Last week, she tried to book for an urgent bus ticket to South Africa where she was to attend to a multi-million-dollar deal. To her disappointment, all the buses were fully booked and there was no room for an alternative. As a result of the important meeting, Butemwe decided to book an available ticket with ZiCA International Family Buses. She signed a form that enabled her to travel to South Africa. She did not see or check the back of this form as she was told it was irrelevant.

The back had a statement which stated that:

"...the company would not be responsible for any loss caused by delay in departure or loss of goods or anything while on the bus."

While enroute to Beit Bridge, Butemwe realised that her hand bag where all the documents that she was supposed to use in South Africa was lost. She pleaded with the bus attendant but in vain. Butemwe lost the multi-million-dollar contract as the other parties thought she was not serious to go for the meeting without any documentation.

Butemwe is fuming and has come to you for advice.

Required:

- (a) Define an exclusion clause. (2 marks)
- (b) With reference to the above statement, advise Butemwe on the likelihood of her success if she is to sue. (10 marks)
- (c) Butemwe is not aware of a contract can be discharged.
Explain to her the ways in which a contract can be discharged. (8 marks)

[Total: 20 Marks]

END OF PAPER

SUGGESTED SOLUTIONS

SOLUTION ONE

1. A
2. B
3. C
4. B
5. D
6. D
7. B
8. A
9. D
10. B

SOLUTION TWO

- (a) (i) The constitution in Zambia is the supreme law of the land. It derives its sources from the people and therefore revered as the grand norm. All other laws in country are bound to constitutional interpretation. Article 1(3) provides that any law inconsistent to the law of the constitution, that other law shall be void to extent of inconsistency.
- (ii) Acts of Parliament in Zambia are laws made by the country's parliament. The constitution has conferred powers on the country's legislature to make laws. However, when laws are made by parliament, they are required to conform to the provisions of the constitution otherwise they are declared null and void should they not. Acts of Parliament are usually known as administrative laws.
- (iii) Delegated legislation is another source of law in Zambia. Delegated legislation is law made pursuant to Acts of Parliament. When parliament has passed legislation, it further gives power to other institutions pursuant to article 80(i) of the constitution, to make laws. Delegated legislation is made by local authorities (by-laws) and ministers (statutory instruments) and the law they make is supposed to conform to the laws in the enabling Act.
- (iv) case law is equally another source of law in Zambia. Case law also known as precedents is judge made law. This guides society especially in the practice of law on what the law basically is. Case law operates as a source of law in Zambia in that, decisions of judges in fact interpret laws of Acts of Parliament of delegated legislation thereby giving them effect. Case law is therefore as important as source of law in Zambia as the others considered above.
- (v) Zambia is divided into two legal systems. The first and oldest form of law in Zambia like most other countries of the world has in fact been customary law. Customary law has existed from the time man existed. These are customs that guide the manner in which a society is required to exist. For example, in Zambia we practice customary and civil law. All customary matters are dealt with in the local courts.
- (b) The principle of law established by the case of ***Christine Mulundika and 7 others v the Attorney General*** is that the constitution in Zambia is the supreme law of the land and should any other law be inconsistent with it, that other law is to the extent of the inconsistency to be declared void. Further, the case established that in Zambia freedoms in the constitution are to be protected and given effect where there is evidence of their violation.
- (c) In civil cases, especially law of contracts and tort, liability arises mainly through the parties themselves agreeing in cases of contract to enter into a contract with terms and conditions agreed upon by themselves where, a breach entitles the aggrieved party to sue in the courts of law for damages. In tort, liability arises by general imposition of the law. The law imposes a duty of care on every individual to act in a manner that would not cause injury to others. A breach if that duty resulting in damage entitles the aggrieved party to sue in the courts of law. Criminal liability however arises by operation of the law. In Zambia the Penal Code is the main source of criminal law. The Penal Code has described certain acts and omissions to be criminal and has also prescribed the penalty for them. Liability in criminal law is to

the state and the state on behalf of society prosecutes all criminal acts or omissions.

SOLUTION THREE

(a) The general rule is that parties must carry out precisely what they agreed under the contract. If one of the parties does less than, or different from that which he agreed to do, he is not discharged from the contract and cannot sue under the contract. Performance is one of the ways through which a contract is discharged. Once a contract is discharged it means that both parties are relieved from their obligations. The following are the types of performance:

- **Partial performance:** If one of the parties only partially carries out his side of the contract, but the other party exercising a genuine choice, accepts the benefit of the partial performance, the court will infer a promise to pay for the benefit received. **Cutter v Powell (1795)**, Cutter agreed to serve on a ship sailing from Jamaica to Liverpool. The ship sailed on 2nd August, arriving in Liverpool on 9th October but Cutter died at sea on 20 September. **Held:** His widow could not recover anything for the work done before he died. Cutter was obliged to complete the voyage before he was entitled to payment. However, the parties may agree otherwise then a party can accept partial performance and payment can be made.
- **Substantial performance:** Substantial performance entails that a party has performed three quarters of the work or the work has been completed, but with a few defects. If the court decides that the plaintiff has substantially carried out the terms of the contract, the plaintiff may recover for the work he or she has done. The defendant may counter claim for any defects in the performance. **Hoeing v Isaacs (1952)**, the plaintiff agreed to decorate the defendant's flat and fit a bookcase and wardrobe for E 750. On completion of the work, the defendant paid E400 but he complained about faulty workmanship and refused to pay the balance of E350. **Held:** The court held that the contract had been substantially performed. The plaintiff was entitled to the outstanding E350, less the cost of remedying defects which was estimated at E55 18s 2c.

(b) An implied condition in a contract is that which is not stated or written but it may be implied by fact or deed. Breach of a condition leads to termination of a contract and/or claim for damages because it is a fundamental term of

a contract, while an implied warranty is a written term for the assurances whether written or oral that a product is fit for the purpose intended and is merchantable i.e. it conforms to an ordinary buyer's expectations. Breach of a warranty only entitles the innocent party to damages because it is not a fundamental.

- (c) This scenario borders on vicarious liability which simply means that the employer will be liable for the wrongful acts committed by his employees during the course of employment. This may include acts outside contractual duties, unauthorised ways of performing contractual duties and acts forbidden by the employer. In the case of **Century Insurance Co v Northern Ireland Road Transport Board (1942)**, the driver of a petrol tanker was engaged in transferring petrol to an underground tank when he lit a cigarette and threw a match to the floor. This caused a fire and an explosion which did great damage. **Held:** The employer was liable for the driver's negligence. In the same way, the employer in this case will be liable as the driver was performing his contractual duties, thus the doctrine of vicarious liability will apply.

SOLUTION FOUR

- (a) Incorporation of a company is where two or more people apply through the prescribed forms under the Zambian Company's Act 2017 to have their company registered by the Registrar of Companies at PACRA. The Act prescribes forms to be completed by applicant and stipulates the documents to be lodged together with the application. Upon approval by the registrar, the company then stands registered and is born as an artificial person.
- (b) The effects of incorporation are that the company stands alone from its sponsors and has legal capacity to sue or be sued in its own name. Upon incorporation, the company is liable for its debts and sponsors cannot be answerable for the company's debts. ***Salomon v Salomon*** is instructive on this. In the case the court held that once incorporated, a company becomes a separate legal personality and can be held liable for its actions and not the sponsors. Even where the company is a sole trader as long as it is incorporated the sole owner cannot be held liable for the acts of the company.

(c) Agency by necessity.

Agency by necessity occurs under circumstances where, although there is no agreement between the parties, an emergency requires that an agent take particular action in order to protect the interests of the principal. The usual situation which gives rise to agency by necessity occurs where the agent is in possession of the principal's property and, due to some unforeseen emergency, the agent has to take action to safeguard that property.

For this type of agency to exist, proof of the following must be shown:

- i. **There is a genuine emergency:** there must be proof that the circumstances that have arisen are a genuine emergency. An example can be traced in the case of **Great Northern Railway Co v Swaffield (1874)**, the railway company transported the defendant's horse and, when no one arrived to collect it at its destination, it was placed in a livery stable. It was held that the company was entitled to recover the cost of stabling, as necessity had forced them to act as they had done as the defendant's agents.
- ii. **No ways of obtaining further instructions from the principal:** there must be no communication or method to communicate with the principal. This was seen in **Springer v Great Western Railway Co (1921)**, a consignment of tomatoes arrived at port after a delayed journey due to storms. A railway strike would have caused further delay in getting the tomatoes to their destination, so the railway company decided to sell the tomatoes locally. It was held that the railway company was responsible to the plaintiff for the difference between the price achieved and the market price in London. The defence of agency of necessity was not available, as the railway company could have contacted the plaintiff to seek his further instructions.
- iii. **The agent must have acted bona fide in the interests of the principal:** where the agent acts on its own or not for the benefit of the principal. If the act is not beneficial of the principal, this type of agency may not exist.

Thus, Zambia railway company acted as the agent of Chawatu Holdings Limited as all the above facts are present in the scenario given in that there was an emergency, there was no way of communicating to the principal being Chawatu Holdings Limited and that the act was done in the best interest of the principal as seen in the case of **Great Northern Railway Co v Swaffield (1874)** and **Springer v Great Western Railway Co (1921)**.

SOLUTION FIVE

A company is a business entity that is registered under the Companies Act of 2017, and once it is registered it acquires a personality separate and distinct from its owners. The following are the main types of companies in Zambia:

(a) (i) Public Company which by nature is limited by shares meaning it raise its capital by listing its shares on the stock exchange.

(ii) Private company limited by shares which raises its capital through selling its shares to private individuals or companies and the liability of its members is limited to the extent of the balance owing on their shares.

(iii) Private limited by guarantee where the company does not necessarily sell shares and the liability of its members is determined by the amount they guarantee at inception indication how much they will contribute in the event that the company goes into liquidation.

(iv) Private unlimited company which has no amount specifies as to how much each member will contribute in the event of winding up.

(b) Intention to create legal relations refers to the fact that parties are aware that their agreement may have legal consequences in the event of default by one party. Where there is a domestic agreement the presumption is that legal relations are not intended. For example an agreement by a man to pay his wife £50 per week 'housekeeping' money. However it is possible for a man to make a binding contract with his wife, for example as part of a separation agreement. In **Balfour v Balfour (1919)**, Mr. Balfour promised to pay his wife £30 per month if she stayed in England while she was working in Ceylon. Mrs. Balfour was to remain in England for medical reasons. The couple later separated. Mrs. Balfour claimed £30 per month pursuant to Mr. B's promise. The legal issue in question was whether or not this promise by a husband to his wife amounted to a contract. **Held:** in its ruling the court considered the view that an agreement to pay £30 per month existed because at the time they were living in amity

In the same way, since Mr and MrsMalumo were living in amity when the promise was made by her husband, she cannot enforce such a promise against her husband, even if she does she will not succeed.

SOLUTION SIX

- (a) An exclusion clause which is also known as an exemption clause a clause in a contract which purports to exclude liability altogether or to restrict it by limiting damages or by imposing other onerous conditions.
- (b) The likeliness of Butemwe's success is dependent on whether the clause was part of the contract or not. The states that to be enforceable, a term must be validly incorporated into a contract. Because most disputes about whether a term has been incorporated arise in the context of exclusion clauses.

For many years, the case law has provided guidance on exclusion clauses by developing various rules designed to restrain their effect.

Therefore, for an exclusion clause to be enforceable, it must have been incorporated into a contract before the contract was made so that it gives the other party an opportunity to object or not.

Further, exclusion clauses are interpreted strictly by the court such that in the case of ambiguity or doubt, it should be interpreted in such a way that does not favour the person who inserted it. Exclusion clauses also only protect the party acting within the contract and any deviation from the contract means that the protection is lost.

Therefore, if a contract is a written one, there must be knowledge before making it and if it is oral, there must be notice of the said clause.

In the scenario, the duty is on Magudu Bus Services to prove that before Butemwe signed that document, she was noticed of the exclusion clause. From the scenario, Magudu Bus Services must show or prove that Butemwe was notified which from the facts seems impossible.

Additionally, if a person signs a document containing a term, he is held to have agreed to the term even if he had not read the document. But this is not so if the party who puts forward the document for signature gives a misleading explanation of the term's legal effect. In this context, Butemwe was told the overleaf was irrelevant.

Therefore, Magudu Bus Services can't rely on this clause and Butemwe can sue successfully for the recovery of the bag and damages.

- (c) The following are the ways in which a contract is discharged and Butemwe is accordingly advised as:

Performance:A breach of contract is failure to perform the terms of a contract.

The general rule is that the parties must carry out precisely what they agreed under their contract. If one of the parties does something less than, or different from, that which he agreed to do, he is not discharged from the contract and, moreover, cannot sue on the contract.

Agreement:The parties may have agreed in their original contract that it should end automatically with the happening of some event or after a fixed period of time. The agreement may have included a term allowing either party to terminate the contract by

giving notice. A contract of employment, for example, can be brought to an end by either the employer or employee giving reasonable notice to the other.

Frustration:An agreement which is impossible to perform from the outset will be void for mistake. However, the question arises about the position where initially it is perfectly possible to carry out the contract, and then a change in circumstances occurs, making it impossible to carry out the agreement. Formerly, the parties were under an absolute duty to perform their contractual obligations. A person was not excused simply because outside events had made performance impossible.

Breach:A breach of contract is failure to perform the terms of a contract which may occur by anticipatory or an actual breach. Thus, one party may fail to perform his side of the bargain completely or he may fail to carry out one or some of his obligations. In this context, a breach of condition will entitle the innocent party to terminate a contract and claim for damages.



CA ZAMBIA PROGRAMME EXAMINATIONS

KNOWLEDGE LEVEL

CA 1.5: MANAGEMENT PRACTICE AND THEORY

MONDAY 14 DECEMBER 2020

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

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.
2. This paper is divided into TWO (2) 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.

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR
SECTION B

QUESTION ONE

Attempt all ten (10) multiple choice questions in this section

Each of the following questions has only one (1) correct answer. Write the letter of the correct answer you have chosen in your answer booklet. Each question is allocated two (2) marks.

1.1 Which of the following is the highest level of management in the structure of an organization?

- A. Operational level
- B. Management level
- C. Strategic level
- D. Business level

(2 marks)

1.2 Contingency management is based on the belief that

- A. There is no one best way of managing and leading
- B. There is always one best way of managing and leading
- C. There is always one good employee in every organization
- D. Every manager can be the best if given the right human resource.

(2 marks)

1.3 organizations are organizations that are owned partly or wholly by the state. They are not a government department but a separate organization such as a corporation.

- A. Partnership organizations
- B. Parastatals organizations
- C. Non Governmental Organisations
- D. Public Private Partnership organizations

(2 marks)

1.4 Which of the following best describes the recruitment process?

- A. Interviews, selection, recruitment and induction
- B. Interviews, induction, recruitment and induction
- C. Recruitment, selection, interviews and induction

- D. Selection, interviews, recruitment and induction
(2 marks)

1.5 Effective delegation should lead to optimum use of human resources and improved organization performance. Which of the following is/are not benefits of delegation?

- A. Best use of managerial time
 - B. A means of training and development of staff
 - C. Cost of paying the person being delegated
 - D. Limited time of senior managers
- (2 marks)

1.6 Which of the following statements is **NOT** true?

- A. By nature of its business a sole trader makes profits
 - B. Partnership involves two or more people doing a business together.
 - C. A limited corporation is made of private individuals
 - D. A parastatal company does not make profits
- (2 marks)

1.7 Identification of the forces affecting competitive dynamics of an industry will be used by the manager to formulate for the organization.

- A. Budget
 - B. Strategies
 - C. Plans
 - D. Solutions
- (2 marks)

1.8 Peter Drucker outlined the management system commonly known as MBO. The acronym MBO means ...

- A. Movements before Observing
- B. Management by Observation

C. Management by Objectives

D. Management by Objections

(2 marks)

1.9 Which of the following best describes decentralization?

A. Resources being controlled by one Authority

B. A Pyramid management structure

C. A public sector system

D. Resources being controlled by subsector authorities

(2 marks)

1.10 analysis model can be used to analyze the market competitive structure in an industry

A. SWOT

B. PESTLE

C. PORTERS Five Forces

D. MASLOWS

(2 marks)

[Total: 20

Marks]

SECTION B

Question TWO (2) in this Section is Compulsory and must be attempted.

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

QUESTION TWO- (COMPULSORY QUESTION)

Trade Kings Zambia Limited penetrates international markets.

INTERNATIONAL Distributors has expressed interest to distribute Trade Kings products in various countries, a move that will enable the firm to penetrate the global market to generate income.

This follows interaction between Trade Kings representatives and various distributors, immense wholesalers and retail chain stores.

According to a statement availed to the Daily Mail recently, Trade Kings products have received overwhelming response on the international market and this creates an opportunity for further growth.

Over the past few days, Trade Kings representatives have been interacting with distributors, big wholesalers and retail chain stores. Many distributors have shown their interest in Trade Kings products. Distributors mainly from Saudi Arabia, Kuwait, Qatar, Palestine, Jordan, Oman, UAE, Pakistan, Democratic Republic of Congo, Kenya, Iran, Uganda, Tanzania, Guinea, Ghana and United Kingdom, the statement reads.

Some of the products that have generated high interest include Fizz Wizz, Milkit Pops, Dent-O Gum, Eclairs Pops, Amazon Pops and Roll Gums.

It says with the current economic slowdown, Trade Kings believes that the firm is well equipped to approach the future on a positive note and gain massive strides in both local and international markets.

The statement notes that the Zambian manufacturing industry has vast opportunities but is currently faced with challenges.

Meanwhile, in its quest to penetrate the global markets, Trade Kings Group last week participated at the Yummex Middle East trade fair, which provided the company an opportunity to showcase its various products.

The Yummex Middle East is a key international trade fair for the confectionery and snacks market in the Middle East and North Africa region.

The 10th anniversary expo attracted more than 350 exhibitors from 46 countries with Turkey, Germany, Egypt, Italy and Spain having the strongest participation.

Recently, Trade Kings was awarded the Best Manufacturer in Zambia 2016 by the Zambia Association of Manufacturers at its annual Manufacturers Awards Gala dinner.

Source: Extracted from The Zambia Daily Mail-November 15, 2016

Required:

Discuss five (5) impacts of Globalization on firms.

[Total: 20 Marks]

QUESTION THREE

The public sector refers to organizations that are owned by the government. Organizations in the public sector are different in some ways from organizations in the private sector. Public sector organizations have certain characteristics which make them distinguishable from private sector organizations.

Required:

- (a) Describe three (3) characteristics of Public Sector Organizations. (12 marks)
- (b) Describe two (2) advantages and two (2) disadvantages of Public Sector Organizations. (8 marks)

[Total: 20 Marks]

QUESTION FOUR

Business organizations pursue different strategies as they grow their business. One of the ways of growing a business is to go international. This means the organizations will set up businesses in other countries and hence engage in international trade. There are many organizations that are engaged in the promotion of international trade. These are the World Trade Organization (WTO), the International Monetary Fund (IMF), the World Bank and the G7.

Required:

Describe each of these organizations and their respective role in promoting international trade.

[Total: 20 Marks]

QUESTION FIVE

In every business organization, there are individuals who are employed to carry out the work of the organization. These individuals dictate the behavior of the organization as a whole. These individuals come from different backgrounds and hence have different attributes. Among these attributes are personality, perception, attitudes, intelligence and individual roles.

Required:

Describe any four (4) of these attributes and show how they affect the individual's behavior in the business organization. **[Total: 20 Marks]**

QUESTION SIX

In order to be an effective manager, individuals should have managerial skills. Managerial skills can be developed through training and experience.

Required:

Describe any four (4) managerial skills and explain how each of the skills contributes to the effectiveness of a Manager. **[Total: 20 Marks]**

END OF PAPER

SUGGESTED SOLUTIONS

SOLUTION ONE

1	2	3	4	5	6	7	8	9	10
C	A	B	C	C	D	B	C	D	C

SOLUTION TWO

- a) Five impacts of Globalisation on firms:
- i. Relocation: firms may need to relocate their operations to reduce costs, avoid tariffs and quotas, or take advantage of areas of industrial excellence.
 - ii. Markets: new markets may emerge as closed markets (such as China) open up or as nations become more developed. Consumers tastes change and products become more homogenized and can therefore be sold in more countries.
 - iii. Competition: reduced trade barriers and advances in in communications greatly increases the number of competitors that a firm faces.
 - iv. Alliances: the opportunities for forming alliances or merging/acquiring other firms also increase.
 - v. Economic divisions: wealthy countries with access to modern communication technology become more wealthy at the expense of poorer nations that cannot afford to make the necessary investment. Such nations may also be pressured into producing goods for export rather than ensuring the production of goods and services needed locally.

SOLUTION THREE

- a. **Accountability-** Public Enterprises owe accountability to people as they are funded through public money. This accountability is realized through legislature and its committees, ministers, audit institutions and other specialized agencies.
- b. **Coverage-** The public enterprise traverses all areas and activities. There is hardly any field of activity, which is not covered by the operations of public enterprises
- c. **State Owned-** Public Enterprise is controlled by the Government both in its management and functioning. The Government has the direct responsibility to manage the affairs of the enterprise through various devices and exercises control over it by means of a number of agencies and techniques

2b.

Advantages

- They base their decisions on the full costs and benefits involved.
- They can be used to influence economic activity. To boost the country's output, public corporations can be directly encouraged to increase their output.

Disadvantages

- They can be difficult to manage and control. The large size of the organisations may mean that time has to be spent on meetings and communicating with staff, slowing down decision making.
- They may become inefficient, produce low quality products and charge relatively high prices, due to a lack of competition and the knowledge that they cannot go bankrupt.

SOLUTION FOUR

World Trade Organization (WTO) - The World Trade Organization (WTO) is an [intergovernmental organization](#) that is concerned with the regulation of [international trade](#) between nations. The WTO deals with regulation of trade in goods, services and intellectual property between participating countries by providing a framework for negotiating [trade agreements](#) and a [dispute resolution](#) process aimed at enforcing participants' adherence to WTO agreements, which are signed by representatives of member governments and ratified by their parliaments. The WTO prohibits discrimination between trading partners, but provides exceptions for environmental protection, national security, and other important goals. Trade-related disputes are resolved by independent judges at the WTO through a [dispute resolution](#) process. (5 Marks)

International Monetary Fund (IMF) -The **International Monetary Fund(IMF)** is an international organization which works to foster global growth and economic stability by providing policy, advice, and financing to its members. It also works with developing nations to help them reduce poverty and achieve macroeconomic stability. It plays a central role in the management of balance-of-payments difficulties and international financial crises. IMF member countries contribute funds to a pool, from which they can borrow if they are experiencing balance-of-payments problems. The rationale for this arrangement is that private international capital markets function imperfectly, and many countries have limited access to financial markets. Without access to IMF financing, many countries can only correct large external payment imbalances through drastic measures that can have adverse effects on their own economies and the world's. The IMF provides alternate sources of financing to countries in need that would not otherwise be available to them. (5 Marks)

World Bank - the World Bank is an international organization that helps [emerging market](#) countries to [reduce poverty](#). Its first goal is to end extreme poverty. The World Bank is not a bank in the conventional sense of the word. Instead, it consists of two development institutions. One is the International Bank for Reconstruction and Development. It provides loans, credit, and grants. The second is the International Development Association. It provides low- or no-interest loans to low-income countries. The World Bank provides low-interest loans, interest-free credit, and grants. It focuses on improving education, health, and infrastructure. It also uses funds to modernize a country's financial sector, agriculture, and natural resources management. The Bank's stated purpose is to bridge the economic divide between poor and rich countries. It does this by turning rich country resources into poor country growth. It has a long-term vision to achieve sustainable poverty reduction. (5 Marks)

The G7- The Group of Seven (G-7) is a forum of the seven countries with the world's largest [developed economies](#)—France, Germany, Italy, Japan, the United States, the United Kingdom, and Canada—whose government leaders meet annually on international economic and monetary issues. The Presidency of the G-7 is held by each of the member countries in turn. The European Union is sometimes considered an eighth member of the G-7, since it holds all the rights and responsibilities of full members except to chair or host the meeting. The major purpose of the G-7 is to discuss, and sometimes act in concert to help resolve, global problems, with a special focus on economic issues. The group has discussed financial crises, monetary systems, and major world crises such as oil shortages. The G-7 has also launched initiatives to fund issues and relieve crises where it sees an opportunity for joint action. Those efforts include several aimed at [debt relief for developing nations](#). (5Marks)

SOLUTION FIVE

Personality - encompasses a person's relatively stable feelings, thoughts, and behavioral patterns. Each of us has a unique personality that differentiates us from other people, and understanding someone's personality gives us clues about how that person is likely to act and feel in a variety of situations. To manage effectively, it is helpful to understand the personalities of different employees. Having this knowledge is also useful for placing people into jobs and organizations.

Perception- Perception is the result of processing of information received by individuals regarding various events around them. It involves the organization of inputs through a dynamic inner process which shapes all that comes in from the outside environment. This information processing approach rests on the assumption that a person's perceptions of another person are based on the information available about the person and how one uses this information. Various researches on perception revealed that quite often a perceiver uses his or her own race or sex stereotypes to assume certain things about another person. The individual, while perceiving the world, provides a picture that expresses his or her own individual view of reality. This may differ from the reality. The study of the difference between the perceptual world and the real world is of great significance in organizational behavior.

Attitudes- which defines the way we think or feel anything. It is a hypothetical construct, i.e. whose direct observation is not possible. It is a predisposition to respond in a settled way to a person, event, opinion, object, etc., which is reflected in our body language. It has a strong impact on our decisions, actions, stimuli, etc. Education, experience, and environment are the major factors that affect a person's attitude.(5 Marks)

Intelligence- this is a wider and more complex concept than the traditional view of intelligent quotient (IQ).It personifies a person's intelligence, verbal and analytical reasoning abilities, memory as well as verbal comprehension.

SOLUTION SIX

Social/ Human Skills -Interpersonal skills are also known as social skills. The process of using social skills is called socialization. We all learned socialization skills at an early age. Before we could even talk we were learning socialization skills from the caregivers around us. In the workplace, social skills are known as interpersonal skills. Both social skills and interpersonal skills refer to the same thing—interaction with others. In the workplace, you will work with many people every day. Strong interpersonal skills will enable you to talk to and work with all types of people, including managers, coworkers, and customers. Interpersonal skills do more than give you the ability to communicate with other people. Interpersonal skills also help you to develop relationships with people. Strong relationships with the people you work with will help you succeed in the workplace. (5 Marks)

Technical Skills- Technical skill is knowledge of and proficiency in activities involving methods, processes, and procedures. Thus it involves working with tools and specific techniques. Technical skill is the ability to use the specialized knowledge, procedures, and techniques of a field of activities. (5 Marks)

Leadership- Leadership skills are skills you use when organizing other people to reach a shared goal. Whether you're in a management position or leading a project, leadership skills require you to motivate others to complete a series of tasks, often according to a schedule. Effective leaders are essential to any organization. They can help build strong teams within a business and ensure projects, initiatives or other work functions are performed successfully. Because the skills of a leader involve multiple interpersonal and communication skills, anyone can exercise and hone their leadership abilities. (5 Marks)

Conceptual skills- Conceptual skill is the ability to see the "big picture," to recognize significant elements in a situation and to understand the relationships among the elements. Conceptual skill is the ability to coordinate and integrates all of an organization's interests and activities. It requires having the ability to visualize the enterprise as a whole, to envision all the functions involved in a given situation or circumstance, to understand how its parts depend on one another and anticipate how a change in any of its parts will affect the whole. A manager's ability to think in the abstract and to view the organization holistically is important. (5 Marks)

END OF SOLUTIONS



CA ZAMBIA PROGRAMME EXAMINATIONS

KNOWLEDGE LEVEL

CA 1.6: BUSINESS COMMUNICATION

WEDNESDAY 16 DECEMBER 2020

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

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.
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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.

DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR.

SECTION A – (Compulsory)

Attempt all ten (10) multiple choice questions

QUESTION ONE

Each of the following questions has only one (1) correct answer. Write the letter of the correct answer you have chosen.

1.1 What unit of measurement is used to measure the processing speed of a computer?

- A. Bits
- B. Bytes
- C. MHz
- D. Megabytes

(2 marks)

1.2 Which principle of data quality relates to whether the data can be used in conjunction with other data or if it can be used over periods of time?

- A. Relevance
- B. Coherence
- C. Accuracy
- D. Interpretability

(2 marks)

1.3 Which one is a technical control?

- A. Validation
- B. RAM
- C. Mouse
- D. Documentation

(2 marks)

1.4 is NOT used as a routine method for presenting Management data.

- A. reports

- B. Business letters
 - C. Memos
 - D. E-mails
- (2 marks)

1.5 Unauthorised people may access your password using

- A. Caps Lock button
 - B. Keyboards
 - C. Deception
 - D. Daily back-ups
- (2 marks)

1.6 The process of converting a message into meaningful communication symbols is known as:

- A. Feedback
 - B. Encoding
 - C. Decoding
 - D. Medium
- (2 marks)

1.7 Which one of the following is an example of diagonal communication.

- A. An accounts clerk in the accounts receivable department advising the accounts clerk in the payable department.
- B. An accounts clerk in the accounts receivable department advising the sales director when the customers breaches their credit limit.
- C. An accounts clerk in the payable department advising about their customer.
- D. The Sales Director advising the accounts clerk in the payable department about their customer.

(2 marks)

1.8 Which of the following would be the most appropriate communication method for dismissing an erring employee?

- A. Report
 - B. Oral
 - C. Email
 - D. Letter
- (2 marks)

1.9 What is the other name for the sender of message in the communication process?

- A. Encoder
- B. Effective
- C. Decoder
- D. Recorder

(2marks)

1.10 An employee of an organization tells his friend about a job vacancy. Which of the following patterns of communication does this report represent?

- A. Formal internal
- B. Formal external
- C. Informal internal
- D. Informal external

(2 marks)

[Total: 20 Marks]

SECTION B

Question TWO (2) in this section is compulsory and must be attempted.

Attempt any three (3) questions from the remaining four

QUESTION TWO - (COMPULSORY QUESTION)

Today, there are different application software like Word and various Database applications like Access which also has a DBMS. Business processes and storage have become flexible and adaptable.

Required:

- (a) State any five (5) abilities the DBMS is able to offer? (5 marks)
- (b) Give three (3) disadvantages of using Batch processing method? (3 marks)
- (c) Briefly explain two roles of back-up utility in a computerised organisation?(4 marks)
- (d) Tabs are used to space text across the page. There are four types of Tabs, each representing a different type of alignment. List and explain them.(8 marks)

[Total: 20 Marks]

QUESTION THREE

For a business entity to survive in this competitive environment it needs different safeguards, good practices and good use of Information Technology. There are different types of systems. The initials KWS and EIS are used to rank and define the types of Information Systems.

Required:

- (a) Elaborate more on the meaning of both KWS and EIS and outline any three (3) key differences. (8 marks)
- (b) Explain any three(3) reasons why input controls are important. (6 marks)
- (c) List any two (2) categories of data quality principles organizations can adopt. (2 marks)
- (d) State four (4) advantages of Computer drawn charts and tables in management reports. (4 marks)

[Total: 20 Marks]

QUESTION FOUR

Online systems accept data directly to the computer from point of origination and generally transmit information to the user's location. In building such systems, the choice of computer hardware will depend on key factors that include Power, Reliability, Flexibility, Security and Changeover.

Required:

- (a) Describe the importance of each of the five(5) key factors listed in the passage. (10 marks)
- (b) An operating system provides a link between the application software and the hardware. State any six (6) tasks it is able to perform.(6 marks)
- (c) State any two (2) examples of online systems and demonstrate how they assist management.(4 marks)

[Total: 20 Marks]

QUESTION FIVE

You are the Chairperson for the ZICA student's sports organization committee. You wish to host a tournament with other colleges within Kitwe town at your college. However, you have observed that there are challenges preventing you from achieving the desired objectives. The challenges include, lack of uniforms (sports attire) unreliable transport, lack of suitable ground for training, professional coach and very poor ablution facilities. Your committee wishes to address these challenges through the help of management at your college.

Required:

- (a) Write a memo to the Principal of your college highlighting some of the challenges that you face and suggest how to resolve the problems. (15 marks)
- (b) State any five (5) functions of a memo in an organization. (5marks)

[Total: 20 Marks]

QUESTION SIX

You are a recent chartered accountant graduate from one of the premier colleges in Zambia and you came across the following job advert:

JOB ADVERT

Name of Organization: Astro Mobile Solutions

Astro Mobile Solutions is one of the leading providers of mobile and software solutions in Africa. The company operates in Zambia, Zimbabwe, Malawi and South Africa, and is currently on an expansion drive into other key strategic markets. If you are creative and goal oriented professional, we would like you to be part of our vibrant team. The specific job information is as follows:

Position: Accountant

Nature of Job: Full-Time

Location: Lusaka, Zambia

Interested and qualified individuals are kindly requested to submit their Curriculum Vitae (CV) with three (3) traceable referees at job@astrobeats.african by the end of the month.

Required:

- (a) Write detailed CV giving information about yourself and your skills, showing why you are the best candidate for the job. (14 marks)
- (b) With examples, explain the difference between professional and academic qualifications. (6 marks)

[Total: 20 Marks]

END OF PAPER

SUGGESTED SOLUTIONS

SECTION A

SOLUTION ONE

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

SECTION B

SOLUTION TWO

- a) Five (5) abilities DBMS is able to offer?
- Add, amend and delete records
 - Retrieve data for reference or processing
 - Present data in different forms and combinations
 - Control access to data on the files by means of passwords and other security procedures
 - Allow the database to evolve without requiring modifications to applications programs
- b) Three (3) disadvantages of Batch processing
- The system is 'time driven' so it does not respond to rapid action
 - Information is often delays to get response out of date because the company waits to accumulate a batch of transactions before processing them
 - Preparing batches results in duplication of effort
 - Requires batch control or verification of batches being processed
- c) BACK-UP UTILITY
- A specialized backup software to perform backup routines
 - Can operate automatically at any regular time of the day
 - Sometimes embedded in accounting package software
 - Assist in data recovery in case of system failure
- d) There are four types of Tabs, each representing a different type of alignment.
List and explain them
- **Left Tab** – text jumps to the tab stop and then shows to the right of the tab stop
 - **Centre Tab** – text centred on this tab stop
 - **Right Tab** – text jumps to the tab stop and then will show to the left of the tab stop
 - **Decimal Tab** – text jumps to the tab stop and then will show to the left of the tab and decimal places are aligned consistently

SOLUTION THREE

(a)

KWS – Knowledge Workers System are information systems that facilitate the creation and integration of new knowledge into an organization.

They are found at the knowledge level of the organisational hierarchy. The knowledge workers have a professional qualification

On the other hand

EIS – Executive Information System provide generalised computing and communication environment to senior managers to support strategic decisions. It draws data from the MIS/DSS and allow communication with external sources of information.

(1 mark each for proper expansion of KWS and EIS, 3 marks each for proper differences, (total 8 marks)

(b.)

The importance of input controls in information systems:

- Input controls regulate input of data to ensure it is accurate and free from error.
- Help in error identification at an early stage
- Enhance performance
- Ensure that data is accurate

(c.)

Categories of data quality principles organizations can adopt are:

- (i) Intrinsic
- (ii) Accessibility

- (iii) Representational Relevancy
- (iv) Interpretability
- (v) Timeliness
- (vi) Accessibility

(d.)

ADVANTAGES OF CHARTS AND TABLES IN REPORTS

- i.** Effective summary
- ii.** simple to understand
- iii.** attractive
- iv.** complete information for decision making

SOLUTION FOUR

a) comments about the factors that will depend on choice of hardware

- **Power** – the power of the computer must be sufficient for current and foreseeable requirements, which is measured by processor type, RAM size, Clock speed, Hard disk size
- **Reliability** – a low expected break-down rate or there should be a back-up facilities
- **Flexibility** – hardware should be able to meet new requirements as they emerge.
More powerful CPUs tend to be more flexible
- **Security** – keeping unauthorized users or hackers away from the system
- **Changeover** – this will help with a smooth changeover from the old to the new system

b) Any six (6) tasks the operating system is able to perform

- Opening and closing of files
- Maintenance of directories in the disk storage
- Calling up of program files and data files into memory
- Checking that hardware is functioning properly
- Initial set-up of the computer
- Controlling input and output devices
- Controlling system security

c) EXAMPLE OF ONLINE SYSTEMS

- i. Department store or supermarket point of sale terminal
- ii. Banking credit system
- iii. Airline Ticket and travel agents

SOLUTION FIVE

NEW TECH COMPUTING COLLEGE

MEMORANDUM

Ref: NEW/12/34

Date: (any date during examination time)

To: The Principal

From : The Chairperson, ZICA Sports Committee

Subject: Challenges experienced by the sports committee

Soccer is one of the activities that unite students from all walks of life. It is appreciated at both individual and national level.

However, the ZICA college student's sports team has been experiencing challenges in running its activities. It is for this reason that the sports committee wishes to inform you about some of the challenges that the team is facing with the view to resolve them. Some of the challenges that the team face are:

- Lack of sports attire (uniforms) and equipment
- Inadequate funding
- No reliable form of transport for out of campus activities
- No suitable training grounds
- Very poor ablution facilities

The above challenges have a negative impact on our performances as evidence from the fact that we have failed to bring the trophy in college for 3 tournaments so far. Therefore we would like to appeal through your office to seriously look into this matter and solicit for sponsors that would assist the committee to resolve these challenges.

Your consideration in this matter will be appreciated.

Senders' signature

SOLUTION FIVE

Specific functions that a memo plays in an organization

- To give instructions/Get things done/Request
- To act as a reminder about something
- To notify staff about a meeting
- To warn staff about any negative work behavior
- To seek/share information (inform/report)

QUESTION SIX

KAKUNTA KASOKA

23 Simon MWANSA Kapwepwe Road, Avondale, Lusaka

CURRICULUM VITAE

Personal Information

Name: KakuntaKasoka

Date of Birth: 10th January, 2000

Gender: Male

Nationality: Zambian

National Registration Card: 222233/33/1

Mobile Number: 0977 000 000

Email: kk2000@gmail.com

Postal Address: Private Bag 23

Education and Qualifications

2019 - Chartered Accountancy Zambia – Zambia Institute of Chartered Accountants

2016 – Bachelor of Arts Finance – University of Zambia

2011 – School Certificate – Munali Boys Secondary School

Skills Profile

- Proficient in IT
- Communication and Interpersonal skills
- Business acumen and Interest
- Organizational skills and ability to manage deadlines
- Detail – oriented eye

Work experience

Organisation: Astro Africa Solutions

Position: Assistant Accountant (Intern)

Period: June, 2019 to todate

Duties:

- Provide financial information to management
- Prepare assets, liability and capital account entries
- Document financial transactions
- Substantiate financial transactions
-

Referees

Mr. M. Banda

The Senior Financial Officer

Astro Africa Solutions

Cell:

Email:

Mrs. C. Lubinda

Business Manager

Tamanga Zambia

Cell:

Email:

Mr. J. Mumba

Corporate Communications' Manager

Muya Travels Limited

Cell:

Email:

QUESTION SIX

- Academic qualifications emphasise on theory and are not primarily designed as preparations for professional careers. They prepare students for a life in academic discipline. A Bachelor of Arts (BA) is a good example of an academic qualification.
- A profession qualification is one that is designed to prepare a student for specific application of knowledge to professional practice. It is the advanced studies in a professional or vocational field. e.g. MBA

END OF SOLUTIONS