

MARKING SCHEME OF PRINCIPLES OF MANAGEMENT & AUDITING.

PART I.

01. Highlight three (3) importance of management.

- Division of labor
- Rational use of resources
- Increasing productivity
- Improve decision making
- Stability of the staff
- Facilitate coordination of bus activities
- Facilitate future plan
- Achievement of goals.

02. Outline four types of organization structure of a company.

- Line organization
- Staff organization
- Line and staff organization
- Management by Committee.
- Functional organization
- Project/Product organization
- Matrix organization
- Divisional organization
- Geographical organization.

03. List elements (components) of Marketing Mix.

- Price
- Product
- Place
- Promotion
- Positioning
- People
- Process
- Packaging.

04. Define leadership and name three leadership styles to the best of your knowledge.

- Leadership refers to a process of influencing others to do what you intend them to do, to achieve.

* Three leadership style are:

- Autocratic/dictatorial or authoritarian
- Democratic style or participative
- Laissez-faire style or free reign style.

05. State the importance of Human resource management (HRM).

- It helps the organization to be effective and efficient
- Conflict resolution
- It helps to recruit qualified personnel
- It increase the public relation
- Train Employees.
- It motivate employees
- Provide good working conditions.
- Evaluation of employees performance.
- To achieve competitive advantage over other organisation.

06. What is Cost effectiveness Analysis?

Cost effectiveness analysis refers to the process of comparing relative costs and outcome from different courses of actions.

07. Provide four (4) advantages (Benefits) of Decentralization.

- Quick service delivery
- It improve relationship between manager/leader and subordinates.
- Easy decision making and Implementation.
- It reduces heavy responsibilities of top management.
- It motivate workers
- It enables low management to participate in decision making
- It reduce wastage of resource.

08. Mention three (3) factors that can be used to motivate employees in an organization.

- Fair remuneration
- Favorable work condition
- Timely payment
- Security of job
- Communicational dialogue
- Incentives
- Participation in decision making process.
- recognition
- respect
- Avoid discrimination.

09. List three importance of Commercial function of an enterprise.

- To record business transactions
- It creates good relationship between the company and suppliers and customers

- Creation of generating profit flows.
- Facilitate the distribution of goods & services
- It increase sales volume.

10. Identify four roles of advertisement within an enterprise.

- It increases demand
- It increases sales volume
- It creates favorable climate of personnel sales
- It create awareness of new product.
- It increase profitability.

PART II. B

11. What Contribution did HENRI FAYOL make to the development of mgt principles.

HENRI FAYOL was display 14 mgt principles of management.

- division of labor
- Discipline
- Authority and responsibility
- Centralisation
- Order
- Unit of direction
- Unit of Command
- Equity
- Remuneration of the Staff
- Team spirit
- Initiative
- Stability of personnel / Staff.
- Span of Control / Scalar chain
- Subordination of individual interest to general interest.

12. In what ways may meetings and committees be used as mechanisms of communication, information processing and decision making.

Meetings and Committees may be used as a mechanism of communication information processing and decision making in the following ways:

- In Communication they help to share information through Agenda, Notice, minutes of the meeting.
- Information may be also processing by using dialogues and conversation
- In decision making they help to draw a common understanding and voting.

13. Company amalgamation may be either horizontal or vertical amalgamation. What is horizontal amalgamation? What is vertical amalgamation?

* ~~Vertical~~ amalgamation is a combination of two or more firms involving in different stages of production.

* Horizontal amalgamation refers to the combination of two or more companies that are on the same stages of production. i.e. undertaking similar commercial activities.

14. Not every one can be a manager. Certain skills or specific abilities to translate knowledge into action

that ~~are~~ result in desired performance are required to help other employees become managerial skills.

i. Technical skills: These are abilities and knowledge needed to perform specific tasks. They are practical and often relate to mechanical or scientific tasks.

ii. Human skills: This involves the ability to work well with other people both individual and in group to get the best out of their people.

iii. Conceptual skills. These are skills managers must have to think, he should understand the relationship among various sub units and visualize how the organization fits into its broader environment.

PART II. A

15. From the following audit observation, identify the types of error committed.

a) A sales invoice for an incorrect amount was correctly entered into the sales journal.

b) Stock was issued but an accompanying invoice was not.

c) The wrong percentage rate was used when calculating depreciation.

d) An item was entered in the wrong class of account.

Answer

- a) Error of original entry
- b) Error of omission
- c) Arithmetic error
- d) Error of principles.

16. Differentiate internal control from internal audit.

Internal Control: Refers to the whole system of control financial and otherwise established by management in order to carry out the business in orderly manner while

Internal audit: is an independent examination established by an internal staff within the organization to evaluate the books of accounts.

17. Fraud is an intentional act involving the use of deception that result in a material misstatement of financial statement. Two types of misstatement are relevant to auditor's consideration of fraud.

- a) Misstatement arising from misappropriation of assets.
- b) Misstatement arising from fraudulent financial reporting.

Answer

- a) Misstatement arising from misappropriation of assets; Misappropriation of asset or goods. This arises when business assets

or goods are taken for personal use.
i.e. Stealing or miss use of assets.

Do not
write
in this
margin

b) Misstatement arising from fraudulent financial reporting or fraudulent manipulation of accounts; This arises when showing more profit than what actually realized.

18. What is audit evidence? List any five audit evidence collection techniques.

Audit evidence is a proof of transaction recorded in any document that contains information of accounting records.

The audit evidence collection techniques are;

- Vouching
- Pointing
- Stepping
- Verification
- Confirmation
- Checking summation
- Arithmetic checking / Computation
- Examination of key documents
- Accounts analysis
- Reconciliation
- Physical observation
- Observation
- Inspection / overview
- Retracing.

19. Give different types of audit opinions and explain in which circumstances.

I. Unqualified opinion / positive opinion

This shows that the auditor is satisfied

and this opinion is positive because the auditor has received for the purpose of audit.

Do not write in this margin

II. Qualified opinion/negative opinion

This is a negative opinion and shows the auditor is not satisfied with all explanation and information given to him.

20. Audit execution involves various steps. List five steps of audit execution.

- Contact with the company to be audited
- Dialogue with the preceding auditor
- Letter of engagement sent to the company to be audited.
- Evaluation of internal control system and accounting system.
- Ensure the accuracy of accounting records and financial statements
- Repeat the exercise to prove the accuracy
- write a report.

PART II. B.

21. State and Briefly explain five procedures of detecting errors and fraud in accounting records.

I. Control of source documents;

This is the verification or comparison of information written on document and transaction record.

II. Physical observation.

This is the stock taking or inventory of item.

Do not write in this margin

III. Direct Confirmation

This is a comparison of information received directly from third parties with transactions recorded.

IV. Analytical examination

This is the detailed examination of records.

V. Examination of annual account.

This is the review of financial statement to check their accuracy.

VI. Comparison with budget and actual situation.

22. a) Define the investigation and outline four reasons to carry out investigate.

b) Write down necessary steps of investigate

Answer

a) Investigation refers to the detailed verification of the doubts about the transaction made by the accounts department.

* Investigation is an examination of financial statement by someone into facts for technical reason in order to submit information to an interested party (banks, investors, government ---)

* Investigation is an examination of account of an organization and supporting documents for specific purpose of obtaining real information.

Reasons for investigation.

- purchase of a company
- Admission of a new partner
- Acquisition or merger
- prospective investment
- prospective lending
- suspicious of frauds
- Statutory investigation.

Steps of investigation

- Identification of objectives
- Planning of the investigation
- Establishment of field of application
- Analysis and interpretation of result
- writing of report.

23. Describe the steps of an audit execution.

1. Appointment or contact with the company
The auditor should make sure that his appointment is in accordance with the provision of company act.

2. Dialogue with the previous auditor; if the auditor has been appointed in place of an other auditor, he should enquire from the retiring auditor, the reason for his removal as an auditor.

3. Letter of engagement sent to the client: When the auditor accept the appointment he should receive details of his responsibilities and write a letter of engagement to the client for acceptance.

4. Investigate internal Control system and accounting system; This is to obtain a list of the books maintained and details of internal system established in the Company.

5. Evaluation of the internal Control system and accounting system; The auditor carries audit work to examine internal control and accounting system.

6. Ensure the accuracy of accounting records and financial statement. The auditor obtain audit evidence to ensure that all accounting records have been maintained accurately.

7. Repeat the exercise to prove the accuracy; the auditor must revise the work done before writing the audit report.

8. Writing a report; finally the auditor prepare his report and submit it to the member of the Company or other interested parties.

Q6. Cost-effectiveness analysis

is a technique of choosing the best plan when the objectives are less specific than sales costs or profits. It means finding the least costly way of reaching an objective or getting the greatest value for given resources. It is also called as cost-benefit analysis.

Q7. Four advantages (benefits) of decentralisation

- It encourages decision making and assumption of authority and responsibility.
- Aids in adaptation to fast changing environment.
- Provides development of general managers

Q8. Three (3) factors that can be used to motivate employees in an organization.

- Fair remuneration
- Favorable work condition
- Timely payment
- * Encouraging team work
- * Promotion of workers
- * Transparency in management
- * Providing job training.

Q9. Three importance of Commercial function of an enterprise.

- project a favorable corporate image
- provide the most economical promotional mix
- reach inaccessible buyers influences
- reach unknown buying influences

Q/12 In what ways may meetings and committees be used as mechanisms of communication, information processing and decision making.

Meetings and Committees comprise grouping of individuals or representation who meet together to bring about collective rather than individual effort in the completion of a task or the achievement of an objective. Their role within the communication and decision making process includes the following:

- Representation, Consultation and information dissemination meetings and committees may be constituted to represent different function departments or employee groupings within the processes of communication, consultation, deliberation and decision making.

At the same time may be used as communication medium for the dissemination of information. The physical presence of the participants will facilitate feedback and the establishment of comprehensive and understanding.

- Processing information: meetings or committees may be established to receive, collate, summarize or synthesize information prior to transferring it else where.

- Task management and the coordination of perspectives organized groups can

Individuals in isolation.

Do not
write
in this
margin

- Problem Solving: The use of meetings or committees to achieve collective communal or collegiate effort may have particular value where problem solving, creating, innovative or rapid behaviour is required.
- Facilitating participation: the use of meeting or committees may enhance staff motivation and morale since participants are involved in the process of deliberation and decision making within organization.
- Formal recommendation: Meetings and committees may formally be responsible for deliberating about or evaluating specific issues.
- Validation: Meetings or committees may be formally established for the purpose of validating decisions.

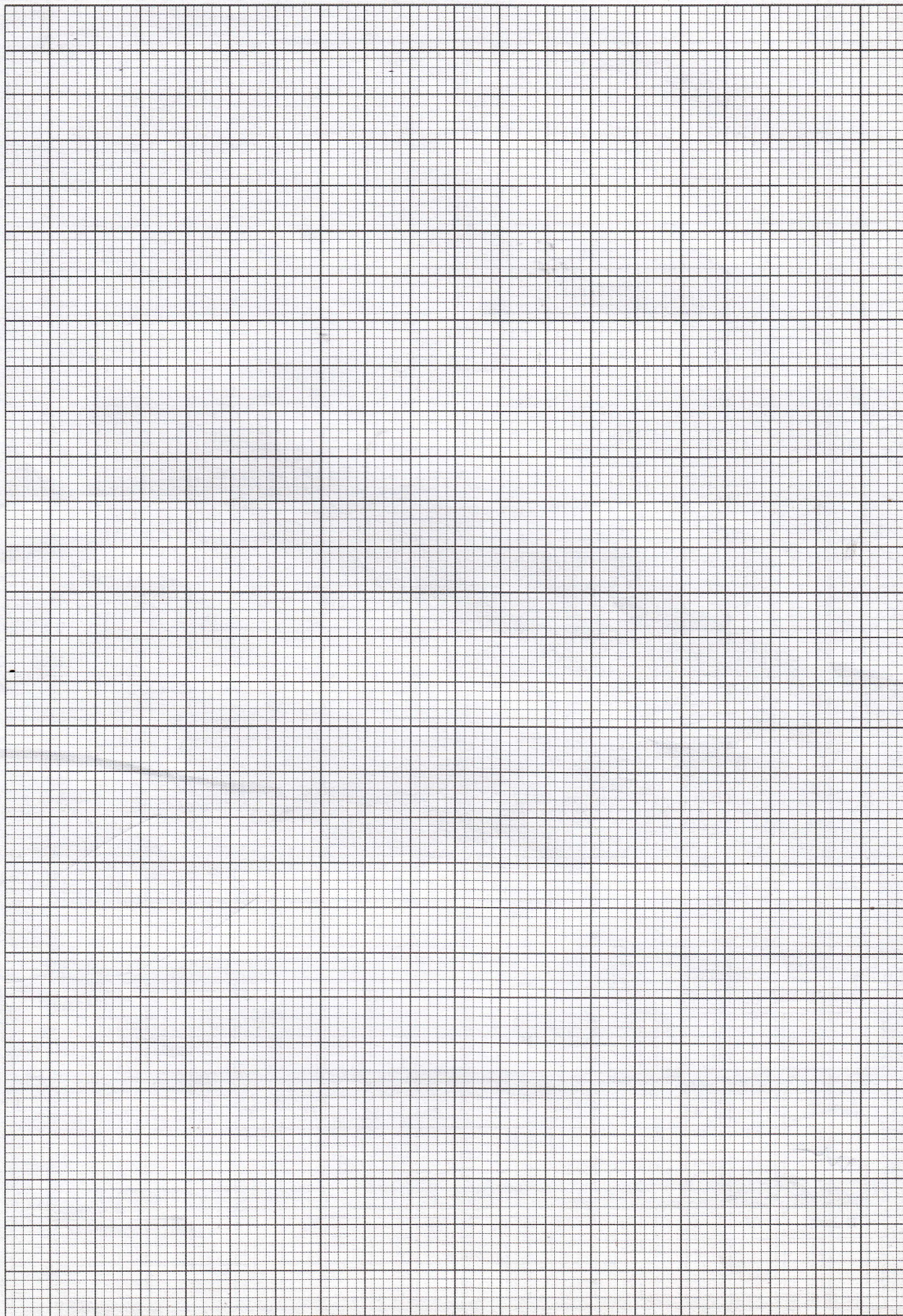
Q18. What is audit evidence? List any five audit evidence collection techniques.

Means the information obtained by the auditor in arriving at the conclusions on which the audit opinion is based.

Q22. Reasons of investigation

- proposed sale of business
- Reason for low profitability
- Cause of high employee turn-over.

DRAFT



W

Handwritten blue lines and scribbles on the right side of the page.