



**Pakistan Institute of
Public Finance Accountants**

Model Solutions

**Business Organization
Summer Exam-2024**

MODEL SOLUTIONS – DISCLAIMER

INTRODUCTION

The Model Solutions are provided to students for clear understanding of relevant subject and it helps them to prepare for their examinations in organized way.

These Model Solutions are prepared only for the guidance of students that how they should attempt the questions. The solutions are not meant for assessment criteria in the same pattern mentioned in the Model Solution. The purpose of Model Solution is only to guide the students in their future studies for appearing in examination.

The students should use these Model Solutions as a study aid. These have been prepared by the professionals on the basis of the International Standards and laws applicable at the relevant time. These solutions will not be updated with changes in laws or Standards, subsequently. The laws, standards and syllabus of the relevant time would be applicable. PIPFA is not supposed to respond to individual queries from students or any other person regarding the Model Solutions.

DISCLAIMER

The Model Solutions have been developed by the professionals, based on standards, laws, rules, regulations, theories and practices as applicable on the date of that particular examination. No subsequent change will be applicable on the past papers solutions.

Further, PIPFA is not liable in any way for an answer being solved in some other way or otherwise of the Model Solution nor would it carry out any correspondence in this regard.

PIPFA does not take responsibility for any deviation of views, opinion or solution suggested by any other person or faculty or stake holders. PIPFA assumes no responsibility for the errors or omissions in the suggested answers. Errors or omissions, if noticed, should be brought to the notice of the Executive Director for information.

If you are not the intended recipient, you are hereby notified that any dissemination, copying, distributing, commenting or printing of these solutions is strictly prohibited.

Summer Exam-2024

Solutions – Business Organization

- Q.1.**
1. Risk of fire: It is a High Probability High Impact risk because chemicals are much more likely to catch fire and because fire in chemicals spreads rapidly and can destroy the building as well as the plant.
 2. Risk of bad debts: It is a Low Probability Low Impact risk because most of the customers are industries which are less likely to default and since the number of customers is high a default of a few customers is not likely to affect SCL significantly.
 3. Risk of loss of raw material in transit: It is a Low Probability High Impact risk because marine accidents are rare but whenever there is an accident, there is huge loss.
 4. Risk of Earthquake: It is a Low Probability High Impact risk because earthquakes are rare but earthquakes result in huge loss.
 5. Risk of shortage of raw material: It is a High Probability High Impact risk because most of the raw material is to be purchased from a single supplier and possibility of the supplier not being able to supply one or more of the raw materials is therefore high and further, in case of such a shortage, heavy loss is possible.
 6. Risk of failure of quality control department to detect low quality production: It is a Low Probability High Impact risk. Since the company has a new and state of the art plant and very competent staff, the possibility of such a breach is low, however, in case it happens, SCL would have to suffer loss of reputation as well as face claims of compensation from customers who would suffer losses because of using sub-standard material.
 7. Risk of cyber-attack: It is a High Probability High Impact risk because cyber-attacks are becoming more and more common and having a state of the art plant means that even production may be disrupted due to such an attack.
 8. Risk of loss due to strikes and riots: It is a Low Probability High Impact risk because such events are rare but when they do happen, they can cause significant losses.
 9. Risk of loss of cash in transit: It is a Low Probability Low Impact risk because instances of lootings etc. are not very common and can be avoided by taking reasonable care. Moreover, the amount of cash transfers are normally small when compared to the size and assets of a manufacturing organisation.
 10. Risk of accident due to electrical fault: It is a Low Probability High Impact risk because with a new and state of the art plant, and highly competent staff, the chances of electrical faults are slim. However, if it does happen, it has the potential to cause heavy loss.
- Q.2.** The type of information generated by the website and its uses are discussed below:
1. Regular communication can be made to build relationship with the customers.
 2. The reasons for return of various products can be analyzed and steps may then be taken to improve the situation.
 3. Customers can be grouped based on various factors so that targeted marketing messages are sent to them.
 4. After each purchase, customers can be asked if they wanted something which they couldn't find.
 5. Information can be generated about regular customers who have not made any purchases for quite some time, in order to sort out their grievances.
 6. Customers may be requested and encouraged to participate in surveys, etc., to gather knowledge about their preferences.

Summer Exam-2024

Solutions – Business Organization

Q.3. The steps that MIL can take to improve the situation and improve employee loyalty and retention, are as follows:

1. Improve communication with the employees. This would give the employees a chance to employee to communicate their grievances and management can then take appropriate action where required.
2. Provide training and development opportunities. This would assure the employees that management is serious about their professional development and they would be able to improve their skills if they stay with the company.
3. Provide pleasant working environment. This includes clean and healthy office, comfortable seating arrangement, fair and respectful dealing.
4. Transparent dealing. Employees should be informed in very clear terms about their rights and responsibilities and what the company expects from them.
5. Introduce welfare policies. These may include regular medical check-ups, merit scholarships for children of the employees, arranging employee get together, etc.

Q.4. Innovations

Innovation means inventing something or introducing a change which is beneficial to the organisation. There is scope of innovation in almost whatever a business organisation does.

Introducing change in design of a product can make the product more useful for the customer, whereas innovative packaging can make a product more attractive for the customers. In either case, the organisation benefits as it gains competitive advantage over its competitors.

Innovation can also be made in the processes and procedures. It could improve the process by eliminating duplication of work and help in saving time or in saving wastages etc. Innovation can also be made to make the process, more safe, for the workers.

Responsiveness

Responsiveness means how quickly a person or a department or an organisation responds in any given circumstances. In today's environment the importance of responsiveness has increased tremendously as the competition has grown.

A quick response plays a great part in keeping the customer satisfied. Delay in responding to customers' queries, complaints or orders is necessary, otherwise, the customer may shift to other suppliers.

A quick response to any incident or risk is likely to keep the organizations' losses to the minimum. A good example is the fire alarm, the main purpose of which is to seek immediate response in case of any fire.

Q.5. Measures which a government can take to improve its balance of trade are as follows:

1. Try to reduce the cost of production of exportable goods by reducing the cost of inputs such as electricity, gas. etc.
2. Reduce taxes on exports as far as possible.
3. Provide subsidized loan to exporters.
4. Encourage development of industries which can result in import substitution.
5. Discourage unnecessary imports by levying duties and taxes on luxury goods.
6. Take measures to increase agricultural production.

Summer Exam-2024
Solutions – Business Organization

- Q.6.**
1. Appointment of Chief Executive of the Company
 2. Appointment of Chairman of the Board
 3. Issuance of shares
 4. Investing the funds of the companies
 5. Appointment of Audit Committee
 6. Approval of capital expenditure and disposal of fixed assets
 7. Approval of borrowing of money by the company
 8. Approval of interim dividend
 9. Proposing the final dividend
 10. Approval of financial statements
 11. Approval of directors' report to be attached with the financial statements
 12. Approval of policy regarding carrying out of related party transactions
 13. Approval of write-off of inventories and bad debts
 14. Acquiring a controlling stake in a company

- Q.7.** A code of ethics is a document which contains guidance regarding ethical values which the organisation commits to follow in the conduct of business. The advantages of having a code of ethics, for a commercial organization are as follows:

a

1. It gives a clear message to all stakeholders about the principles which the company values, in the conduct of business.
2. It provides guidance to employees and the management as to what principles they are supposed to follow and adhere to.
3. It gives confidence to the organization's customers, suppliers, etc. that their rights would be safeguarded.
4. It enhances the organization's prestige among all stake holders.

- Q.7.** The responsibilities of a professional accountant employed in a commercial organization, with regard to ethical conduct are as follows:

b

1. To comply with the law and code of ethics under all circumstances
2. To act in the best interest of the shareholders, within the boundaries of law
3. To ensure confidentiality of information which he receives as a result of his employment
4. To act in the public interest as far as possible
5. To disclose his conflict of interest wherever applicable
6. To comply with code of ethics of his professional organization

- Q.8. Sales & Marketing Department**

1. Increase sales value by 20%
2. Increase sales volume by 15%
3. Reduce customer order response time to 3 hours
4. Carry out two marketing campaigns each month
5. Add 5000 new customers
6. Achieve 95% customer retention

Summer Exam-2024
Solutions – Business Organization

Production Department

1. Achieve budgeted production
2. Limit increase in production cost per unit to 3%
3. Achieve zero accident during the year
4. Reduce wastage by 6%
5. Reduce production time by process re-engineering

Q.9. Advantages of considering profit as the key measure of performance

- a**
1. Generally, it is simple to understand
 2. It is a universally accepted measure of performance
 3. It is a common measure through which all types of businesses can be evaluated
 4. It is the most important measure for the most important stakeholders i.e. the owners and shareholders of the company

Q.9. Dis-advantages of considering profit as the key measure of performance

- b**
1. Profit can be manipulated in many ways
 2. The exposure to risks is generally ignored or compromised
 3. It can fluctuate as a result of external changes i.e. due to matters other than performance of management.
 4. Matters that do not affect the profit, tend to be ignored.
 5. Expenditure required for long-term sustainability of the company are at times ignored or delayed.
 6. Interests of stake-holders like the government and the general public tend to be ignored.
