



**ACCA**

**Paper F1**

**Accountant in Business**

**December 2010**

**Interim Assessment – Answers**



**To gain maximum benefit, do not refer to these answers until you have completed the interim assessment questions and submitted them for marking.**

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**1 C**

A mutual is a voluntary not-for-profit organisation formed for the purpose of raising funds by subscriptions of members out of which common services can be provided to those members.

**2 D**

PEST analysis provides four key factors against which to review how the environment will affect a business.

**3 A**

In a matrix structure individuals will have dual command, a functional manager and a divisional manager. This can cause conflict between departments and stress for the individual.

**4 A**

The three levels of control are strategic, tactical and operational.

**5 A**

McGregor presented two opposite sets of assumptions made by managers about their staff. These assumptions, which he called Theory X and Theory Y, are implicit in most approaches to supervision. 'Theory X' people dislike work, need direction and avoid responsibility. 'Theory Y' people are at the opposite end of the continuum and find work as natural as rest and play.

**6 B, FALSE**

A long scalar chain is associated with a narrow span of control.

**7 B**

Hofstede's 5 dimensions are individualism v collectivism, uncertainty avoidance, power distance, masculinity v femininity, Confucianism v dynamism.

**8 D**

Legitimate power is conferred by the authority linked to a formal position within the organisation structure.

**9 B**

Forming is the first stage where the team comes together. Storming occurs next where the team faces conflict over roles, objectives and norms of behaviour. Norming is the third stage when the team establishes norms and procedures. Finally the team gets to the performing stage where the team is capable of performing to its full potential.

Later a fifth stage was added, dorming.

**10 A, TRUE**

Communication flow is often interrupted in tall organisations by the number of levels of management.

**11 B**

The primary activities are inbound logistics, operations, outbound logistics, marketing and sales and service.

Support activities are procurement, technology development, human resources and infrastructure.

**12 D**

A and C refers to seasonal unemployment.

B describes structural unemployment.

**13 B**

The inflationary gap is a Keynesian concept which describes a situation where demand exceeds the level required to bring about full employment.

**14 A**

Power culture is characterised by one central source of power, few procedures and rules.

**15 A, TRUE**

Flat organisations generally offer fewer opportunities for promotion as there are fewer management levels and therefore fewer managers.

**16 A**

Power culture is characterised by one central source of power, few procedures and rules.

**17 D**

In an entrepreneurial structure the owner/manager takes all the decisions therefore they are made quickly and ensure they are congruent with the organisations goals.

**18 A**

Blake and Mouton argued that successful managers score highly (up to a maximum of 9.9) according to their concern for people and concern for production (concern for the task).

**19 C**

**20 B**

Task roles include setting objectives, planning tasks, allocating responsibilities, opinion-seeking, decision-making and evaluating.

**21 C**

The other attributes are advantages of a decentralised management structure.

**22 C**

Fayol's five functions of management are planning, organising, commanding, controlling and coordinating.

**23 A**

Authority is the right to do something or ask someone else to do it and expect it to be done.

**24 B**

The team is at the storming stage of team development where the team faces conflict over roles, objectives and norms of behaviour.

**25 D**

Peter Drucker's five management activities are setting objectives, organising, motivating and communicating, establishing yard sticks and developing people.

**26 B**

Shaper – the task leader.

Resource investigator – brings new contacts, ideas and developments to the group.

Team worker – holds the team together by being supportive.

**27 B**

A management information system provides summarised information to assist decision making.

An expert system applies expert knowledge to the solving of problems but not all decision support systems are expert systems.

An executive information system is designed for executives and provides summaries of the organisation and its performance, information for monitoring and control, access to more detailed information behind the summaries and information for identifying problems and opportunities.

**28 A**

Herzberg argues that the job security, working conditions and the level and quality of supervision are all hygiene factors. He also argued that pay is a hygiene factor, particularly basic pay. However pay can also be used as an incentive or motivator.

**29 D**

Information is often dependent on future events so in many circumstances good quality information will be uncertain. In some cases information needs to be produced quickly but speed is only necessary when the information will be used immediately. Good quality information should be cost effective, so that the benefits of the information exceed the costs of producing it.

**30 C**

Tactical control is control at the middle management level of the organisation. It is the tactical managers who are involved in setting procedures.

**31 C**

Shaper – the task leader.

Plant – the source of original ideas and proposals.

Team worker – holds the team together by being supportive.

**32 B, FALSE**

Exception reporting is a feature of management information systems rather than a decision support system.

**33 D**

Herzberg argues that the job security, working conditions and the level and quality of supervision are all hygiene factors, necessary to stop an individual disliking work. Being given responsibility can be classed as a motivator.

**34 A**

Structural unemployment relates to the decline of particular industries often creating high regional unemployment.

**35 B, FALSE**

A reduction in the interest rate will reduce the cost of borrowing therefore increasing consumption

**36 C**

(ii) is more likely to happen following a rise in interest rates which reduces the cost of borrowing making investment project less profitable.

(i) and (iv) are likely following a fall in interest rate as borrowing becomes cheaper.

(iii) it is likely that borrowing would increase when interest rates are cut as it reduces the cost of borrowing.

**37 A**

Delaying means reducing the number of layers of management in the organisation.

**38 A, TRUE**

A reduction in the interest rate will reduce the cost of borrowing making investment projects more profitable therefore increasing the level investment.

**39 A**

The primary activities are inbound logistics, operations, outbound logistics, marketing and sales and service.

Support activities are procurement, technology development, human resources and infrastructure.

**40 C**

A new supplier to the industry will lead to lower costs as the suppliers have to become more competitive to maintain market share. This in turn will increase the profitability for the industry to which it supplies.

**41 B**

Supply side policies are based on enabling markets to function freely with government intervention restricted to improving the supply of factors of production in an economy.

**42 C**

Effectiveness in output is the ability of the product to meet the needs of the consumer and may not lead to lower costs.

**43 C**

Connected stakeholders can be viewed as having a contractual relationship with the organisation and includes shareholders, lending bankers, suppliers and customers.

Central Government and pressure groups are external stakeholders. Directors are internal stakeholders.

**44 C**

Mendelow's matrix helps to identify the relationships that should be built with different stakeholders.

**45 B, FALSE**

All professional accountants must comply with the IFAC code. All ACCA members, including students and affiliates, whether or not they are in practice, must comply with the ACCA Code of Ethics and Conduct.

**46 D**

ACCA's ethical code requires members to act in a way that does not bring the institute into disrepute therefore A, B and C would all be incorrect as an individual's or other accountant's or organisation's standards of ethics may still bring ACCA into disrepute.

**47 B**

Connected stakeholders can be viewed as having a contractual relationship with the organisation and includes shareholders, lending bankers, suppliers and customers.

**48 C**

A differentiated product or service offers unique features that are valued by customers.

**49 C**

A remuneration committee should be made up of at least 3 independent non executive directors. As the committee will hold separate meetings to establish the remuneration of all the executive directors there will be a cost involved in preparing for and holding the committee meetings.

**50 D**

The non-executive directors are not responsible for all key business decisions. This is the role of the executive directors.