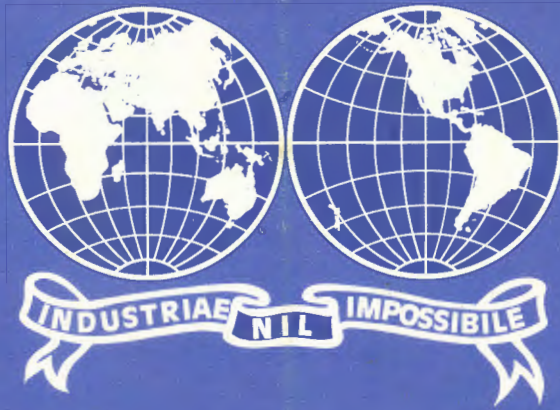


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**Association of
Cost & Executive Accountants**

THE
ASSOCIATION OF COST &
EXECUTIVE ACCOUNTANTS
(Incorporated by Guarantee)

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The Association is a professional and examining body representing Cost and Executive Accountants engaged in the service of the Crown and Municipal Corporations, Banks, Insurance Companies, Building Societies, Civil Service, Statutory Undertakings, Nationalised Industries and other Industrial and Commercial Consultancies. It promotes the study and adoption of scientific methods in industrial and commercial enterprises, local government, public service and internal audit streams. The Association's examinations are held twice a year in the U.K. and abroad.

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Paper 2

1. Countries which desire rapid economic development use exchange controls to prevent capital flight, which causes balance of payments disequilibrium, and to avoid depreciation of the currency, which might lead to more inflation.
2. Controls facilitate national planning by insulating an economy from foreign repercussions.
3. Exchange control may be used as an alternative to tariffs and non-tariff trade barriers to limit imports and thus protect domestic industry.
4. Controls allow sale of foreign exchange by a government agency at a higher price than that at which the agency purchases foreign exchange, providing some government revenue.

A simple control method is having a two-rate system where the spread between foreign exchange selling and buying rates is wide. This is direct multiple-rate system of exchange control, absolutely used in developing countries. Indirectly the exchange rates are linked one currency to another so that at any moment of time exchange rates are cross-referenced to one another, leaving no gap for speculation.

Yet others may have a single fixed rate which may be used for designated purposes such as current account payments, and a fluctuating rate used for other purposes such as capital account transactions.

Conclusion

In recent years, some countries have attempted to shift from the role of host to direct investment and some companies from domestic investment to multinational business. They have acted at limits between which investments of all sorts are equated at the outflow of funds.

Yet they tried concurrently to encourage inflows of portfolio equity and in certain cases the debt money. However, it should be noted that the debt service is a more rigid flow than is the more flexible rate of return on equity investments, home and abroad.

The economic trend that led up to the present situation, nevertheless, shows the competitiveness of doing business at the high rates of interest and inflation. At this present state of double-digit interest rates and inflation rate, the more compromisable rule being: borrow short and lend long.

While foreign placement of funds yields competitive returns, the higher interest rate has to be compensated

Mainly For Students:

By Dick O. Mukoro, MBA, Ph.D, FCEA, ASCA

Executive Accountancy Fellowship Students — The Chances for Success

The overall results on the Executive Accountancy paper were extremely disappointing. The pass rate which was 14% was lower than the previous year's.

The aim of this article is to emphasise in more detail what the Executive Accountancy paper really contains and the position of the Executive Accountant both in industry and commerce.

The industrial and commercial accountant has had a hard struggle to get out of the accounting house into the Board Room. With this struggle, the accountants are now being promoted into managerial positions in accountancy functions with little experience and even without professional training in effective management.

The importance of developing both personal management qualities as well as the best possible operating system and methods are given equal emphasis. The dull grey image of the accountant which is held by many, is only gradually being dispelled. The Executive Accountants of outstanding ability have however emerged in the past 25 years and have played a leading part in the development of both commerce and industry.

Unfortunately, the detailed nature of accountancy training and subsequent post-qualification work often mitigates against the development of accountants as executives. This is tragic as the accountant in any enterprise holds a key position as principal controller of the company's key resources of finance.

The Executive Accountant will only discharge the above responsibility effectively if he is forward-looking, imaginative, creative and enterprising.

Contents

It would seem that the increasing hazard of failure on the paper "Executive Accountancy" justifies yet another look at what that paper really

through decrease in exchange value of the foreign currency concerned. With future uncertainty being faced by all corporate executives, the decisions on finance are yet to be made adaptable in line with the changing pattern of economic environment.

contained. The following are found under the umbrella of Executive Accounting:

1. MANAGEMENT ACCOUNTING: The term is defined as the application of accounting techniques to the provision of information designed to assist all levels of management in planning and controlling the activities of the organisation. This term management accounting came into use when accountants added a third function to the two existing, which were:

- (a) Correctly determining a firm's profit or loss for a period and evaluating its assets and liabilities on the last day of that period.
- (b) Generating information for controlling operations to maximise efficiency.

The third function was that of assisting management in planning and taking up decision-making.

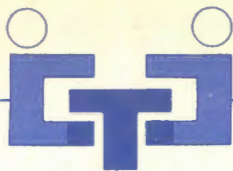
2. COSTING: This could be defined as the system whereby management is provided with information which will assist managers to understand the financial implication of their actions, maintain control of the activation and base decisions on firm information.

3. FINANCE: The Executive Accountant's responsibility is for the provision, generating and the conversion of finance where principal resources which will enable the financial accountant whose prime aim is to analyse, clarify, record transactions in order to illustrate the effects of such transactions on the performance of financial position of the business total planning and its relationship to the total business activities is very important to the financial accountant.

4. PLANNING: Policy development finance, organisation forecasting, strategic, medium range and short term planning are also the job of the Executive Accountant in this direction.

OPERATING — which comes under planning contained the personal processes of communication and activation where the importance of a communication system is imperative. The operational activities, their control, systematisation and intergration are also very useful to the Executive Accountant, who uses the setting of standards and provision of control information in his fulfilment of his objectives.

(Continued on page 14)



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