



ICMA
Pakistan

MODEL PAPERS

[COMPUTER BASED EXAMINATIONS]

• Operational Level-1

- [O1] Fundamentals of Financial Accounting
- [O2] Business Economics
- [O3] Business Communication & Report Writing

• Operational Level-2

- [O4] Fundamentals of Management
- [O5] Business Mathematics & Statistical Inference
- [O6] Commercial Laws

• Managerial Level-1

- [M1] Fundamentals of Cost & Management Accounting
- [M2] Enterprise Management
- [M3] Management Information Systems

Effective from June 2022 Examinations

EXAMINATION DEPARTMENT

FUNDAMENTALS OF FINANCIAL ACCOUNTING

1. A firm's bank statement shows that during the month of May 2021, Rs.300 have been debited as bank charges and Rs.200 have been credited on account of dividend income. The balance on 31.05.2021 as per bank statement is Rs.600 overdrawn. If both the above entries remain unrecorded in the cash book, then what would be the balance as per cash book on 31.05.2021?

A	Rs.500 debit
B	Rs.500 credit
C	Rs.600 credit
D	Rs.700 credit

2. In order to check whether there is a matching credit entry for every debit entry, _____ is prepared.

A	receipt and payment account
B	nominal ledger
C	trial balance
D	control account

3. With the help of accounting equation, complete the following:

Rs.		
Assets	Liabilities	Equity
1,450,657	595,863	?
?	755,823	1,415,670
1,291,875	?	985,624

A	(i) 854,794 ; (ii) 659,847 ; (iii) 306,251
B	(i) 854,794 ; (ii) 2,171,493 ; (iii) 306,251
C	(i) 2,046,520 ; (ii) 659,847 ; (iii) -306,251
D	(i) 854,794 ; (ii) 659,847 ; (iii) 2,277,499

4. Which one of the following errors will affect the balance of a trial balance?

A	Complete omission of a transaction
B	Error of principle
C	Partial omission of a transaction
D	Compensating errors

5. Cash sales are now returned to business, entry in the books of seller may be:

A	Debit Cash account and Credit purchase return
B	Debit purchase return and Credit Cash account
C	Debit Cash account and Credit sales return
D	Debit sales return and Credit Cash account

FUNDAMENTALS OF FINANCIAL ACCOUNTING

6. An entry which is made on both sides of a cash book is called:

A	cash entry.
B	contra entry.
C	payment entry.
D	compound entry.

7. Bad debt is a/ an _____.

A	selling expense
B	administrative expense
C	cost of sales
D	finance cost

8. On January 01, 2022, Azeem started a new business. During the year, his personal drawings were Rs.10,000 and additional investment in business was Rs.15,000. He sustained a loss of Rs.20,000. The capital on December 31, 2021 was Rs.135,000. What was his capital on January 01, 2022?

A	Rs.150,000
B	Rs.120,000
C	Rs.105,000
D	Rs. 90,000

9. A Laptop was purchased for Rs. 120,000 and it was estimated that its residual value will be Rs.20,000 at the end of its useful life. Monthly depreciation expense of Rs.1,666.6 was recorded by using straight-line method. The annual depreciation rate is:

A	25%
B	20%
C	15%
D	18%

10. Ashrafi Limited made a profit for the year of Rs.18,750, after accounting for depreciation of Rs.1,250. During the year, non-current assets were purchased for Rs.8,000, receivables increased by Rs.1,000, inventories decreased by Rs.1,800 and payables increased by Rs.350. What was Ashrafi Limited's increase in cash and bank balances during the year?

A	Rs.10,650
B	Rs.10,850
C	Rs.12,450
D	Rs.13,150

FUNDAMENTALS OF FINANCIAL ACCOUNTING

11. Aging analysis of Accounts Receivable provides all of the following benefits except:

A	customers' details i.e., amount they owe and period of their debts.
B	showing how much amounts have been recovered.
C	credit control function used it to follow up with customers.
D	timely collection to improve cash flow.

12. Payment of rent expenses is recorded on which side of cash book?

A	Receipts
B	Income
C	Expense
D	Payments

13. Accounts payable, accruals and notes payable are listed on balance sheet as _____.

A	accrued liabilities
B	current liabilities
C	accumulated liabilities
D	non-current liabilities

14. Bank reconciliation statement identifies the following differences between cash book and bank statement except _____.

A	Errors
B	bank charges or interest
C	profit earned for the period
D	timing differences

15. Salvage value is an estimate of asset's value at the _____.

A	end of its useful life
B	beginning of the final year of its use.
C	end of each accounting period.
D	None of the above

16. Financial statements should be neutral i.e., gains or losses are neither overstated nor understated. This concept is known as:

A	accrual.
B	consistency.
C	going concern.
D	prudence.

FUNDAMENTALS OF FINANCIAL ACCOUNTING

17. Cash and cash equivalents, inventories and accounts receivable are classified as _____.

A	assets on balance sheet
B	liabilities on balance sheet
C	earnings on income statement
D	payments on income statement

18. If cost of sales is Rs.30,000 and the mark-up is one third, then sales will be _____.

A	Rs.10,000
B	Rs.13,333
C	Rs.40,000
D	Rs.43,333

19. An asset is disposed off for Rs.22,700 resulting in loss on disposal of Rs.4,300. The carrying value of the asset is _____.

A	Rs.9,200
B	Rs.13,500
C	Rs.18,400
D	Rs.27,000

20. In statement of profit or loss 'carriage out expenses' are shown under:

A	Distribution costs
B	Manufacturing costs
C	Administrative expenses
D	Cost of sales

21. Journal entry to record write-off of an uncollectible account under 'allowance method' is given as:

A	bad debts expense A/c debit and allowance for doubtful debts A/c credit
B	allowance for doubtful debts A/c debit and bad debts expense A/c credit
C	allowance for doubtful debts A/c debit and accounts receivable A/c credit
D	accounts receivable A/c debit and allowance for doubtful debts A/c credit

22. The primary objective of accounting is to provide information for:

A	starting business.
B	decision making.
C	record keeping.
D	None of the above

FUNDAMENTALS OF FINANCIAL ACCOUNTING

23. The opening balance of allowance for doubtful debts account is Rs.1,000, whereas, the closing balance of accounts receivable is Rs.100,000. What amount of allowance for doubtful debts should be charged to profit or loss using a 5% allowance for doubtful debts for the current accounting period?

A	Rs.6,000
B	Rs.4,000
C	Rs.5,000
D	Rs.1,000

24. Accruals concept is also known as _____.

A	matching concept
B	consistency concept
C	materiality concept
D	prudence concept

25. When a debt is found to be bad, you must record bad debts by crediting the _____ account.

A	bad debt expense
B	accounts payable
C	allowance for doubtful debts
D	accounts receivable

26. Carriage inwards Rs.75,000 has been recorded in the income statement as an operating expense. As a result _____.

A	net profit is understated by Rs.75,000
B	gross profit is overstated by Rs.75,000
C	gross profit is understated by Rs.75,000
D	net profit is overstated by Rs.75,000

27. Cash book records:

A	cash payments only.
B	cash receipts only.
C	cash payments and cash receipts.
D	Neither cash payments nor cash receipts

28. A business's bank balance increased by Rs.750,000 during its last financial year. During the same period it issued shares, raising Rs.1 million and repaid a loan of Rs.750,000. It purchased non-current assets for Rs.200,000 and charged depreciation of Rs.100,000. Receivables and inventory increased by Rs.575,000. Its profit for the year was:

A	Rs. 1,175,000
B	Rs. 1,275,000
C	Rs. 1,325,000
D	Rs. 1,375,000

FUNDAMENTALS OF FINANCIAL ACCOUNTING

29. Which of the following statements is incorrect:

A	Businesses only report material transactions, events and balances to end users of financial statements.
B	The transactions are recorded when revenues are earned and expenses are incurred.
C	Only tangible assets are recognized in the financial statements.
D	The information presented in the financial statements are not related to the activities of the owner.

30. A business had non-current assets with a carrying amount of Rs.50,000 at the start of the financial year. During the year the business sold assets that had cost of Rs.4,000 and had been depreciated by Rs.1,500. Depreciation for the year was Rs.9,000. The carrying amount of assets at the end of the financial year was Rs.46,000. How much cash has been invested in non-current assets during the year?

A	Rs.4,000
B	Rs.7,500
C	Rs.9,000
D	Rs.10,000

FUNDAMENTALS OF FINANCIAL ACCOUNTING

Narrative Questions:

Answer should be between 60 to 100 words.

All questions carry 5 marks

Q-1 Differentiate between capital and revenue expenditure.

Capital expenditure:

Capital expenditures are typically one-time large purchases of fixed assets that will be used for revenue generation over a longer period. e.g.

1. A facility or factory, including an upgrade or expansion
2. Vehicles, such as trucks used for the delivery of products

Revenue expenditure:

Revenue expenditures are the ongoing operating expenses, which are short-term expenses used to run the daily business operations. E.g.

1. Salaries and employee wages
2. Any overhead expense, such as salaries for the corporate office, which typically fall under selling, general, and administrative expenses.

[87 words]

Q-2 Explain any five types of errors that occur in business transactions.

Following are the types of errors:

1. **Errors of omission:** where a transaction is completely omitted from the books.
2. **Errors of commission:** this type of error occurs when the correct amount is entered but in the wrong account.
3. **Errors of principle:** where an item is entered in the wrong class of account, e.g. if the purchase of a fixed asset, such as van, is debited to an expense account, such as motor expense account.
4. **Compensating Errors:** where errors cancel each other out.
5. **Errors of original entry:** where the original figure is incorrect, yet double entry is correctly done using the incorrect figure.
6. **Complete reversal of entries:** where the correct accounts are used but each item is shown on the wrong side of the account.
7. **Transposition error:** where the wrong sequence of the individual character within a number was entered.

[100 words]

FUNDAMENTALS OF FINANCIAL ACCOUNTING

Numerical Questions:

All questions carry 10 marks

- Q-1** The following are the transactions of M/s Ghazi Traders as at 1st week of June 2017:
- Received a cheque of Rs. 64,625 from Mr. Mumtaz against the dues of Rs. 66,000.
 - Paid Rs. 5,875 in cash on account of miscellaneous expenses.
 - Issued a cheque of Rs. 211,500 for purchasing office furniture from Glamour Furniture for which a carriage charges of Rs. 3,525 were paid.
 - An amount of Rs. 117,500 withdrawn from the bank.
 - Paid salaries and wages amounting to Rs. 141,000.
 - Paid Rs. 465,300 in cash to Tayyab Stores in full settlement of their dues of Rs. 470,000.
 - Bank charges of Rs. 1,175 were recorded against the dishonour and return of a cheque.
- M/s Ghazi Traders have a cash balance of Rs. 173,430 and bank balance of Rs. 2,861,360 as at June 01, 2017.

Required:

Prepare a Double Column Cash Book.

10

Solution:

M/s Ghazi Traders

Cash Book [Double Column]

Narrations to be selected from
Dropdown Options

Figures to be types

Particulars	Rupees		
	Cash	Bank	
To balance b/f	173430	2861360	DR
To Mr. Mumtaz A/c (being cheque received from Mr. Mumtaz)		64625	DR
To bank A/c (c)	117500		DR
Total	290930	2925985	DR
To balance b/d	140530	2130510	DR
By misc expenses A/c (being misc. expenses paid)	5875		CR
By furniture A/c (being furniture purchased by cheque)		211500	CR
By carriage charges A/c (being carriage charges)	3525		CR
By salaries and wages A/c (being salaries and wages paid)	141000		CR
By cash (c)		117500	CR
By Tayyab Stores (being paid by cheque)		465300	CR
By bank charges A/c (being bank charges paid by cheque)		1175	CR
By balance c/d	140530	2130510	CR
Total	290930	2925985	CR

FUNDAMENTALS OF FINANCIAL ACCOUNTING

Q-2 Prepare adjusting journal entries for the following as at December 31, 2017:

- (i) Prepaid rent as at January 01, 2017 and rent expense for the year ended December 31, 2017 were Rs.75,500 and Rs.50,000 respectively.
- (ii) Allowance for doubtful debts required to be increased from Rs.36,250 to Rs.170,500.
- (iii) Salaries paid during the year amounted to Rs.525,000. However salary expense for the year was Rs.590,250.
- (iv) Depreciation on the machine to be provided on declining balance method at the rate of 40% per annum. The machine was purchased two years ago for Rs.505,000.
- (v) Insurance amounting to Rs.50,000 was paid on July 01, 2017 for the period of two years debiting prepaid insurance account.
- (vi) Interest is outstanding for six months on a 12% note payable of Rs.225,000 at the end of the period.

10

Solution:

Narrations to be selected from
Dropdown Options

Figures to be types

Adjusting Journal Entries for the year ended December 31, 2017

	Rupees	
	Debit	Credit
Rent expense	50000	
Prepaid rent		50000
Profit and loss account (Bad debts)	134250	
Allowance for doubtful debts		134250
Salary expense	65250	
Accrued salaries		65250
Depreciation	121200	
Accumulated depreciation		121200
Insurance expense	12500	
Prepaid insurance		12500
Interest expense	13500	
Interest payable		13500

FUNDAMENTALS OF FINANCIAL ACCOUNTING

Q-3 Arif, the accountant of Shariq (Pvt.) Limited is preparing the bank reconciliation statement for the month of December 2019. The balance as per cash book amounted to Rs.70,000 while bank statement showed a favorable balance of Rs. 41,500. On making detailed investigation, Arif identified following errors:

- Unpresented cheques amounted to Rs. 5,500
- A customer made a deposit of Rs. 12,000 directly into the bank which was not recorded in the cash book.
- A cheque of Rs. 15,500 was lodged into the bank but not yet credited as on December 31, 2019.
- Interest income of Rs. 6,000 was credited by bank but not yet recorded in cash book.
- Bank charges of Rs. 2,500 debited by bank.
- As per standing order of the company, bank made a payment of Rs. 9,000 to a supplier but was not recorded in cash book.
- A cheque of Rs. 25,000 was returned by bank due to non-sufficient funds in the account.

Required: Prepare Bank Reconciliation Statement as at December 31, 2019.

10

Solution:

Narrations to be selected from
Dropdown Options

Figures to be types

		Rupees
Shariq (Pvt.) Limited		
Bank Reconciliation Statement		
As at December 31, 2019		
A: Balance as per cash book		70000
Unpresented cheque	5500	
Direct deposit to the bank	12000	
interest income	6000	
B: Sub Total		23500
C: Total (A+B)		93500
Bank charges	2500	
Bank lodgement not on statement	15500	
direct payment made by bank	9000	
dishonoured cheque	25000	
D: Sub-total		52000
E: Balance as per bank statement (C-D)		41500

THE END

BUSINESS ECONOMICS

1. If government has set the price of a product below its equilibrium price, it is expected that:

A	Quantity demanded of that product will be equal to quantity supplied
B	There will be an excess supply of that product.
C	There will be existence of a black market where individuals will try to take advantage of unexploited opportunities.
D	Quantity supplied of the product will surpass quantity demanded.

2. If the estimated cross price elasticity of both bread and butter is 0.5. It implies that both bread and butter are:

A	normal goods.
B	substitutes.
C	elastic goods.
D	complementary good

3. The elasticity of a demand curve having a constant slope:

A	Increases at higher price
B	Decreases at higher price
C	Increases at lower price
D	Remains constant at all level.

4. A reduction in the domestic money supply would cause the domestic currency to:

A	Depreciate more in the short run than in the long run.
B	Depreciate more in the long run than in the short run.
C	Appreciate more in the short run than in the long run.
D	Appreciate more in the long run than in the short run.

5. Which of the following macroeconomic variables is pro-cyclical and leads the business cycle?

A	Business fixed investment
B	Residential investment
C	Nominal interest rates
D	Unemployment

6. The primary functions of commercial bank are:

A	Issuing currency, creating deposit money and providing loans
B	Accepting deposit, creating deposit money and providing loans
C	Accepting deposit, providing loans, export goods
D	Accepting deposit, providing loans and controlling foreign exchange

BUSINESS ECONOMICS

7. As per Marginal Productivity Theory, the determinant of the reward for labour is the:

A	Owner
B	Government
C	Labour
D	Marginal product

8. In case of a perfect competition, the firm sell goods that are _____ in nature.

A	Homogenous
B	Non-homogenous
C	Substitutable
D	elastic

9. If a person is willing to work but fails to get any job, such type unemployment is term as:

A	Voluntary
B	Involuntary
C	Proportional
D	Non-proportional

10. Which of the following is not a characteristic of a perfect competition?

A	Heterogeneous product
B	Freedom of entry and exit
C	Perfect information about prices
D	Each sealer is a price taker

11. In perfectly competitive markets, the profit maximizing rule can be represented by:

A	$MR = ATC$
B	$MR = AVC$
C	$P = MC$
D	$P = ATC$

12. An implicit cost for a firm includes the:

A	Cost of workers' wages and salaries of the firm
B	Cost paid for leasing a building of the firm
C	Cost paid for production supplies of the firm
D	Cost of wages foregone by the owner of the firm

13. If there is a positive correlation between the risk and return:

A	Investors will prefer liquid assets.
B	Investors will act as risk takers.
C	The yield curve will also be positively sloped.
D	Investors will require a compensation for investing in risky assets.

BUSINESS ECONOMICS

14. When price flooring is set above the market equilibrium level of a commodity:

A	a shortage of goods will develop
B	a surplus of good will develop
C	Quantity demanded will be greater than quantity supplied for the good
D	Quantity demanded by consumers will be greater than the equilibrium price.

15. Which one of the following changes would shift the aggregate demand curve upwards and in the right direction?

A	A rise in the nominal money supply
B	An increase in income taxes
C	An increase in the risk on non-monetary assets
D	A decrease in the future marginal productivity of capital

16. According to Keynes, in order to get economy out of a slump, the government should:

A	increase both taxes and government spending.
B	increase taxes and/or decrease government spending.
C	cut both taxes and government spending.
D	decrease taxes and/or increase government spending.

17. At present assume that your company is in equilibrium position, with its capital stock at the desired level. What will be the impact on the company's desired capital stock level, if there is a permanent increase in the depreciation rate?

A	The company will raise the stock level, because the future marginal productivity of capital is higher.
B	The company will reduce the stock level, because the future marginal productivity of capital is lower.
C	The company will raise the stock level because the user cost of capital is now lower.
D	The company will reduce the stock level, because the user cost of capital is now higher.

18. One of the assumptions of Monetary Neutrality Theory states that a change in the nominal money supply will have:

A	no effect on the price level.
B	less than proportionate effect on the price level.
C	proportionate effect on the price level.
D	more than proportionate effect on the price level.

19. Industries that are extremely sensitive to the business cycle are the:

A	Durable goods and service sectors.
B	Non-durable goods and service sectors.
C	Capital goods and non-durable goods sectors.
D	Capital goods and durable goods sectors.

BUSINESS ECONOMICS

20. A financial intermediary is termed as any organization that stands between _____ and facilitates transactions.

A	borrowers and lenders
B	borrowers and shareholders
C	shareholders and lenders
D	None of these

21. _____ is a major reason for the existence of financial intermediaries.

A	The existence of long-term financial instruments
B	Problems related to asymmetric information
C	The inability to borrow funds directly from savers
D	Avoidance of government regulation in other financial markets

22. Which of the following market participants are not involved in the secondary markets?

A	Traders
B	Underwriters
C	Brokers
D	Pension fund managers

23. The factor that has minimal impact on fixed exchange rate is:

A	Capital movements
B	Trade in goods and services
C	Falling unemployment
D	Speculation

24. The total demand for goods and services in an economy is known as:

A	Gross national product.
B	National demand
C	Aggregate demand
D	Economy-wide demand

25. The recession phase of the trade cycle will be accompanied by following, except:

A	a rise in the rate of inflation
B	a fall in the level of national output
C	an improvement in the trade balance
D	a rise in the level of unemployment

26. The important feature of _____ is that each individual firm can affect the market price.

A	monopoly
B	duopoly
C	perfect competition
D	oligopoly

BUSINESS ECONOMICS

27. Globalization was once assumed to bring higher standards of living and growth to economies but increasingly concerns have been expressed about its potential for allowing the _____.

A	exploitations of under developing countries
B	benefits to under developing countries
C	exploitations of developing countries
D	benefits to developing countries

28. The rate of return after deducting inflation is called _____.

A	nominal rate of interest
B	real rate of interest
C	redemption yield
D	dividend yield

29. Which one of the following is the source of demand pull inflation?

A	Real wage increases
B	Fiscal deficits
C	Commodity price increases
D	Exchange rate depreciation

30. Which of the following is most likely to cause a country's balance of payments to move towards a deficit?

A	A devaluation of that country's currency
B	An expansionary fiscal policy
C	A contractionary fiscal policy
D	A rise in the rate of domestic saving

BUSINESS ECONOMICS

Narrative Questions:

Answer should be between 60 to 100 words.

All questions carry 5 marks

Q-1 What is Price Elasticity of Demand?

Elasticity is a measure of price responsiveness of a goods demanded. It is the rate at which quantity demanded varies with a change in price. In elasticity we want to know as to how much change in price of a good will cause how much change in its demand. Price elasticity means the degree of responsiveness of quantity demanded of a good in response to a relative change in its price. Quantity demanded and prices are inversely related. Price elasticity of demand is always negative. **[85 words]**

Q-2 What is positive economics and Normative economics.

In studying economics it is important to distinguish positive and normative economics. Positive economic studies objective or scientific explanations of how the economy works. Positive economics is similar to the natural sciences (physics, geology or astronomy). The aim of positive economics is to analyses how society makes decisions about consumptions, production and exchange of goods. Normative economics offers recommendations based on personal value judgments not on the search of any objective of truth.

[73 words]

Q-3 Explain GDP as the basic measures of an economy.

The basic measures of an economy's output is gross domestic product (GDP), the market value of the final goods and services produced in a country during a given period. Expressing output in terms of market values allows economists to aggregate the millions of goods and services produced in the modern economy. GDP also can be expressed as the sum of four types of expenditure: consumption, investment, government purchases and net exports. These four at all, should the likely effects of the policy on real GDP be taken into account. **[89 words]**

BUSINESS ECONOMICS

Q-4 What are the causes of Inflation?

The causes of inflation are complex, because there will be several factors operating simultaneously, each having some effect on price level. The relative strength or influence of each of these factors at any given time may be difficult to assess. It is debatable whether inflation can ever be fully cured, although a reduction in the rate of inflation to a low level over a long period of time would presumably be considered a cure. The causes of inflation might be:

- Demand-pull factors;
- Cost push factors;
- Import-cost factors
- Expectation;
- Growth in the money supply [93 words]

Q-5 How do you explain tariff or customs duties?

Tariff or custom duties are taxes on imported goods. The effect of a tariff is to raise the price paid for the imported goods by domestic consumers, while leaving the price paid to foreign producers the same, or even lower. The difference is transferred to the government sector.

For example, if goods imported to Pakistan are bought for Rs 100 per unit which is paid to the foreign supplier, and a tariff of Rs 20 is imposed, the full cost to Pakistan buyer will be Rs 120, with Rs 20 going to the government. [94 words]

Q-6 What is Money demand Curve and how a shift in the Money Demand curve accrue:

The Money Demand Curve relates the economy wide demand for money to the nominal interest rate. Because an increase in the nominal interest rate raises the opportunity cost of holding money, the money demand curve slopes down.

At a given nominal interest rate, any change that makes people want to hold more money, such as an increase in the general price level or in real GDP, will shift the money demand curve to the right.

[75 words]

BUSINESS ECONOMICS

Q-7 Briefly Explain the fiscal policy and the budget.

A feature of fiscal policy is that a government must plan what it wants to spend, and so how much it needs to raise in income or by borrowing. It needs to make a plan in order to establish how much taxation there should be, what form the taxes should take and so which sectors of the economy (firms or households, high income earners or low income earners etc.) the money should come from. This formal planning of fiscal policy is usually done once a year. The Taxation aspects are set out in the budget. **[96 words]**

Q-8 List down the factors that continues towards adverse balance of payment.

The main factors which are contributing towards persistent adverse balance of payment on current account are as under:

- Import of capital goods
- Rise in oil price
- Increase in import payment for fertilizer etc.
- Consumption Oriented Society
- Import of Industrial raw material
- Deterioration in terms of trade
- Higher pavement for freight insurance
- Cotton-rice led growth
- Domestic development
- International factors

Pakistan cannot afford to run a persistent deficit in the balance of payment on current account as it does not have unlimited reserves of gold and foreign exchange. It can neither persistently borrow from the rest of the world. **[97 words]**

THE END

BUSINESS COMMUNICATION & REPORT WRITING

1. Which of the following is not a communication channel?

A	Oral
B	Digital
C	Combined
D	All of these are communication channel

2. Select the best definition for the word communication?

A	Transmission of information from one individual or group to another
B	Transmission of meaning from one individual or group to another
C	Transmission of information and meaning from one individual or group to another
D	Transmission of ideas from one individual or group to another

3. The first step in the communication process is:

A	Information transmission
B	Idea formation
C	Message transmission
D	Message encoding

4. Suggestion systems, reports and e-mail messages are generally examples of _____ communication.

A	Downward
B	Upward
C	Diagonal
D	Horizontal

5. An audience-centered approach to communication means:

A	Keeping your audience in mind at all times when communicating
B	Observing the principle of conduct that govern a person or group
C	Making feedback useful
D	Respecting individual differences in background and culture

6. The process of communication _____.

A	Consists of six phases which link the sender and the receiver
B	Does not require words to convey meaning
C	Carries information along the organization's unofficial lines of activity and power
D	Is screening out or abbreviating information before passing the message to anyone else

7. All of the following except _____ are communication barriers that exist between people.

A	closed or inadequate communication climate
B	poor listening
C	physical distraction
D	differences in perception

BUSINESS COMMUNICATION & REPORT WRITING

8. If I want to give a worker immediate feedback and an opportunity to clarify what I've said, the best communication channel is probably _____.

A	Oral
B	Digital
C	Non-verbal
D	Written

9. The major function of communication inside an organization do not include:

- (i) Creating and maintaining supplier goodwill for the business
- (ii) Informing customers about operations to enable the business to continue successfully
- (iii) Informing workers of job requirement
- (iv) None of the above

A	Option (i) is correct.
B	Option (ii) is correct.
C	Option (iii) is correct.
D	Option (iv) is correct.

10. The three basic functions of organizational communication are to:

A	Inform, persuade and promote goodwill
B	Inform, entertain and explain
C	Inform, instruct and entertain
D	Inform, persuade and explain

11. Which of the following statements about non-verbal communication is inaccurate?

A	It refers to cues, gestures , facial expressions and attitude towards time
B	We use non-verbal communication to express superiority, dislike , respect and other feelings
C	Because non-verbal communication differs from verbal communication, it is much easier to study
D	When we communicate non-verbally, we sometimes do so unconsciously

12. To make your writing more concise _____.

A	eliminate repetition of the core idea
B	look for and remove unnecessary words or phrases
C	eliminate all adjectives from your writing
D	remove transitional devices readers can follow the flow of ideas without these

13. Good organization is important for all the following reasons except:

A	It complicates your communication task
B	It helps your audience to understand your message
C	It saves your audience time
D	It helps your audience to accept your message

BUSINESS COMMUNICATION & REPORT WRITING

14. You can identify the appropriate tone, language and channel for your message by:

A	Selecting an appropriate form
B	Cultivating the "you" view
C	Profiling your audience before you write
D	Using appropriate computer software

15. All of the following are questions about content to consider during the first pass through a draft except:

A	Is there a good balance between the general and specific?
B	Is it concise?
C	Is the information accurate?
D	Is the information relevant to your audience?

16. Business letters _____.

A	Frequently go to outsiders
B	Are used for routine day to day communication within an organization
C	Are factual objective documents that may be distributed to either insider or outsider
D	Have the advantage of speed, lower cost and increased access to other employees

17. Speeches and presentation can be categorized according to their purpose. Which type is the least common in business?

A	To motivate
B	To inform
C	To entertain
D	To persuade

18. In preparing an oral presentation for a large audience you would probably _____.

A	Be careful to avoid any repetition of topics
B	Use a less formal and more personalized approach
C	Organize all topics around your visual aids
D	Use a more formal and less personalized approach

19. The purpose of a letter of application is to _____.

A	Detail the job candidate's work history
B	Repeat the resume
C	Gain an interview
D	Secure a job offer

20. Which of the following statement about defining the purpose of a report are not true?

A	Problem factoring will help define the problem
B	A problem statement differs from a statement of purpose
C	A problem statement defines the objective of report
D	A problem statement defines what you are going to investigate

BUSINESS COMMUNICATION & REPORT WRITING

21. Most informational reports use “a topical organization” which means they are arranged in all of the following ways except _____.

A	according to the 2+2=4 approach
B	according to chronology
C	according to category
D	according to sequence

22. The first step in writing an analytical report is:

A	Outlining issues for investigation
B	Limiting the scope of study
C	Preparing a work plan
D	Developing a problem statement

23. A statement of purpose for an analytical report _____.

A	Define the particular problem that is to be solved by the report
B	Identifies the task that you will perform
C	Define the objective of the report
D	Interprets the fact of your reports.

24. The opening of a report should accomplish all of the following except _____.

A	indicate why the subject is important
B	introduce the subject of the report
C	interpret the facts
D	preview the main idea and the order in which they will be covered

25. An agenda is vital to the focus and success of most meetings. Which one of the following items is not an expected item to be found on most agendas?

A	Important financial information about your clients
B	The time and location of the meeting
C	A list of people who will be there
D	A brief explanation about agenda items

26. Our better relations are related to our better:

A	Idea
B	Concept
C	Interpersonal communication
D	Intrapersonal communication

BUSINESS COMMUNICATION & REPORT WRITING

27. When an organization establishes communication with lobby groups, it is an example of:

A	Upward communication
B	Internal communication
C	Downward communication
D	External communication

28. The flow of information is organized, managed and:

A	One-sided
B	External
C	Controlled
D	Internal

29. Job letters are famously known as:

A	Proposal
B	Job appraisal report
C	Cover letter to resume
D	Progress letters

30. As circular letters are sent to large number of receivers, they are usually prepared:

A	Without inside address
B	Without salutation
C	Without letterhead
D	Without complimentary close

BUSINESS COMMUNICATION & REPORT WRITING

Narrative Questions:

Answer should be between 60 to 100 words.

All questions carry 5 marks

Q-1 Within any communication environment, messages can be disrupted by the variety of communication barricades. Explain briefly.

1) Noise and distractions

This includes uncomfortable meeting rooms, distraction from thoughts and emotions that prevent audience from focusing on incoming messages.

2) Competing messages

In most cases you must compete with other messages that are trying to reach your audience at the same time.

3) Filters

Messages can be blocked or distorted by filters between sender and receiver. In some cases, the people or companies you rely on to deliver your message can distort it or filter it to meet their own needs.

4) Channel breakdown

Sometimes the channel simply breakdowns and fails to deliver your message at all. **[100 words]**

Q-2 A written message that is supported by visuals can be more effective than a primarily written message. Explain briefly.

Messages that combine powerful visuals with supporting text can be effective for a number of reasons. Today's audiences are pressed for time and bombarded with messages, so anything that communicates quickly is welcome. Visuals are also effective at describing complex ideas and process because they can reduce the work required for an audience to identify the parts and relationships that make up the whole.

[64 words]

Q-3 What factors do you need to consider when choosing direct and indirect approaches for negative message?

When you need to get the reader's attention immediately:

If the situation is an emergency, or if someone has ignored repeated messages, the direct approach can help you get attention quickly.

The recipient prefers a direct style of communication:

Some recipients prefer the direct approach.

Importance of this news to the reader:

BUSINESS COMMUNICATION & REPORT WRITING

If the reader has an emotional investment in the situation or the consequences are considerable to him/her, the indirect approach is often better.

The bad news may come as a shock:

In this situation, use the indirect approach to help them prepare for it.

[96 words]

Q-4 What is a memo? Suggest four reasons of writing/ issuing memos.

A memo (also known as a memorandum, or "reminder") is used for internal communications regarding procedures or official business within an organization. Memo should be sent to a specific audience, depending on their purpose.

- Share News. Memos are used to keep employees informed on the latest happenings, either company-wide or in a specific department.
- Address a Problem.
- Make a Request.
- Provide Feedback.

[62 words]

Q-5 Define the following:

- Finished cases based on facts**
- Un-finished open-ended cases**
- Fictional cases**
- Original cases**

(i) Finished cases based on facts or analysis only, since the solution is indicated or alternate solutions are suggested.

(ii) Un-finished open-ended cases: Where the results are not yet clear (either because the case has not come to a factual conclusion in real life, or because the instructor has eliminated the final facts).

(iii) Fictional cases: Entirely written by the instructor that can be open-ended or finished.

(iv) Original cases: News articles, reports with data and statistics, summaries, excerpts from historical writings, literary passages, video and audio recordings, etc.

[88 words]

Q-6 What are the benefits of video conferencing in today's business environment? Explain briefly.

- Substantial savings in travelling and related incidental costs are achieved.
- Valuable time of the participants which would otherwise be spent in travelling is saved.

BUSINESS COMMUNICATION & REPORT WRITING

- Video-conferencing meetings can be held more readily as the participants can be assembled for such meetings with a minimum notice period.
- In such meetings, social exchanges are minimal and therefore the duration of the meeting is shorter and more focused towards the primary purpose of the meeting.
- The participants are able to avoid inclement weather conditions and travel related problems.

[84 words]

Letter/ Report Writing Questions:

Carrying 10 marks

- Q-1** Assume that you have been working as Manager Finance in Sara Garments, a leading garments manufacturer. Your Director has observed continuous increase in doubtful debts. You have been asked to present a 'Report' covering introduction with financial facts (aging schedule) of last six years, background of the problems, causes and recommendations. *(Assume necessary details)*

Report Writing:

Many reports are written in business. They are a very important method of gaining and giving information. Formal reports are usually written by a committee or group after fairly detailed investigation or research.

No fixed answer to this question can be framed. Various examinees would treat the task differently. The examinees' report, however, must include the following features in it:

Report Format:

Introduction: Discuss the problem or opportunity in brief and create a need for action.

Body: Present your findings and the analyses of problem.

Conclusion: Write your conclusion and give your recommendation accordingly. Provide summary of the report.

THE END

FUNDAMENTALS OF MANAGEMENT

1. _____ is the study of how to create an organizational structure that leads to high efficiency and effectiveness.

A	Scientific management
B	Job specialization
C	Administrative management
D	Allocation management

2. Scientific management, administrative management, and bureaucratic management belong to the management viewpoint known as the

A	classical perspective
B	behavioral perspective
C	quantitative perspective
D	systems perspective

3. Which of the following is a characteristic of a Public sector organization?

- (i) Private ownership
- (ii) Primary profit making motive
- (iii) Strict financial control by Government
- (iv) None of the above.

A	Option (i) is correct
B	Option (ii) is correct
C	Option (iii) is correct
D	Option (iv) is correct

4. Organizing refers to:

A	planning.
B	delegation of authority.
C	training.
D	selection.

5. In a formal organization, "power" is associated with:

A	an individual.
B	position.
C	relationship.
D	control.

6. Union function arises as a result of employees _____.

A	problem of communication
B	longing for belonging
C	dissatisfaction
D	change in technology

FUNDAMENTALS OF MANAGEMENT

7. Human Resource Management aims to maximize employees as well as organizational:

A	Effectiveness
B	Economy
C	Efficiency
D	Performativity

8. Which of the following enables managers to act, exert influence and make decisions in carrying out their responsibilities?

A	Power
B	Accountability
C	Authority
D	Responsibility

9. _____ is generally recognised as the "Father of the Human relations Approach".

A	Max Weber
B	Mary Parker Follet
C	Abraham Maslow
D	Elton Mayo

10. Douglas McGregor's view suggests that employees will exercise self-direction and self-control when they are committed to the objectives of the work is called:

A	Theory B
B	Theory X
C	Theory Y
D	Theory A

11. Which management principle does matrix organization violate?

A	Unity of command
B	Unity of Direction
C	Espirit de corps
D	Centralization

12. Organization structure deliberately created by the management for achieving the objectives of the enterprise is called _____.

A	product organization
B	functional organization
C	formal organization
D	informal organization

FUNDAMENTALS OF MANAGEMENT

13. Management by objectives is not a new concept of motivation, it was originally proposed more than 45 years ago by:

A	Peter Drucker
B	Abraham Maslow
C	David McClelland
D	Frederic Herzberg

14. Henry Mintzberg classified the managerial roles of recipient, disseminator and spokesperson as _____ roles.

A	interpersonal
B	informational
C	decisional
D	intelligence

15. Within an organisation, leadership influence will be dependent upon the type of _____ that the leader can exercise over the followers.

A	knowledge
B	power
C	delegation
D	friendship

16. Legitimate power is based on the subordinate's perception that the leader has a right to exercise influence because of the leaders.

A	role or position within the organization.
B	expertise and knowledge.
C	personal characteristics and personality.
D	ability to punish or reward.

17. Which of the following managerial functions of the human resource department involves establishing an intentional structure of roles for people in an organization?

A	Organizing
B	Controlling
C	Directing
D	Planning

18. The decision made by managers usually fall into one of the following categories:

A	Programmed and non-programmed.
B	Rational and irrational.
C	Strategic and non-strategic.
D	Strategic and tactical.

FUNDAMENTALS OF MANAGEMENT

19. _____ managers deal with the actual operation of an organisations units.

A	First level
B	Top level
C	Middle level
D	All of these

20. Which of the following is considered synonymous used with “downsizing”?

A	Rebuilding
B	Recreating
C	Re-establishing
D	Restructuring

21. Which of the following is not a result of poor span of control in organisations?

A	Over supervision
B	Timely decision
C	High costs
D	Communication problems

22. The use of effective control systems does not lead to _____.

A	Improved output per unit of output
B	Reduction in wastage
C	Increase in personnel turnover
D	Lower labour costs

23. _____ control systems help managers manage inputs in such a way that they are available at the right place and at the right time and in the right quantity at minimum cost.

A	Budgetary
B	Inventory
C	Financial
D	Quality

24. Which of the following is a control technique applied during or following the completion of an activity?

A	Direct control
B	Preventive control
C	Corrective control
D	Activity control

25. Strategic control is implemented with:

A	micro perspective.
B	department perspective.
C	macro perspective.
D	motivational perspective.

FUNDAMENTALS OF MANAGEMENT

26. Which of the following terms refers to the measurement of performance in an organization?

A	Coordination
B	Organizational development
C	Appraisal
D	Control

27. Which style of leadership focuses on goals, standards, and organization?

A	task leadership
B	social leadership
C	semantic leadership
D	transformational leadership

28. Which of the following is a leadership trait?

A	Dominance
B	Energy
C	Cognitive ability
D	All responses are leadership traits

29. What three words define motivation?

A	Intensity, direction, persistence
B	Fairness, equity, desire
C	Desire, persistence, fairness
D	Ambition, direction, intensity

30. The process by which people try to manage or control the perceptions formed by other people about themselves is called:

A	perceptual management.
B	impression management.
C	group management.
D	perceptual grouping.

FUNDAMENTALS OF MANAGEMENT

Narrative Questions:

Answer should be between 60 to 100 words.

All questions carry 5 marks

Q-1 Describe the four core functions that every manager needs to fulfil.

The functions of manager are;

Planning: Manager engage in planning, they set goals, establish strategies for achieving those goals, and develop plans to integrate and coordinate activities.

Organizing: when manager organize, they determine what tasks to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made.

Leading: when managers motivate subordinates, help resolve work group conflicts, influence individuals, or teams as they work, select the most effective communication channel, they're leading.

Controlling: to ensure goals are met and work is done as it should be, managers monitor and evaluate performance.

[100 words]

Q-2 Leadership and management have often been mistaken as the same thing, but in essence they are very different. Explain briefly.

The main difference between leaders and managers is that leaders have people follow them while managers have people who work for them.

A successful business owner needs to be both a strong leader and manager to get their team on board to follow them towards their vision of success. Leadership is about getting people to understand and believe in your vision and to work with you to achieve your goals while managing is more about administering and making sure the day-to-day things are happening as they should.

[87 words]

Q-3 Discuss the stages of team development.

Stages of team development are;

Forming: In this stage, the group forms and learn what sort of behaviour is acceptable to the group.

Storming: As group members become more comfortable with one another, they may oppose the formation of a group structure as they begin to assert their individual personalities.

Norming: At this time, the conflicts that arose in the previous stage are addressed and hopefully resolved.

Performing: Now that structural issues have been resolved, the group begins to operate as a unit.

Adjourning: For temporary groups such as task forces, this is the time when group wraps up activities, with disbandment in mind.

[99 words]

FUNDAMENTALS OF MANAGEMENT

Q-4 Describe the importance of management by objectives. (Any five points)

Importance of management by objectives

- It helps employees appreciate their on-the-job roles and responsibilities.
- The Key Result Areas planned are specific to each employee, depending on their interest, educational qualification, and specialization.
- It usually results in better teamwork and communication.
- It provides the employees with a clear understanding of what is expected of them. The supervisors set goals for every member of the team, and every employee is provided with a list of unique tasks.
- Every employee is assigned unique goals. Hence, each employee feels indispensable to the organization and eventually develops a sense of loyalty to the organization.
- Managers help ensure that subordinates' goals are related to the objectives of the organization.

[94 words]

Q-5 Great culture should provide continuous alignment to the vision, purpose, and goals of the organization. Discuss briefly.

Organizational culture refers to a company's mission, objectives, expectations and values that guide its employees. Businesses with an organizational culture tend to be more successful than less structured companies because they have systems in place that promote employee performance, productivity and engagement. Having a strong company culture motivates everyone to do their best work.

Here are seven reasons why organizational culture is important:

- Increased employee engagement.
- Decreased turnover.
- Strong brand identity.
- Elevated productivity.
- Transformational power.
- Top performers.
- Effective onboarding.
- Healthy team environment.

[82 words]

Q-6 Define negotiation and briefly explain its process.

Negotiation is another important skill for managers and is defined by;

- conflict of interest between two or more parties
- no established set of rules for resolving conflict
- parties prefer to search for an agreement rather than to fight openly

FUNDAMENTALS OF MANAGEMENT

The negotiation process can be divided into four distinct stages.

- Preparation—homework on the problem should have been undertaken.
- Opening—both sides present their starting positions, good opportunity to influence the other party.
- Bargaining—purpose is to narrow the gap between the two initial positions, persuade other party of the strength of your case.
- Closing—agreement is reached, looking for win/win.

(100 words)

Q-7 Explain the types of organizational control.

Types of organizational control:

Personal centralized control:

Small owner managed operations where there is a centralized decision making by the owner.

Bureaucratic control:

Formalized rules, procedures, standardization and hierarchy.

Output control:

Measurement of outputs and the results achieved.

Clan or cultural control:

Semiautonomous working with very few formal controls, it depends upon on the common agreement of objectives and shared cultural values.

[62 words]

Q-8 Describe Mckinsey 7'S model of effective business element.

- **Strategy:** the set of actions that a firm plans in response or anticipation of changes to its external environment.
- **Structure:** allow the firm to focus on areas that are deemed important for its evolution.
- **Systems:** Formal and informal procedures for measurement, reward and resource allocation.
- **Shared Values:** define the firm's key beliefs and aspirations that form the core of its corporate culture.
- **Skills:** The organization's core competencies and distinctive capabilities.
- **Staff:** people as a pool of resources, which need to be nurtured, developed, guarded, and allocated.
- **Style:** Typical behaviour patterns of key groups, such as CEOs, managers, and other professionals.

[100 words]

THE END

BUSINESS MATHEMATICS & STATISTICAL INFERENCE

1. Rs.5,000 will give Rs.500 as simple interest at the rate of 5% per annum after _____ years.

A	2
B	5
C	3
D	4

2. Index number of the base year is always equal to _____.

A	index number of current year
B	100
C	200
D	None of the above

3. A man received Rs.100,000 from his friend at 10% per year on simple interest. How much will he pay after 5 years?

A	Rs.10,000
B	Rs.50,000
C	Rs.100,000
D	Rs.150,000

4. A sum of money placed at compound interest doubles itself in 5 years. It will amount to eight times in:

A	10 years.
B	12 years.
C	15 years.
D	20 years.

5. In a system of equations $2x + y = 3$ and $x = -1$, the value of 'y' is _____.

A	5
B	-5
C	1
D	2

6. Solve the linear equation: $\frac{1}{2} - \frac{1}{3} = \frac{1}{x}$

A	-1
B	1
C	6
D	1/6

BUSINESS MATHEMATICS & STATISTICAL INFERENCE

7. What is the probability of drawing two 'Kings' from a pack of 52 cards without replacement?

A	1/13
B	3/51
C	1/169
D	1/221

8. A _____ hypothesis is a hypothesis that is to be tested for possible rejection under the assumption that it is true.

A	null
B	alternative
C	testing
D	significant

9. The net present value (NPV) of a project is Rs.25,000, when the discount rate is 15%. Which one of the following statements is correct on the basis of the information given?

A	The initial investment in this project is Rs.25,000.
B	If the discount rate is decreased to 14%, the NPV would decrease.
C	If the discount rate is increased to 16%, the NPV would increase.
D	The project is viable investing at 15%.

10. Cumulative frequencies indicate:

A	how many observations fall at or below a particular class.
B	how many observations fall at or above a particular class.
C	how many observations fall at a particular class.
D	None of the above

11. In a distribution, an ogive is a graph drawn from:

A	frequencies.
B	relative frequencies.
C	cumulative frequencies.
D	raw data.

12. A man wants to sell his laptop. There are two offers, one at Rs.10,000 cash and the other on credit of Rs.11,800 to be paid after one year. Money could be invested at 18% per annum compounded annually. Which is the better option?

A	Rs.10,000 in cash
B	Rs.11,800 after one year
C	Both are equally good
D	None of the above

BUSINESS MATHEMATICS & STATISTICAL INFERENCE

13. The net present value at discount rate of 12% is Rs.-2,000 and at 11% it is Rs.2,808. Which one of the following statements about internal rate of return (IRR) is correct?

A	The IRR must be below 11%
B	The IRR must lie between 11% and 12%
C	The IRR must be 11%
D	The IRR must be 12%

14. Given a normal distribution, population variance = 16, population mean = 12 and value of standard normal variable (z) = 1.25. The value of variable 'x' is _____.

A	8
B	7
C	32
D	17

15. A confidence interval will be widened if:

A	The confidence level is increased and the sample size is reduced
B	The confidence level is increased and the sample size is increased
C	The confidence level is decreased and the sample size is increased
D	The confidence level is decreased and the sample size is decreased

16. The amount of Rs.7,500 at compound interest rate of 4% per annum for 2 years would be _____.

A	Rs.8,112
B	Rs.8,000
C	Rs.8,100
D	Rs.8,300

17. What amount of money should be invested for 5 years to get a sum of Rs.1,000,000. If interest is compounded half yearly at the rate of 8% per annum?

A	Rs.606,000
B	Rs.680,583
C	Rs.675,564
D	Rs.714,286

BUSINESS MATHEMATICS & STATISTICAL INFERENCE

18. A student have got 80% marks in final exam. His marks in various subjects out of 75 are as follows:

Subjects	Marks
English	70
Urdu	60
Science	45
Islamiat	55
Arts	?

How many marks he has got in Arts?

A	65
B	70
C	69
D	60

19. _____ of Laspeyre's Index and Paasche's Index is called Fisher's Index.

A	Arithmetic mean
B	Geometric mean
C	Harmonic mean
D	Product

20. The standard deviation of a sample of data is 36. What is the value of the variance?

A	6
B	1,296
C	2,168
D	7,776

21. What is the variance of the five numbers 4,6,8,12,15?

A	8.9
B	9.0
C	80
D	16

22. In a histogram, one class is two-thirds the width of the other classes. If the score in that class is 20, the correct height to plot on the histogram is:

A	13.33
B	21.00
C	33.33
D	30.00

BUSINESS MATHEMATICS & STATISTICAL INFERENCE

23. In calculating the regression equation linking two variables, the standard formulae for the regression coefficient are given in terms of X and Y. Which one of the following is true?

A	Y must be the variable shown on the vertical axis of a scatter graph
B	X must be the variable which will be forecast
C	It does not matter which variable is which
D	Y must be dependent variable

24. If the first derivative of function 'f' is positive throughout an interval, then the function is called _____ function of an interval.

A	increasing
B	decreasing
C	negative
D	positive

25. Mr. Hashim is investing Rs.400,000 in a risk-free security yielding a return of 10% (compounded annually) for a period of 5 years. What will be the accumulated amount at the end of year 5?

A	2,000,805
B	2,200,902
C	440,510
D	644,204

26. An amount of Rs.63,248 is invested at 6% per annum compounded half-yearly. How long will it take to grow to Rs.85,000? (Round off to nearest whole number.)

A	6 years
B	5 years
C	4 years
D	9 years

27. If the frequencies of first four numbers is out of 1, 2, 4, 6, 8 are 2, 3, 3, 2 respectively, then the frequency of 8 if their arithmetic mean is 5, _____.

A	4
B	5
C	6
D	7

28. Let 'r' be the correlation coefficient between two variables 'x' and 'y'. If the variables 'x' multiplied by 3 and the variable 'y' is increased by 2, then correlation coefficient of the new set of variables is _____.

A	r
B	3r
C	3r + 2
D	2r + 3

BUSINESS MATHEMATICS & STATISTICAL INFERENCE

29. Suppose that a population consists of the values 3, 4, 5 and 6. If a sample of size 2 is drawn from the population without replacement, then how many samples will be drawn?

A	2
B	4
C	6
D	8

30. If a time series has an even number of years and we use coding, then each coded interval is equal to

A	six months
B	one month
C	two years
D	one year

BUSINESS MATHEMATICS & STATISTICAL INFERENCE

Narrative/ Numerical Questions:

Answer should be between 60 to 100 words.

All questions carry 5 marks

Q-1 Explain briefly break even model.

A set of planning tools which can be very useful in managing organizations. Breakeven analysis focuses upon the profitability of a firm. Breakeven analysis is identifying the level of operation or level of output that would result in a zero profit. This level of operations of output is called the breakeven point. The breakeven point is a useful reference point in the sense that it represent the level of operation at which the total revenue equals total cost. Any changes from this level of operation will result in either a profit or a loss. [94 words]

Q-2 Define the following:

- **Universal set**
- **Complement**
- **Null set**
- **Subset**

- The universal set is the set which contains all possible elements within a particular application under consideration.
- The complement of a set 'S' is the set of all elements in the universal set that are not members of set 'S'.
- The empty or null set is the set consisting of no elements.
- A set 'A' is a subset of a set 'B' if and only if every element of set 'A' is also an element of set 'B'. This subset relationship is denoted as $A \subset B$, which may be read "A is a subset of B". [97 words]

Q-3 Differentiate between Arithmetic mean and Geometric mean.

Arithmetic mean:

The arithmetic mean is the simplest and most widely used measure of a mean, or average. It simply involves taking the sum of a group of numbers, then dividing that sum by the count of the numbers used in the series.

Geometric mean:

The geometric mean is the average of a set of products. It is technically defined as "the nth root product of n numbers." The geometric mean must be used when working with percentages, which are derived from values, while the standard arithmetic mean works with the values themselves. [93 words]

BUSINESS MATHEMATICS & STATISTICAL INFERENCE

Q-4 What is time series? Write down its components.

Time series analysis is used to detect patterns of change in statistical information over regular intervals of time.

There are four components of time series:

- Secular trend, which describe the movement along the term;
- Seasonal variations, which represent seasonal changes;
- Cyclical fluctuations, which correspond to periodical but not seasonal variations;
- Irregular variations, which are other nonrandom sources of variations of series. **[61 words]**

Q-5 Determine 'x' and 'y' intercepts for the following quadratic equation:

$$y = -x^2 + 3x + 4$$

Given $y = -x^2 + 3x + 4$

x intercept:

Put $y = 0$

Then $0 = -x^2 + 3x + 4$

$$0 = x^2 - 3x - 4$$

$$0 = x^2 - 4x + x - 4$$

$$0 = x(x - 4) + (x - 4)$$

$$0 = (x - 4)(x + 1)$$

Hence $x = 4$

And $x = -1$

1st x intercept is (4, 0)

2nd x intercept is (-1, 0)

y intercept:

Put $x = 0$

Given $y = -(0)^2 + 3(0) + 4$

$$y = 4$$

Hence, y intercept is (0, 4)

Q-6 A company is considering to spend Rs.100,000 on an item of equipment, which will produce cash flows as given below:

Year	1	2	3	4
Cash Flows (Rs.)	50,000	30,000	40,000	10,000

The company requires return of 12% per annum. Find the net present value (NPV) and state whether the project is viable or not?

BUSINESS MATHEMATICS & STATISTICAL INFERENCE

Year	Cash flow (Rs.)	Discount Factor $(1+r)^{-n}$ at 12%	PV = $S(1+r)^{-n}$ (Rs.)
0	(100,000)	1.00000	(100,000)
1	50,000	0.89286	44,643
2	30,000	0.79720	23,914
3	40,000	0.71180	28,471
4	10,000	0.63550	6,355
Net present value			3,383

Project is viable and earning is more than 12%

Q-7 Distribution of marks obtained by 100 candidates in an examination of 'statistics' is given below:

Marks Obtained	10 – 24	25 – 39	40 – 54	55 – 69	70 – 84	85 – 99
No. of Students	10	16	23	29	16	6

Required:

Calculate the marks obtained by the majority (mode) of students.

C.I	Frequency (f)	Class Boundary	Cumulative Frequency
10 – 24	10	9.5 – 24.5	10
25 – 39	16	24.5 – 39.5	26
40 – 54	23 (f_1)	39.5 – 54.5	49
55 – 69	29 (f_m)	54.5 – 69.5	78
70 – 84	16 (f_2)	69.5 – 84.5	94
85 – 99	06	84.5 – 99.5	100

$$\text{mode} = l + h \left(\frac{f_m - f_1}{2f_m - f_1 - f_2} \right)$$

$$\text{mode} = 54.5 + 15 \left(\frac{29 - 23}{2 \times 29 - 23 - 16} \right)$$

$$\text{mode} = 54.5 + 15 \left(\frac{6}{19} \right)$$

$$= 54.5 + 4.74$$

$$= 59.24$$

BUSINESS MATHEMATICS & STATISTICAL INFERENCE

- Q-8** A manufacturer has developed a new design for the solar collector panels. Marketing studies have indicated that annual demand for the panels will depend on the price charged. Price function for the panels has been estimated as:

$$p = 500 - 0.005q$$

Where 'q' equals the number of units demanded each year and 'p' equals the price in Rupees. Engineering studies indicate that the average cost (AC) of producing 'q' panels is estimated by the function:

$$AC = 150,000/q + 100 + 0.003q$$

Required:

Determine the level of output at which profit is maximum

$$p = 500 - 0.005q$$

$$R = pq = (500 - 0.005q)q$$

$$R = 500q - 0.005q^2$$

$$AC = 150,000 / q + 100 + 0.003q$$

$$TC = AC \times q = 150,000 + 100q + 0.003q^2$$

$$\begin{aligned} \text{Profit} &= R - C = 500q - 0.005q^2 - (150,000 + 100q + 0.003q^2) \\ &= 500q - 0.005q^2 - 150,000 - 100q - 0.003q^2 \\ &= 400q - 0.008q^2 - 150,000 \end{aligned}$$

1. $P' = 400 - 0.016q$

2. Take $P' = 0$

3. then $q = 25,000$

4. $P'' = -0.016$

$P''(25,000) < 0$ Profit of the firm is maximized when 25,000 solar panels are sold.

THE END

COMMERCIAL LAWS

1. The purpose of civil law is _____.

A	punishment
B	compensation
C	amicable settlement
D	imprisonment

2. Which one of the following is salient feature of a 'quasi contract'?

A	'Quasi contract' is neither imposed by law nor arise from any agreement.
B	'Quasi contract' is either imposed by law or arise from any agreement.
C	'Quasi contract' is not imposed by law and arise from any agreement.
D	'Quasi contract' is imposed by law and does not arise from any agreement.

3. Agency by _____ is created by law, under certain circumstances, where there is no opportunity of communicating by one person with the other.

A	Necessity
B	Estoppels
C	holding out
D	ratification

4. When seller delivers to the buyer a quantity of goods larger than he contracted to sell, then which of the following option(s) is buyer legally entitled to exercise? (i) Reject the whole. (ii) Accept the whole. (iii) Accept the quantity he ordered and reject the rest.

A	(iii) only
B	(ii) & (iii) only
C	(i) & (iii) only
D	(i), (ii) & (iii)

5. Mr. Najmi has 1,000 bags of rice. He promises to sell 150 bags out of them to Mr. Bazmi. It is a contract of:

A	unascertained goods
B	ascertained goods
C	contingent goods
D	specific goods

6. In terms of the Sale of Goods Act, 1930 if the agreement does not specify who would bear the expenses of putting the goods into deliverable state, then it is to be:

A	borne by the buyer.
B	borne by the seller.
C	borne 50% by the buyer and 50% by the seller.
D	as decided by arbitration.

COMMERCIAL LAWS

7. When there is a contract for sale of goods by sample as well as by description, there is an implied condition that the bulk of the goods shall correspond with:

A	sample and description both.
B	either sample or description.
C	sample only.
D	description only.

8. Contract Act was passed in year _____.

A	1857
B	1872
C	1957
D	1972

9. A partner who does not participate in any management or administrative process of the firm is known as _____.

A	partner by estoppel
B	sleeping partner
C	managing partner
D	sub-partner

10. In a _____ the partners, whether latent or known, usually use no firm or social name and incur no responsibilities beyond the limit of certain adventure e.g. an agreement to buy a jewel and sell it at a profit.

A	limited partnership
B	partnership at will
C	particular partnership
D	joint venture

11. If at any time the number of partners in a firm gets reduced to _____ for any reason, the firm would cease to be a partnership firm.

A	four
B	three
C	two
D	one

12. A bill of exchange which is not expressed to be payable on demand is:

A	entitled to 5 days of grace
B	entitled to 2 days of grace
C	entitled to 3 days of grace
D	entitled to 10 days of grace

COMMERCIAL LAWS

13. How many parties are involved in the Bill of Exchange?

A	2
B	3
C	4
D	1

14. Under Public Procurement Regulatory Ordinance, 2002, misprocurement means _____.

A	Public procurement in contravention of rules and regulation regarding public procurement.
B	Private procurement in contravention of rules and regulation regarding public procurement.
C	Private procurement in contravention of rules and regulation regarding private procurement.
D	Public procurement in contravention of rules and regulation regarding private procurement

15. Section 13 of the Negotiable Instruments Act, 1881 mentions three kinds of negotiable instruments by statute, which are:

A	promissory note, bill of exchange and bill of lading
B	bill of exchange, cheque and share certificates carrier receipts
C	promissory note, bill of exchange and cheque
D	promissory note, cheque and postal order

16. An instrument in writing containing an unconditional undertaking signed by the maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument is called:

A	cheque
B	bill of exchange
C	promissory note
D	bonds

17. For competitive bidding, the bidding documents shall include:

- (i) general or special conditions of contract
- (ii) invitation to bid
- (iii) instructions to bidders
- (iv) All of the above

A	Option (i) is correct.
B	Option (ii) is correct.
C	Option (iii) is correct.
D	Option (iv) is correct.

18. The procuring agency may require the bidders to furnish a bid security, _____ of the bid price.

A	not exceeding five percent
B	at least five percent
C	more than five percent
D	exactly five percent

COMMERCIAL LAWS

19. The bids shall be opened at least _____ after the deadline for submission of bids.

A	15 minutes
B	30 minutes
C	1 hour
D	2 hours

20. Competitive bidding means _____.

A	national bidding
B	international bidding
C	both national and international bidding
D	neither national nor international bidding

21. Agreement to sell is a/an _____ contract.

A	executed
B	executory
C	contingent
D	exemplary

22. The term 'property' in Sale of Goods Act means _____.

A	ownership
B	possession
C	custody
D	price

23. Which of the following is not an essential of a valid offer?

A	It must be intended to create legal relations
B	It must be certain
C	It must be communicated to the offeree
D	It must be sent through TCS only

24. Which of the following is/ are legal rules as to acceptance?

A	It must be absolute and unqualified
B	It must be given before the offer lapses
C	It cannot precede an offer
D	All of the above

25. Under Public Procurement Regulatory Ordinance, 2002, Public Fund means _____.

A	provincial consolidated fund
B	fund owned by general public
C	federal consolidated fund
D	fund owned by district government

COMMERCIAL LAWS

26. Consent is said to be free when it is not caused by:

A	coercion
B	undue influence
C	fraud
D	All of these

27. Which of the following is/ are characteristic(s) of Partnership?

A	Association of two or more persons
B	Agreement
C	Sharing of profits
D	All of the above

28. Following are the legal sources of law, except:

A	legislation.
B	precedent.
C	custom.
D	equity.

29. S and P go into a shop. S says to the shopkeeper. C, Let P have the goods and if he does not pay you, I will. This is called _____.

A	contract of guarantee
B	contract of indemnity
C	wagering agreement
D	quasi-contract

30. Decision of arbitration is _____.

A	binding
B	not binding
C	voidable
D	not final

COMMERCIAL LAWS

Narrative Questions:

Answer should be between 60 to 100 words.

All questions carry 5 marks

Q-1 Under the provisions of Negotiable Instruments Act, 1881 define 'Holder in due course' and 'Acceptor for honour'.

Holder in due course - any person who for consideration becomes the possessor (holder) of a promissory note, bill of exchange if payable to bearer, the payee or endorsee thereof, if payable to order, before it became overdue, without notice that the title of the person from whom he derived his own title was defective.

Acceptor for honour - when a bill of exchange has been noted for non-acceptance or for better security, and any person accepts it supra protest for honour of the drawer or of any one of the endorsers, such person is called an acceptor for honour. [100 words]

Q-2 Under the Contract Act, 1872 state an agent's responsibility in case he appoints a sub-agent without having the principal's authority.

Where an agent, without having authority to do so, has appointed a person to act as a sub-agent, the agent stands towards such person in the relation of a principal to an agent, and is responsible for his acts both to the principal and to third persons; the principal is not represented by or responsible for the acts of the person so employed, nor is that person responsible to the principal. [71 Words]

Q-3 Define principle of 'holding out' under the Partnership Act, 1932.

Holding out: Anyone who by words spoken or written or by conduct represents himself, or knowingly permits himself to be represented, to be a partner in a firm, is liable as a partner in that firm to anyone who has on the faith of any such representation given credit to the firm, whether the person representing himself or represented to be a partner does or does not know that the representation has reached the person so giving credit. [78 Words]

Q-4 Explain the concept of 'most advantageous bid' as defined under Public Procurement Rules, 2004.

"Most advantageous bid" means:

- (i) a bid or proposal for goods, works or services that after meeting the eligibility or qualification criteria, is found substantially responsive to the terms and conditions as set out in the bidding or request for proposals document; and

COMMERCIAL LAWS

(ii) evaluated as the highest ranked bid or proposal on the basis of cost or quality or qualification or any combination thereof, as specified in the bidding documents or request for proposal documents which shall be in conformity with the selection techniques to be issued by the Authority; **[91 Words]**

Q-5 Under the provisions of the Negotiable Instruments Act, 1881 define the term 'Endorsement'.

Endorsement: When the maker or holder of a negotiable instrument signs the same, otherwise than as such maker, for the purpose of negotiation, on the back or face thereof or on a slip of paper annexed thereto, or so signs for the same purpose a stamped paper intended to be completed as a negotiable instrument such act is called endorsement. **[60 Words]**

Q-6 Under the provisions of the Contract Act, 1872, briefly describe the conditions in which a pledge made by a mercantile agent is considered to be a valid pledge.

Pledge by a mercantile agent: Under the following conditions a valid pledge may be created by the mercantile agent:

- The agent is in possession of the goods or documents of title to the goods with the consent of the owner.
- The agent pledges the goods while acting in the ordinary course of business of a mercantile agent provided: – the pawnee acts in good faith and – the pawnee has not at the time of the pledge, notice that the agent has no authority to pledge. **[87 Words]**

Q-7 State any five functions and powers of the authority as defined under the Public Procurement Regulatory Authority Ordinance, 2002.

1. Monitor application of the laws, rules, regulations, policies and procedures in respect of, or relating to, procurement.
2. Recommend to the Federal Government revisions in or formulation of new laws, and rules in respect of public procurement.
3. Make regulations and lay down codes of ethics and procedures for public procurement, inspection or quality of goods, services and works.
4. Submit reports to the Government in respect of public procurement activities of procuring agencies.
5. Perform any other function assigned to it by the Federal Government or that is incidental or consequential to any of the aforesaid functions. **[99 Words]**

COMMERCIAL LAWS

Q-8 Differentiate between 'Condition' and 'Warranty' as defined under the Sale of Goods Act, 1930.

Differentiation between 'Condition' and 'Warranty':

Condition:

- Condition is stipulation which is essential for the main purpose of the contract.
- Breach of condition gives aggrieved party right to use for damages.
- Right to repudiate the contract.

Warranty:

- Warranty is stipulation which is collateral to the main purpose of the contract
- Breach of warranty gives aggrieved party right to sue for damages.
- Contract cannot be repudiated.

[64 Words]

THE END

FUNDAMENTALS OF COST & MANAGEMENT ACCOUNTING

1. In a manufacturing company, the cost debited to work-in-process inventory account represents:

A	Direct material used, direct labour and manufacturing overhead.
B	Cost of finished goods manufactured.
C	Period cost and product cost.
D	None of the above.

2. The variable factory overhead rate under practical capacity, expected actual capacity and normal capacity levels would be same:

A	except for normal capacity.
B	except for practical capacity.
C	except for expected actual capacity.
D	for all three levels.

3. Costs incurred on job no. 1 during the month of January are as follows: Direct material consumed 10 pounds @ Rs.50 per pound, Direct labour used 4 hours @ Rs. 100 per hour. Factory overhead is charged to this job @ 60% of direct labour cost. If job is completed during the month, then what would be the total cost of job no. 1?

A	Rs.1,140
B	Rs.900
C	Rs.740
D	Rs.640

4. Which of the following would be classified as indirect labour?

A	Assembly workers in a company manufacturing television.
B	A stores assistant in a factory store.
C	Plasters in a constructions company.
D	An audit clerk in a firm of auditors.

5. Which of the following are characteristics of services costing?

A	High levels of indirect costs as a proportion of total cost.
B	Cost units are often intangible.
C	Use of composite cost units.
D	All of the above.

6. A business started and completed 10,000 units in a month. It also has 5,000 units at the end of the month which are 20% complete. The equivalent production units are _____.

A	10,000 units
B	11,000 units
C	15,000 units
D	14,000 units

FUNDAMENTALS OF COST & MANAGEMENT ACCOUNTING

7. The salary of supervisor is treated as _____.

A	direct labour cos
B	indirect labour cost
C	admin overhead expense
D	admin expense

8. A company absorbs overhead on machine hours which were budgeted at 11,250 hours with overheads of Rs.258,750. Actual results were 10,980 hours with overheads of Rs.254,692. Overhead costs were _____.

A	Under absorbed by Rs.2,152
B	Over absorbed by Rs.4,058
C	Under absorbed by Rs.4,058
D	Over absorbed by Rs.2,152

9. A process cost system is employed in those situations where:

A	many different products, jobs, or batches of production are being produced in each period.
B	manufacturing involves a single, homogeneous product that flows evenly through the production process on a continuous basis.
C	a service is performed such as in a law firm or an accounting firm.
D	full or absorption cost approach is not employed.

10. Under a job-order costing system, the dollar amount transferred from work-in-process to finished goods is the sum of the costs charged to all jobs:

A	started in process during the period.
B	in process during the period.
C	completed and sold during the period.
D	completed during the period.

11. The process of cost apportionment is carried out so that:

A	Costs may be controlled
B	Cost units gather overheads as they pass through cost centres
C	Whole items of cost can be charged to cost centres
D	Common costs are shared among cost centres

12. Variable costs are conventionally deemed to _____.

A	be constant per unit of output
B	vary per unit of output as production volume changes
C	be constant in total when production volume changes
D	vary, in total, from period to period when production is constant

FUNDAMENTALS OF COST & MANAGEMENT ACCOUNTING

13. Chishti Manufacturing provided the following information for last month:

	<u>Rupees</u>
Sales	10,000
Variable costs	3,000
Fixed costs	5,000
Operating income	<u>2,000</u>

If sales double next month, what is the projected operating income?

A	Rs.9,000
B	Rs.7,000
C	Rs.4,000
D	Rs.12,000

14. A management consultancy recovers overhead on chargeable consulting hours. Budgeted overhead were Rs.615,000 and actual consulting hours were 32,150. Overheads were under recovered by Rs.35,000. If actual overheads were Rs.694,075 what was the budgeted overhead absorption rate per hour?

A	Rs.19.10
B	Rs.20.50
C	Rs.21.59
D	Rs.22.68

15. The following cost data is available for Beta company:

	<u>Rupees</u>
Direct materials used	10,000
Factory overhead	20,000
Work-in-process beginning	0
Work-in-process ending	6,000
Cost of goods manufactured	<u>32,500</u>

What was the amount of direct labour?

A	Rs.24,000
B	Rs.2,500
C	Rs.38,500
D	Rs.8,500

16. What is an equivalent unit?

A	A unit of output which is identical to all others manufactured in the same process.
B	Notional whole units used to represent uncompleted work.
C	A unit of product in relation to which costs are ascertained.
D	The amount of work achievable, at standard efficiency levels, in an hour.

FUNDAMENTALS OF COST & MANAGEMENT ACCOUNTING

17. Which of the following is a true statement regarding joint costs?

A	Joint costs are easily traced to individual products.
B	The primary reason for allocating joint costs is to determine whether a product should be sold immediately or processed further.
C	The primary reason for allocating joint costs is for inventory valuation for financial reporting.
D	Joint costs consist only of overhead, never of materials or direct labor.

18. Which of the following costs of a joint process would be allocated to the joint products?

A	materials, labour, and overhead
B	labour and overhead only
C	materials and labour only
D	conversion costs less by-product values

19. Which one of the following statement concerning the difference between management accounts and financial accounts is incorrect?

A	Financial accounts are governed by strict accounting rules and regulations, management accounts are not
B	There is a legal requirement for management accounts
C	Management accounts are often required for individual divisions and/or products whereas financial accounts usually cover the whole company
D	Management accounts are mainly for internal purposes whereas financial accounts are mainly for external purposes

20. Labour turnover for the period is calculated as:

A	number of employees left ÷ average workforce
B	number of employees left ÷ workforce at the beginning of the period
C	number of employees left ÷ workforce at the end of the period
D	None of the above

21. A courier of a mail company is paid a salary of Rs.10,000 per month plus an extra Rs.2 per mail article delivered. This labour cost is best described as:

A	a variable cost
B	a step cost
C	a semi-variable cost
D	a fixed cost

FUNDAMENTALS OF COST & MANAGEMENT ACCOUNTING

22. Cost accounting can be used to assist in _____.

- (i) Planning
- (ii) Decision making
- (iii) Controlling
- (iv) All of the above

A	Option (i) is correct.
B	Option (ii) is correct.
C	Option (iii) is correct.
D	Option (iv) is correct.

23. _____ are closest to decision makers in a company..

A	External Auditors
B	Financial Accountants
C	Management Accountants
D	Internal Auditors

24. The joint cost allocation method that assigns joint production costs based on the proportionate share of eventual revenues less further processing costs is the:

A	net realizable value method.
B	sales-to-production-ratio method.
C	physical units method.
D	constant gross margin percentage method.

25. Which statement is correct regarding management accounting?

A	Information is widely distributed
B	Information is customized for decision makers
C	Legal requirements have to be followed
D	Information regarding specific unit cannot be obtained

26. The secondary product recovered in the course of manufacturing a primary product during a joint process is:

A	a by-product.
B	a joint product.
C	a replacement product.
D	a split-off product.

27. When actual price is higher or lower than the standard price, then it is:

A	Sales price variance
B	Sales volume variance
C	Sales mix variance
D	Sales quantity variance

FUNDAMENTALS OF COST & MANAGEMENT ACCOUNTING

28. Which of the following statements are true about labour idle time?

- (i) Labour idle time variance is not caused by non-availability of raw material
- (ii) Labour idle time variance is measured as: Abnormal idle hours x Actual hourly rate
- (iii) Labour idle time variance is always unfavorable or adverse
- (iv) All of the above

A	Option (i) is correct.
B	Option (ii) is correct.
C	Option (iii) is correct.
D	Option (iv) is correct.

29. Distribution expenses would be included in _____.

A	prime cost
B	manufacturing overhead
C	non-production overheads
D	fixed cost

30. The following data is related to Production of one unit of product 'T':

Material	X	Y
Standard Quantity (Kgs)	40	50
Actual Quantity (Kgs)	55	35
Standard Rate per Kg	10	5
Actual Rate per Kg	9	7

Determine material usage variance.

A	Rs.75 favourable
B	Rs.75 unfavourable
C	Rs.90 unfavourable
D	Rs.90 favourable

FUNDAMENTALS OF COST & MANAGEMENT ACCOUNTING

Narrative Questions:

Answer should be between 60 to 100 words.

All questions carry 5 marks

Q-1 Briefly describe the purposes of standard cost system.

Standard cost system aid planning operations and gaining insights into the probable impact of managerial decisions on costs levels and profits. These are used for:

- Establishing budgets.
- Controlling costs and motivating and measuring efficiencies.
- Promoting possible costs reduction.
- Simplifying costing procedures and expediting cost reports.
- Assigning costs to materials, work-in-process and finished goods inventories.
- Forming the basis for establishing bids and contracts and for setting sales price.

[67 words]

Q-2 Describe the merits and demerits of 'First-in-First-Out' stock valuation method.

Merits:

- It is logical pricing method which probably represents what is physically happening in practice the oldest stock is likely to be used first.
- It is easy to understand and explain to managers.
- It can be near to the valuation based on replacement cost.

Demerits:

- This method can be cumbersome to operate because of the need to identify each batch of material separately.
- Managers may find it difficult to compare costs and make decision when they are charged with varying prices with the same materials.

[85 words]

FUNDAMENTALS OF COST & MANAGEMENT ACCOUNTING

Numerical Questions:

All questions carry 10 marks

Q-1 Akmal brothers produces bicycles. The company has recently initiated 100% bonus plan with standard production set at 50 bicycles per hour.

The company employs 10 workers on an 8-hour shift at Rs.100 per hour.

Production for the first three days of the week under 100% bonus plan is as under:

Days	Units Produced
Monday	4,000
Tuesday	4,500
Wednesday	4,600

Management of the company is interest in appraising the results of new incentive wage plan.

Required:

Calculate employees earning by showing total labour and unit labour cost for the three days.

10

Solution:

Figures to be types

	MONDAY	TUESDAY	WEDNESDAY
Actual production	4000	4500	4600
Standard hours allowed	80	90	92
Actual hours	80	80	80
Time saved	0	10	12
Basic wages (Rs.)	8000	8000	8000
Bonus (Rs.)	0	1000	1200
Total earnings (Rs.)	8000	9000	9200
Per unit labour cost (Rs.)	2	2	2

FUNDAMENTALS OF COST & MANAGEMENT ACCOUNTING

Q-2 Mega Pharmaceutical Company produces an antibiotic product in its two producing departments. There was no opening work-in-process for the month. During the month, 8,000 units were received from the Department-1 at a total cost of Rs.600,000. During the current month following additional cost was added by Department-2:

	Rupees
Direct materials	32,000
Direct labour	111,000
Factory overhead	74,000
Total	217,000

At the end of the month the closing work-in-process was 1,500 units, which were 100% complete in respect of materials, and 60% complete in respect of labour and overheads. The balance of units was transferred to finished goods.

Required:

- (a) Calculate the equivalent number of units produced. 02
 (b) Calculate the cost per equivalent unit. 03
 (c) Prepare the process account for department-2. 05

Solution:

Narrations to be selected from
Dropdown Options

Figures to be types

(a) Equivalent number of units produced:

	Material	Conversion
Units completed	6500	6500
Ending units	1500	900
Total	8000	7400

(b) Cost per unit:

	Rupees
Department-1 cost per unit	75
Materials cost per unit	4
Labour cost per unit	15
Factory overhead cost per unit	10
Total	104

FUNDAMENTALS OF COST & MANAGEMENT ACCOUNTING

(c) Process Account:

Debit:	Units	Rupees
Input from previous department	8000	600000
Materials		32000
Direct labour		111000
Factory overhead		74000
Total	8000	817000
Credit:	Units	Rupees
Finished goods	6500	676000
Closing work-in-process	1500	141000
Total	8000	817000

Q-3 Seema Limited manufactures a chemical. The following standard costs are applied for the production of 100 units of chemical:

	Rupees
Materials 500 kgs @ Rs. 8 per kg	4,000
Labour 20 hours @ Rs. 15 per hour	300

The monthly production/ sales budget is 10,000 units. The selling price is Rs. 60 per unit.

During the month of January 2018 the following actual production and sales information is available:

	Rupees
Chemical produced/ sold (10,600 units)	
Sales value	630,000
Material purchased and used (53,200 kgs)	425,000
Labour (2,040 hours)	31,000

Required:

Calculate the following variances for the month of January 2018:

- (i) Sales volume variance
- (ii) Sales price variance
- (iii) Materials price variance
- (iv) Materials usage variance
- (v) Labour rate variance
- (vi) Labour efficiency variance

FUNDAMENTALS OF COST & MANAGEMENT ACCOUNTING

Solution:

Narrations to be selected from
Dropdown Options

Figures to be types

Seema Limited		
(i) Sales Volume Variance:	<input type="text" value="9000"/>	<input type="text" value="FAV"/>
(ii) Sales Price Variance:	<input type="text" value="6000"/>	<input type="text" value="UNFAV"/>
(iii) Materials price variance:	<input type="text" value="600"/>	<input type="text" value="FAV"/>
(iv) Materials usage variance:	<input type="text" value="1600"/>	<input type="text" value="UNFAV"/>
(v) Labour rate variance:	<input type="text" value="400"/>	<input type="text" value="UNFAV"/>
(vi) Labour efficiency variance:	<input type="text" value="1200"/>	<input type="text" value="FAV"/>

THE END

ENTERPRISE MANAGEMENT

1. Using least amount of input to achieve maximum output refers to achieving _____.

A	controlling
B	effectiveness
C	efficiency
D	goal attainment

2. The process of monitoring specific project results to determine if they comply with relevant quality standards is called _____.

A	quality assurance
B	quality control
C	quality planning
D	quality review

3. Total Quality Management (TQM) focuses on _____.

A	customers
B	employees
C	suppliers
D	human resource

4. _____ refers to process of designing work so that it can be completely performed by machine.

A	Value-chain
B	Automation
C	Artificial transformation
D	Supply-chain

5. _____ are those activities relating to storing the final product and its distribution to customers.

A	Inbound logistics
B	Marketing and sales
C	Outbound logistics
D	Operation

6. The activities involved with receiving, handling and storing inputs to the production system are called _____.

A	after sales service
B	inbound logistics
C	operations
D	sales & marketing

ENTERPRISE MANAGEMENT

7. The term operation management refers to the transformation process that converts resources into _____.

A	finished goods
B	finished goods and services
C	services
D	supply chain

8. _____ is the ability of products and services to reliably do what it is supposed to do and to satisfy customer's expectations.

A	Quality
B	Value
C	Value chain
D	Variety

9. _____ refers to providing customers with a product when, where and how they want it.

A	Mass customization
B	Lean organization
C	Six sigma
D	Benchmarking

10. An organization adopting a philosophy of minimizing waste and striving for perfection is called _____.

A	Customer orientation
B	Mass customization
C	Lean organization
D	Six sigma

11. Master Production Schedule (MPS) specifies _____.

A	what is to be purchased and when
B	what is to be made and when
C	what is to be sold and when
D	what is to be received and when

12. The dependent demand technique used in a production environment to determine material requirement is called _____.

A	Material requirements planning (MRP)
B	Master production schedule (MPS)
C	Enterprise Resource Planning (ERP)
D	Optimized Production Technology (OPT)

ENTERPRISE MANAGEMENT

13. _____ refers to the duration it takes to get various components for production.

A	Reorder time
B	Lead time
C	Ordering cycle
D	Production cycle

14. The research which gather preliminary information that helps to define problems and suggest hypotheses, refers to as _____ research.

A	market
B	exploratory
C	product
D	causal

15. _____ is/are service characteristic(s) that a company must consider when designing program.

- (i) Intangibility, perishability
- (ii) Variability
- (iii) Inseparability
- (iv) All of the above

A	Option (i) is correct
B	Option (ii) is correct
C	Option (iii) is correct
D	Option (iv) is correct

16. Partnership between an organization and a foreign company partner in which both share resources and knowledge in developing new products or building production facilities refers to as:

A	Licensing
B	Strategic alliance
C	Foreign subsidiary
D	Corporate alliance

17. Improved quality helps in increasing profit by _____.

- (i) Lower costs
- (ii) Increased productivity
- (iii) Lower waste
- (iv) All of the above

A	Option (i) is correct
B	Option (ii) is correct
C	Option (iii) is correct
D	Option (iv) is correct

ENTERPRISE MANAGEMENT

18. Cost of quality includes:

- (i) Prevention costs
- (ii) Appraisal costs
- (iii) Internal failure costs
- (iv) All of the above

A	Option (i) is correct
B	Option (ii) is correct
C	Option (iii) is correct
D	Option (iv) is correct

19. _____ organization produces intangible output and create time or place utility for its customers.

A	Manufacturing
B	Services
C	Lean
D	Kaizen

20. Production method which customize according to specific customer is called _____.

A	Job method
B	Batch method
C	Flow method
D	Kaizen method

21. Flow method may not be suitable for:

A	petroleum products
B	oil paints/water paints
C	automobiles
D	food products

22. Employers forced to work hard with inadequate rewards is termed as _____.

A	coercive
B	calculation
C	cooperative
D	committed

23. Which one of the following is not the aim of reward system?

A	Encouragement
B	Motivation
C	Flex time
D	Quality of staff

ENTERPRISE MANAGEMENT

24. Which one of the following is a part of the recruitment rather than the selection process?

A	Job analysis
B	Interviewing
C	Testing
D	Assessment centre

25. _____ is a training method in which employees participate in role playing, simulations, or other face-to-face types of training.

A	Job rotation
B	Internal Transfer
C	Experiential exercises
D	Workbooks/ manuals

26. _____ expresses the vertical expansion of a job by adding planning and evaluating responsibilities.

A	Job design
B	Job depth
C	Job enrichment
D	Job enlargement

27. _____ means temporary or permanent involuntary termination that may last only for a few days or extend to years.

A	Early retirement
B	Firing
C	Attrition
D	Layoff

28. The _____ are permanently employed people who represent the distinctive knowledge and competences of the firm.

A	technical core
B	workers group
C	professional core
D	bureaucratic group

29. Future human resource needs are determined by organization's _____.

- (i) mission
- (ii) goals
- (iii) strategies
- (iv) All of the above

A	Option (i) is correct
B	Option (ii) is correct
C	Option (iii) is correct
D	Option (iv) is correct

ENTERPRISE MANAGEMENT

30. _____ describes the minimum qualification that a person must possess to successfully perform a job.

A	Job description
B	Job specification
C	Recruitment
D	Human resource management

Narrative Questions:

Answer should be between 60 to 100 words.

All questions carry 5 marks

Q-1 Describe the rewards and challenges of being a manager.

Rewards:

- Create a work environment in which organizational members can work to the best of their ability.
- Have opportunity to think creatively and use imagination.
- Help others find meaning and fulfilment in work.

Challenges:

- Often have to do work with limited resources.
- Motivate workers in chaotic and uncertain situations.
- Blend knowledge, skills, ambitions and experiences of a diverse work group.

[60 words]

Q-2 List some of the major differences between products or services.

Products

- Products are tangible and can be held, seen and movable
- Products can be stored for future use
- Products can be returned to the seller
- In case of products customer do not participate in production process
- Transfer of ownership of goods is possible

Services

- Services are intangible and can only be felt
- Services are perishable and cannot be stored for later use
- Services cannot be returned once they are availed
- In case of services customer participate in production process
- Transfer of ownership of services is not possible

[86 words]

ENTERPRISE MANAGEMENT

Q-3 Discuss the objective and advantages of plant maintenance.

Objectives:

1. To keep the plant in good working condition at the lowest possible cost.
2. Machines should be kept in such a condition which permits them to be used at their optimum capacity without any interruption.
3. Maintenance division of the factory ensures the availability of the machines required by other sections of the factory for the performance of their functions at optimum return on investment whether this investment be in material, machinery or personnel.

Advantages:

1. Reduced breakdowns and connected down-time.
2. Lesser odd-time repairs and reduced overtime to the maintenance work-force.
3. Greater safety for workers.

[99 words]

Q-4 There are different types of production techniques, one of them is 'Job method'. Describe the characteristics that job method possess.

The job production possesses the following characteristics:

1. A large number of general purpose machines are required.
2. A large number of workers conversant with different jobs will have to be employed.
3. There can be some variations in production.
4. Some flexibility in financing is required because of variations in work load.
5. A large inventory of materials, parts and tools will be required.

[65 words]

Q-5 Explain Total Quality Management.

Total Quality Management means that the organization's culture is defined by and supports the constant attainment of customer satisfaction through an integrated systems of tools, techniques and training. This involves the continuous improvement of organizational processes, resulting in high quality of product or services.

Quality has become a factor that organizations can no longer ignore. Managers today are aiming for Total Quality Management, which occurs when an entire organizational culture becomes focused on quality and customer satisfaction through an integrated system of tools, technique and training. [86 words]

ENTERPRISE MANAGEMENT

Q-6 Describe types of service marketing.

1. External marketing: Companies use external marketing to make promises to customers. It is any communication to customers (or potential customers) that happens before service delivery starts.
2. Internal Marketing: means that the service firm must orient and motivate its customer-contact employees and supporting service people to work as a team to provide customer satisfaction.
3. Interactive Marketing: means that the service quality depends heavily on the quality of the buyer-seller interaction during the service encounter. In service marketing, service quality depends on both the service deliverer and the quality of the delivery.

[93 Words]

Q-7 Branding poses challenging decisions to the marketer. Briefly explain 'Major brand strategy decisions' faced by a marketer.

Major brand strategy decisions:

Brand Positioning: Marketers can position the brand on product attributes, by associating its name with a desirable benefit or on strong beliefs and values.

Brand name selection:

Once the name for a product is selected by considering product and its benefits then it must be protected.

Brand sponsorship:

A manufacturer has four sponsorship options: The product may be launched as a manufacturer's brand, private brand, licensing and co-branding.

Brand development:

A company has four options when it comes to developing brands. It can introduce line extension, brand extensions, multi brand or new brand.

[97 words]

Q-8 Briefly explain different types of quality-related cost.

Types of quality-related cost:

1. Prevention costs – Cost of preventing defects before they occur. For example: Designing products and services with built in quality.
2. Appraisal costs – The cost of quality inspection and testing.
3. Internal failure costs – The costs arising from a failure to meet quality standards. Occurs before the product/ service reaches the customer. For example: Cost of reworking parts, re-inspection costs. .
4. External failure costs – The costs arising from a failure to meet quality standards. Occurs after the product/ service reaches the customer. For example: Costs of recalling and correcting products, cost of lost goodwill.

[95 words]

THE END

MANAGEMENT INFORMATION SYSTEMS

1. Which segment do eBay, Amazon.com, and LandsEnd.com belong?

A	B2Bs
B	B2Cs
C	C2Bs
D	C2Cs

2. The best products to sell in B2C e-commerce are:

A	Small products
B	Digital products
C	Specialty products
D	Fresh products

3. What is the name for direct computer-to-computer transfer of transaction information contained in standard business documents?

A	Internet commerce
B	E-commerce
C	Transaction information transfer
D	Electronic data interchange

4. Which statement(s) is not true for a System?

A	A Complex whole
B	Organized complexity
C	An Entity consisting interdependent parts
D	None of the above

5. Components parts of a system are:

A	Input, Process, Output
B	Input, Process, Output, Boundary
C	Input, Process, Output, Boundary, Environment
D	None of the above

6. Subsystems may be differentiated from each other by following:

A	Time
B	Automation
C	Formality
D	All of the Above

MANAGEMENT INFORMATION SYSTEMS

7. Which statement(s) is not true for an IS?

A	IS needs to be permanent
B	IS exists with varying degree of formality
C	IS is a socio-technical system
D	IS exists in all types of organizations

8. Formal and routine data flows can be:

A	Internal
B	External
C	Both A & B
D	None of the Above

9. Which of the following would not be considered an end-user of an information system?

A	A student who accesses information on a website.
B	A programmer who writes code for a software module
C	A customer who uses a credit card in an EFTPOS machine.
D	A sales assistant in a video shop who searches a database for a specific title

10. How many stages are in the systems development life cycle (SDLC)?

A	4
B	5
C	6
D	10

11. The first step in the systems development life cycle (SDLC) is:

A	System design
B	Feasibility study
C	System analysis
D	System investigation

12. Capital cost does NOT include:

A	Hardware purchase cost
B	Software purchase cost
C	Data transmission cost
D	Installation cost

13. If there has been _____, the project team will develop a number of business options for users to assess.

A	feasibility
B	no feasibility
C	detailed feasibility
D	brief feasibility

MANAGEMENT INFORMATION SYSTEMS

14. What clearly defines the high-level system requirements?

A	Project scope
B	Project plan
C	Project milestone
D	Project manager

15. What defines the what, when, and who questions of system development including all activities to be performed, the individuals, or resources, who will perform the activities, and the time required to complete each activity?

A	Project scope
B	Project plan
C	Project milestone
D	Project manager

16. Formal Risk management does NOT include?

A	Risk assessment
B	Risk elimination
C	Risk minimization
D	Risk transfer

17. Which of the following is not a right of the auditor under audit legislation?

A	To access company's books and records
B	To attend and speak at general meetings of the company
C	To receive all information and explanations necessary for the audit
D	To refuse to complete a statement of circumstances if the reason for resignation is considered to be of a confidential nature

18. Risk management is a:

A	One-off exercise
B	Monthly process
C	Ongoing process
D	All of the above

19. Which of the following describes corporate governance?

A	The process of assessing if a company's financial figures give a true and fair view
B	The distribution of rights and responsibilities among different participants in the corporation, such as board, managers, shareholders and other stakeholders
C	That governance which provides the structure that links IT processes, IT resources, and information to enterprise strategies and objectives
D	IT Governance provides the structure that links IT processes, IT resources, and information to enterprise strategies and objectives

MANAGEMENT INFORMATION SYSTEMS

20. Transaction Authorization is a responsibility of which department?

A	The Operations Department
B	The IT Department
C	The User Department
D	The HR Department

21. A security Administrator is responsible for the following:

A	Adding and configuring new workstations
B	Performing procedures to prevent the spread of viruses
C	Allocating mass storage space
D	Implementing information security policy

22. System evaluation is to review:

A	New System Only
B	Existing hardware and software
C	Both A & B
D	None of the Above

23. Which one of the following doesn't form part of Problem management reporting reviews?

A	Determining the source of computer problems and taking appropriate corrective actions
B	Initiating problem reports as required and ensuring that problems are resolved in a timely manner
C	Verify that IS management has developed and enforced change schedules that allow time for adequate installation and testing of new hardware.
D	Obtaining detailed knowledge of the operating system and other systems software

24. Which of the following documentation should be reviewed to gain an understanding of an application's development?

- (i) System Development Methodology Documents
- (ii) Functional Design Specifications
- (iii) Program Changes
- (iv) User Manual

A	Options (i), (ii) and (iv) are correct.
B	Options (i), (iii) and (iv) are correct.
C	All of the above
D	None of the above

25. Main objectives of system development controls does NOT include:

A	Establishing basis for management review of system
B	Ensuring system under development has clear specified objectives
C	Determining whether the system is currently justifiable
D	Ensuring that users acquire an understanding of the new system

MANAGEMENT INFORMATION SYSTEMS

26. Administrative controls are controls over:

A	Data scrutiny
B	Data sharing
C	Data security
D	None of the above

27. Verification is the process of ensuring that data has been the same as data on:

A	source document
B	input
C	processed
D	output

28. A disaster recovery plan should include:

A	Biometric technology replacement plan, backup plan, recovery plan, test plan.
B	Biometric technology replacement plan, emergency plan, backup plan, recovery plan.
C	Biometric technology replacement plan, emergency plan, backup plan, test plan.
D	Emergency plan, backup plan, recovery plan, test plan.

29. Accidental damage to an information system can be caused by:

A	User error
B	Failure to follow file management procedures.
C	Failure of hardware components.
D	All of the above

30. If the disaster has a public impact, the recovery team may come under the pressure from:

A	Employees
B	Public
C	Trade union
D	Creditors

MANAGEMENT INFORMATION SYSTEMS

Narrative Questions:

Answer should be between 60 to 100 words.

All questions carry 5 marks

Q-1 What is three tier architecture?

The basic idea is that potential customers go to world-wide web (WWW) page, find a product or service that they wish to purchase from you, and then purchase it while they are at the web page. There are three components to this architecture: the Internet, a firewall, and your organization. The Internet is where you will interact electronically with your customers, your firewall will provide you with reasonable protection against people who wish you harm, and your organization's systems will process the business transactions generated on the WWW by your customers.

[91 words]

Q-2 Discuss all type of network topologies.

Bus topology is a network type in which every computer and network device is connected to single cable. When it has exactly two endpoints.

In ring topology it forms a ring as each computer is connected to another computer, with the last one connected to the first.

In star topology all the computers are connected to a single hub through a cable. This hub is the central node and all others nodes are connected to the central node.

In tree topology, a network has a root node and all other nodes are connected to it forming a hierarchy. It should at least have three levels to the hierarchy.

[108 words]

Q-3 What is data warehousing?

Data warehousing is the process of constructing and using a data warehouse. A data warehouse is constructed by integrating data from multiple heterogeneous sources that support analytical reporting, structured and/or ad hoc queries, and decision making. Data warehousing involves data cleaning, data integration, and data consolidations.

There are decision support technologies that help utilize the data available in a data warehouse. These technologies help executives to use the warehouse quickly and effectively. They can gather data, analyze it, and take decisions based on the information present in the warehouse.

[89 words]

MANAGEMENT INFORMATION SYSTEMS

Q-4 What are the advantages and disadvantages of waterfall model?

The advantages of the waterfall model:

- It provides a clear and easy to follow sequence of activities
- Issues of quality management are addressed through the verification and validation sections in each stage of the model
- Project management and control is facilitated by the need to complete each stage before moving on the next.

The disadvantages of the waterfall model:

- Systems development may not be linear and it may be necessary to revisit the work of past stages in the light of changed requirements
- Estimating times and costs are difficult for each stage

[92 words]

Q-5 Briefly describe the term IT Audit and its various types.

An information technology audit is an examination of the management controls within an Information technology (IT) infrastructure. The evaluation of obtained evidence determines if the information systems are safeguarding assets, maintaining data integrity, and operating effectively to achieve the organization's goals or objectives. These reviews may be performed in conjunction with a financial statement audit, internal audit, or other form of attestation engagement. Following are different Types of IT Audits.

- Technological Position Audit
- Systems and Applications Audit
- Information Processing Audit
- Systems Development Audit
- Management of IT and Enterprise Architecture Audit
- Client/Server, Intranets, and Extranets Audit

[95 words]

Q-6 What is the role of systems analyst in IT department?

- To analyze business systems with problems and to design new or modify systems to solve the problems.
- To develop systems to meet new needs.
- To prepare and maintain manuals to communicate company policies and procedures.
- To design business forms for collecting and distributing information.
- To perform records management. (Distribution and use of reports)
- To participate in the selection of information processing equipment and to establish standards for equipment selection.
- To prepare and maintain business organization charts

[76 words]

MANAGEMENT INFORMATION SYSTEMS

Q-7 What is hardware Acquisition review?

The review of the hardware acquisition plan is performed to determine:

- Whether the hardware acquisition plan is compared regularly to management's business plan.
- Whether the environment is adequate to accommodate the current installed hardware and new hardware to be added under the approved hardware acquisition plan.
- Whether IS management's hardware acquisition plan is in synchronization with the IS plans to identify any deficiencies in the former.
- Whether management's hardware acquisition plan IS has taken into consideration technological obsolescence of the installed equipment, as well as the new equipment in the acquisition plan.

[92 words]

Q-8 What are recovery sites and how many back up sites are there?

A recovery site is a location used by an organization for restoring its IT infrastructure and business-critical operations when a primary production center is affected by a natural or man-made disaster. Recovery sites are often built in a remote location so as to ensure that the disaster which has affected the main site will not affect the secondary site as well. Creating a recovery site allows an organization to continue conducting operations and delivering services without disruption, until the primary location is restored.

There are three types of backup sites: cold sites, warm sites, and hot sites.

[97 words]

THE END