

**THE ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA**

**FINAL EXAMINATION – JANUARY 2012**

**(62) BUSINESS COMMUNICATION - II (English)**

(Optional Subject)

28-01-2012  
Morning  
[9.00 – 12.00]

**Time: 03 hours**

• **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) Select any five(05) words** from the list given below and construct 5 sentences to bring out the meanings of the words selected.

- |                 |                |
|-----------------|----------------|
| (1) shareholder | (6) instalment |
| (2) policy      | (7) investment |
| (3) depreciate  | (8) portfolio  |
| (4) estimate    | (9) revenue    |
| (5) warranty    | (10) tangible  |

(05 marks)

**(B) Select the correct word** (homonym) from those given within brackets and complete the sentences. Write numbers (1) to (5) in your answer booklet, and the word selected for each sentence, against the relevant number.

- (1) All new recruits were asked to ..... (foreword, forward) copies of their certificates to the Human Resources Department.
- (2) In a ..... (sole, soul) proprietorship, the owner is personally responsible for all legal claims on the enterprise.
- (3) From a financial analyst's point of view, working capital simply refers to ..... (current, currant) assets.
- (4) The prevalence of consumer ..... (rites, rights) in the field of business is a sign of good governance.
- (5) As the material ordered for children's garments was too ..... (coarse, course) and was unsuitable for that purpose, the manager decided to use it for winter coats.

(05 marks)

(C) **Select the correct word** (synonym) from those given within brackets and complete the sentences. Write numbers (1) to (5) in your answer booklet, and the word selected for each sentence, against the relevant number.

- (1) The mission of Oak Wood PLC is to grow millions of trees and ..... (create, invent) an environment which, while being commercially viable, will also protect mother nature.
- (2) The auditors' report of Sunny Tex (Pvt) Ltd. indicated "in our opinion, so far as appears from our examination, the company maintained proper accounting records for the year ..... (concluded, ended) 31<sup>st</sup> March 2011".
- (3) The principal activities of the company together with its ..... (subsidiary, secondary) companies have been described along with the corporate information in its Annual Report.
- (4) The Board of Directors of our firm are desirous of ..... (enhancing, enthralling) controls, facilitating monitoring of performance and compliance, and establishing lines of responsibility and accountability.
- (5) Sri Lanka's economy grew by an ..... (immeasurable, impressive) 8% in 2010, a fast recovery from the setback suffered in 2009 and moved towards sustainable growth. (05 marks)

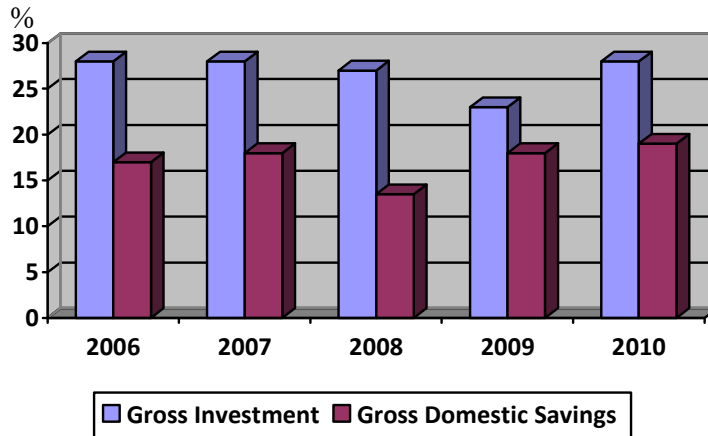
(D) **Select the antonym** (that is the word), which has the **opposite meaning** of the word in bold letters out of the words given within brackets in the following sentences. Write numbers (1) to (5) in your answer booklet, and the word selected for each sentence, against the relevant number.

- (1) For the first time in the history of Sri Lanka a local company has been **selected** (rejected, listed) by the Iraqi government for an Engineering Consultancy Services Contract to implement Gas Power Projects in Iraq.
- (2) The government yesterday said that the country will witness a **massive** (enormous, trivial) development in the power and energy sector by the year 2014 with the completion of two new power projects.
- (3) With the intention of providing sound awareness to the general public on waste management, the Municipal Council of Colombo plans to prepare a television commercial describing **vital** (unimportant, significant) aspects on waste management.
- (4) A tender notice in today's newspaper shows "Bids are hereby invited by the Chairman of the Procurement Committee of the Department of Education Eastern Province, from local **importers** (agents, exporters) and suppliers for the supply of computer systems".
- (5) According to the findings of a research carried out on "empathy in business", majority of employees look for **praise** (accusation, appreciation) from their employers, more than anything else.

(05 marks)

(Total 20 marks)

02. **Savings and investment (as a percentage of GDP)**



The Bar Chart shown above is an extract from the Annual Report of the Central Bank of Sri Lanka for the year 2010.

You are required to write a brief report explaining the information presented in this chart. (10 marks)

03. At New Tex (Pvt) Ltd. where you work as an Accountant, there is an officially recognized and financially supported Staff Welfare Society. You have been elected secretary of this society at the previous Annual General Meeting.

The council of the society consists of the following:

- President,
- Secretary,
- Treasurer, and
- 7 Committee Members.

A special general meeting was held recently to decide on a major event - the annual trip. You attended the meeting and as the Secretary you are required to write the minutes to be forwarded to the management to seek financial support.

Write the minutes of this special meeting using the information given below:

- Assume - Date, Time, Venue of the meeting.
- All Council Members and 90 out of the 105 Members attended.
- The President - explained the purpose of the meeting and the trip was to visit Jaffna by a special bus in a weekend during the April school vacation.
- The Treasurer stated - Rs.350,000/- was available from the society funds and Rs.300,000/- was to be requested from the company management.
- Date of the Annual Trip - 25<sup>th</sup> April 2012.
- Fees to be charged from a family member is - Rs.2,000/-.
- The Council decided to forward a copy of the minutes to the Management and seek financial support. (10 marks)

04. You are the leader of the audit team of Malcom & Dan Chartered Accountants situated at No. 62, 1<sup>st</sup> Lane, Dehiwala. Recently your team had to carry out an external audit of your client, Min-X (Pvt) Ltd., No.27, Nuge Road, Ratmalana. During this assignment members of your team encountered several difficulties.

Example: Lack of Co-operation from the accounting staff of Min-X (Pvt) Ltd. Hence inability to have access to books and records and information, relevant to the accounting period.

When you informed your boss about this situation he advised you to draft a letter addressed to the Chief Executive Officer of Min-X (Pvt) Ltd. (your client) to be sent by the partners of the Chartered Accountants.

**Draft a letter of complaint** including detailed information. Mention the difficulties you had to face and how those affected your audit program and make a request to look into the matter and send a reply. (15 marks)

05. Write a short description on “Modern Facilities in Telecommunication”. Mention the advantages. (Use about 60 words).

You may include the following facilities among others:-

- The Telephone (land, mobile and SMS facility).
- Telephone Directory - Yellow pages.
- Conferencing, E-mail. (10 marks)

06. Read the following passage and answer the questions given on it. Your answers should be meaningful and in complete sentences.

The economic decisions that are taken by users of financial statements require an evaluation of the ability of an entity to generate cash and cash equivalents and of the timing and certainty of their generation. This ability ultimately determines, for example, the capacity of an entity to pay its employees and suppliers, meet interest payments, repay loans and make distributions to its owners. Users are better able to evaluate this ability to generate cash and cash equivalents if they are provided with information that focuses on the financial position, performance and changes in financial position of an entity.

The financial position of an entity is affected by the economic resources it controls, its financial structure, its liquidity and solvency, and its capacity to adapt to changes in the environment in which it operates. Information about the economic resources controlled by the entity and its capacity in the past to modify these resources is useful in predicting the ability of the entity to generate cash and cash equivalents in the future. Information about financial structure is useful in predicting future borrowing needs and how future profits and cash flows will be distributed among those with an interest in the entity; it is also useful in predicting how successful the entity is likely to be in raising further finance. Information about liquidity

and solvency is useful in predicting the ability of the entity to meet its financial commitments as they fall due. Liquidity refers to the availability of cash in the near future after taking account of financial commitments over this period. Solvency refers to the availability of cash over the longer term to meet financial commitments as they fall due.

Information about the performance of an entity, in particular its profitability, is required in order to assess potential changes in the economic resources that it is likely to control in the future. Information about variability of performance is important in this respect. Information about performance is useful in predicting the capacity of the entity to generate cash flows from its existing resource base. It is also useful in forming judgments about the effectiveness with which the entity might employ additional resources.

Information concerning changes in the financial position of an entity is useful in order to assess its investing, financing and operating activities during the reporting period. This information is useful in providing the user with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilize those cash flows. In constructing a statement of changes in financial position, funds can be defined in various ways, such as all financial resources, working capital, liquid assets or cash. No attempt is made in this *Framework* to specify a definition of funds.

Information about financial position is primarily provided in a balance sheet. Information about performance is primarily provided in an income statement. Information about changes in financial position is provided in the financial statements by means of a separate statement.

The component parts of the financial statements interrelate because they reflect different aspects of the same transactions or other events. Although each statement provides information that is different from the others, none is likely to serve only a single purpose or provide all the information necessary for particular needs of users. For example, an income statement provides an incomplete picture of performance unless it is used in conjunction with the balance sheet and the statement of changes in financial position.

- (1) State three points to justify usefulness of information about performance of an entity.
- (2) Why should component parts of financial statements be considered together and not in isolation?
- (3) What does provide information on financial position, entity performance, and changes in financial position for users of such information?
- (4) Distinguish between liquidity and solvency as indicated in the passage.
- (5) Suggest a suitable "Title" to this passage. (15 marks)

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

- (1) An outstanding personality in the field of Accountancy - my choice.
- (2) The purpose of introducing International Financial Reporting Standards to Sri Lanka.
- (3) The economic consequences of Southern Express Highway.
- (4) Where do I want to be, career wise in 5 years.
- (5) The success of a business enterprise depends on its financial management.
- (6) Risk management in the business world.

(20 marks)

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