

THE ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

FINAL EXAMINATION – JANUARY 2014

(62) BUSINESS COMMUNICATION - II (English)

(Optional Subject)

Time: 03 hours

25-01-2014
Morning
[9.00 – 12.00]

• **Instructions to candidates:**

- (1) **All questions should be answered.**
- (2) **Answers should be in the answer booklets provided.**
- (3) **100 Marks.**

No. of Pages : 06
No. of Questions : 07

- 01. (A)** You are required to select the most suitable word from the list of ten(10) words given below to **fill in the blanks** in dotted lines in the following sentences. Write down numbers (1) to (5) in your answer booklet, and write the word selected for each of the blanks against the relevant number.

procedures	subsequent	corporate	performance	investigations
accordance	compliance	deferred	impairment	strategy

- (1) The Chief Internal Auditor presented a summary of the findings of internal audit and carried out by his department during the year as directed by the management.
- (2) One of the purposes of the audit committee is to review the company's processes for monitoring with laws and regulations.
- (3) The financial statements of the company have been prepared and presented in with the Sri Lanka Accounting Standards.
- (4) An internal audit generally determines whether the company's are followed and whether embezzlement or other illegal activity has taken place.
- (5) The Board of Directors of **Mintex PLC** is committed and takes responsibility to maintain the highest standards of governance.

(05 marks)

(B) (a) State very briefly what is meant by a "circular"? (02 marks)

(b) Assume that you are the General Manager of 'Wide World PLC' a company with international links dealing with computers. A Regional Head of the company, Mr. Yuan Chang will be visiting Sri Lanka on 02nd February. He is expected to visit the company on 03rd February at 10.00 a.m. Draft a circular to be sent to all Heads of Departments to communicate this information.

Include the following in your circular:

- The date of arrival of Mr. Yuan Chang to Sri Lanka.
- Date and time of his visit to the company.
- An invitation to Heads of Departments to be present and be ready to answer any questions relating to the business.

(06 marks)

(C) The meeting of the Board of Directors of **CeyTex PLC** was held on 02nd January 2014 at the Board Room of the company at No.01, 5th Lane, Colombo 04.

The Managing Director Mr. P. Gunawardana, three Directors Ms. D.S. Silva, Mr. S. Nilaweera and Mrs. B. Udowia attended the meeting.

Mr. D.S. Ranaweera and Ms. C.T. Perera were excused from attending the meeting.

The following matters were discussed:

- Raising capital for expanding the business - Issue of debentures was approved.
- Launch of a new product - Feasibility Report of Research and Development (R & D) division was referred to the CEO for recommendations.
- Salaries to employees of sales outlets - A 50% increase was approved.
- Training needs of the factory employees - The factory Manager's Report was deferred for the next meeting.
- Any Other Business - Nil.

Assume that you are the Secretary to the Board. Write the minutes of the meeting.

You may include the decisions recorded above and expand on those suitably.

(07 marks)

(Total 20 marks)

- 02.** (a) (i) What is meant by "Calling for Tenders / Quotations" to purchase items required by a company?
- (ii) State three(03) advantages of adhering to tender procedure in purchasing items for a company. (05 marks)

(b) Assume that you are the Accountant of **Deema Teas PLC** dealing with export of Tea. Your new office at Nawala, needs the following items of furniture and equipment.

- Conference Tables and Executive Chairs.
- Filing Cabinets.
- Shredders.
- Printers and Scanners.

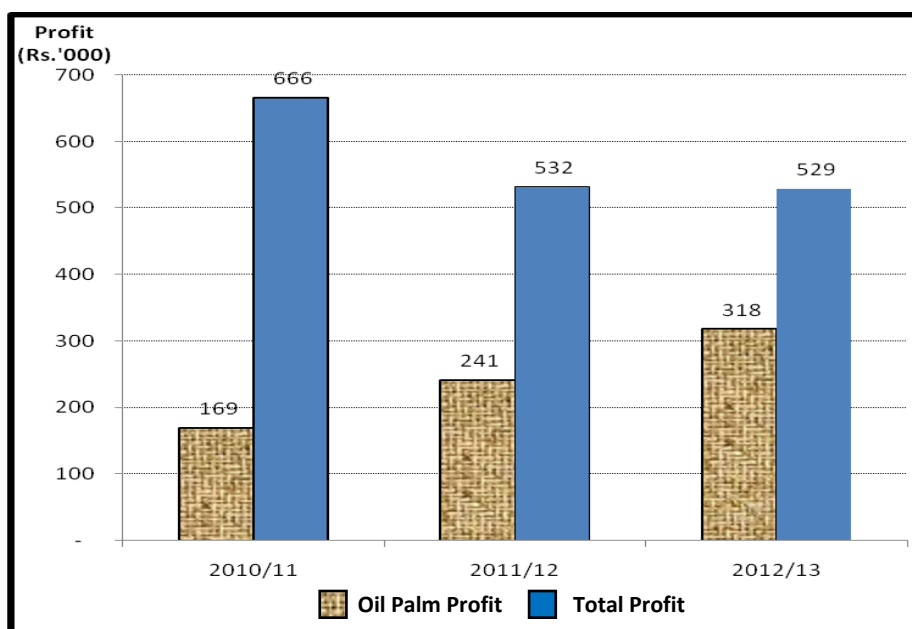
Draft a notice to be published in newspapers, calling for quotations for the purchase of the above mentioned items. Give details such as the dimensions, type or brand, quantity and quality of the items needed, time frame for delivery, the address to which the quotations should be sent and the closing date for quotations. (05 marks)

(Total 10 marks)

- 03.** Study the following bar chart, an extract from an annual report of a company. Write a paragraph interpreting the information in the chart, commenting on trends and comparing relevant data as appropriate. You may include any other observations you have made.

Use about 150 words.

Gross Profit of Oil Palm Division and Total Profit of the Company



(15 marks)

- 04.** Assume that you are the purchasing officer of **Print Mate PLC**, a company engaged in printing and duplicating work. Two of the photocopy machines used at present have to be replaced due to wear and tear. You have been asked by the management to arrange for the purchase of two photocopy machines without delay.

Write a letter to **Best Copiers** at No. 43, Hill Street, Dehiwela, a supplier of quality photocopy machines, making an inquiry about the possibility of supplying two brand new machines to your office early.

Mention what you look for (your requirements) relating to the following features:

- Operational Efficiency.
- Capacity.
- Options Available.

Ask for: prices and discounts, guarantees available and the time frame for the supply and the possibility of exchanging (trading) the old machines used at present for new machines.

(10 marks)

- 05.** (a) Explain briefly:

- (i) Three(03) methods of gathering information.
- (ii) The mechanism of gathering information from the minds of people.

(05 marks)

- (b) (i) What is e-mail?

- (ii) List three(03) advantages of using e-mail to maintain business relationships and transact business.

(05 marks)

(Total 10 marks)

- 06.** Read the following text and answer the questions set on it. Your answers should be meaningful and in complete sentences.

(Do not copy and reproduce irrelevant details from the text).

A country's official international reserves comprise of the foreign currency financial assets held by their respective central banks and governments, including gold, special drawing rights (SDRs) reserve positions maintained with the International Monetary Fund (IMF). Official foreign exchange reserves help maintain international liquidity and provide precautionary insurance by facilitating the settlement of foreign liabilities. When such reserves are depleted to levels inadequate to meet regular payments, it is deemed to be a Balance of Payments (BOP) crisis. Given that BOP crisis can be costly in terms of lost output, bankrupt firms, high unemployment and foregone government revenue, they have the potential to destabilize economies from their envisaged growth paths. Thus, central banks hold foreign currency denominated financial assets, as a buffer, to be used in conjunction with sound macroeconomic policies to support the BOP in the event of adverse external shocks arising from "large jolts" to the terms of trade or "sudden stops" in the capital account. This way, official reserves help the country achieve its macroeconomic objectives.

Why has foreign reserve management become challenging? Central Bank reserve management has traditionally centered around three objectives; Safety of capital-through the prudent management of risk; Liquidity - to ensure the availability and ease of convertibility of reserves at short notice and at minimal cost to meet unforeseen requirements; and reasonable consistent rates of financial return to earn an income from the assets. The third objective is generally subordinated to the safety and liquidity objectives. In view of the conservative approach adopted by central banks, they have not suffered significant losses of capital despite the dramatic decline in the value of many different classes of financial assets on world markets. Although liquidity in many sections of the financial markets around the world dried up with the unfolding of the global financial crisis, liquidity of central bank reserves remained intact. However, the financial crisis brought about new challenges for reserve management by central banks.

First, interest rates on fixed income securities and in money markets in the industrialized economies have fallen to near record low levels in view of the extraordinary measures taken by central banks in these countries to inject liquidity to bolster financial markets and aggregate demand.

Courtesy, Central Bank of Sri Lanka.

- (1) Identify two(02) significant areas in which the official foreign exchange reserves held by the central bank of a country help economic stability.
- (2) What is meant by a Balance of Payment (BOP) crisis?
- (3) Explain very briefly two(02) objectives of Central Bank-reserve management.
- (4) For what purpose does the Central Bank hold foreign currency denominated financial assets?
- (5) What has helped Central Banks to avoid significant losses of capital?

(15 marks)

07. Write an **Essay** on any **one**(01) of the following topics. Use about 200 words.

- (1) Sole Proprietorship and Partnership.
- (2) The Significance of Annual Reports of Companies.
- (3) Why should all business enterprises care for the environment?
- (4) The Commonwealth Heads of Government Meeting (CHOGM) held in Sri Lanka.
- (5) Does development sometimes lead to destruction?

Your essay will be assessed on the following criteria:

- Introduction and conclusion.
- Content.
- Language, organization and logical presentation of ideas.

(20 marks)

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