

CERTIFIED PUBLIC ACCOUNTANT

FOUNTATION 1 EXAMINATIONS

F1.4: BUSINESS MANAGEMENT, ETHICS AND ENTREPRENEURSHIP

MONDAY: 30 NOVEMBER 2015

INSTRUCTIONS:

1. **Time Allowed: 3 hours 15 minutes** (15 minutes reading and 3 hours writing).
2. This examination has **two** sections; **A & B**.
3. Section **A** has **four** compulsory questions to be attempted.
4. Section **B** has **three** questions, **one** question to be attempted.
5. In summary attempt five questions.
6. Marks allocated to each question are shown at the end of the question.

SECTION A

This section has four compulsory questions

QUESTION ONE

Umera Ltd is a mega business dealing in processing of fresh animal products. It was established in 2009 by Mr. Kamali. He used the family's meagre savings, family labour and a few casual labourers from his neighborhood to establish the company. Initially, Umera Ltd relied on the only family truck to collect milk and transport animals to the factory premises. The finished products were also distributed to different markets using the same truck. The labourforce was unskilled and semi-skilled. This meant that absence of research and innovation at Umera Ltd. The morale of the workforce was very low because of the meager wages and poor working conditions. The factory premises were dilapidated and machinery became obsolete since renovations and machine replacement had not been considered for a long time.

With the launch of the East African Common Market Protocol in 2010, there were high expectations that the company performance would improve given the free movement of goods. Unfortunately, the situation got worse at Umera Ltd. The removal of trade barriers between Rwanda and EAC partner states saw an influx of new entrants into the market offering competitive prices (rival) and substitutes. This increased the bargaining power of suppliers of raw materials since demand was now high. Within a few months, Umera Ltd's sales declined, and was on the verge of collapsing. Thanks to the timely intervention of Mr. Wato, Mr. Kamali's contemporary and friend, who offered the most needed and timely support and advice.

Mr. Wato and Mr. Kamali agreed to change the face of Umera Ltd by forming a joint venture. Umera Ltd was able to access loans from banks which were used to construct state-of-the art factory premises, purchase modern machinery and hire a skilled labour force. Within one year, Umera Ltd had completely changed into a modern factory. Research and innovation became part and parcel of Umera Ltd's operations which enabled the company to cope with stiff competition. Umera Ltd now treats "the customer as the king".

The new innovations unveiled more chances for Umera Ltd that extended its operations to other towns within Rwanda and other towns in East Africa. Umera Ltd offered competitive prices for its quality products. They even opened new product lines to diversify from packing of meat to processing of meat into sausages, smokies, Nyama bite and other products. Umera Ltd has since gained stability amidst inflationary tendencies and demographic differences in the neighbouring countries. Umera Ltd has remained one of the leading suppliers of quality and fresh animal products not only in Rwanda but in East Africa as a whole.

REQUIRED:

Carry out a SWOT analysis of Umera Ltd from its inception to date.

(Total 20 Marks)

QUESTION TWO

Read the passage below and answer the questions that follow:

Managers and leaders are often referred to synonymously, but only leaders allow their employees to solve problems with their own insight. Every leader may not be a manager, but every manager who lacks effective leadership traits will **drive the business into a bottomless pit**.

Here are some tips to help managers improve and utilize leadership qualities:

Managers give answers, leaders ask questions. Shouting orders at employees will most certainly make them resentful. Simply seek for employees' opinions and allow them to participate in the **decision-making processes**. This will not only transform what would have been an order into a request, but also inspires creativity, motivation and autonomy.

Managers criticize, leaders call attention to mistakes indirectly. Direct criticism will only make employees feel embarrassed and frustrated. Calmly address the issue and give them a chance to **amend the situation** as they learn through their experiences.

Managers forget to praise, leaders reward. Take time to acknowledge even the **insignificant accomplishment**. Employees will show more interest and take pride in their work with regular feedback and recognition. Everyone wants to be genuinely appreciated for their effort.

Managers focus on the bad, leaders emphasize the good. It comes down to ‘*seeing the cup half empty or half full*’. Stressing the flaws and overlooking the strength causes discouragement. Rather creates a ‘*sandwich effect*’: Start with praise, follow with criticism and end with praise.

Managers want credit, leaders credit their teams. Managers who lack leadership qualities always take the credit, but effective leaders give credit to their teams for the **big wins**. In the long run it pays off to have a conducive environment and a work place with employees who are self-driven.

Management should not be through force but rather through influence.

(Adapted from Business Today – Issue 24, 2015)

REQUIRED:

(a) Briefly explain what the writer means by the following expressions:

- (i) Drive the business into a bottomless pit.
- (ii) Decision-making process
- (iii) Amend the situation
- (iv) Insignificant accomplishment
- (v) Big wins.

(10 Marks)

(b) Briefly explain how managers can exercise good leadership qualities

(10 Marks)

(Total 20 Marks)

QUESTION THREE

Careers refer to the undertakings that people get involved in for survival and to achieve their goals. A career is the job or profession that someone does for a long period of their life. It refers to what one wants to be, for instance becoming a business person, doctor, lawyer, an accountant and so on. Careers enable one to get employment, which may be self employment or paid employment.

REQUIRED:

(a) Distinguish between self employment and paid employment.

(2 Marks)

(b) Explain at least three factors that are considered when selecting a career to undertake.

(6 Marks)

(c) Discuss three merits and three demerits of self employment.

(12 Marks)

(Total 20 Marks)

QUESTION FOUR

The IFAC Code of Ethics for Professional Accountants states “The circumstances in which professional accountants operate may give rise to specific threats to compliance with fundamental principles. Many threats fall into five categories”.

REQUIRED:

a) Discuss the five categories of threats that professional accountants in public practice and professional accountants in business may face.

(15 Marks)

b) Suggest considerations that a professional accountant should take into account before accepting a specific client engagement.

(5 Marks)

(Total 20 Marks)

SECTION B

Attempt one of the three questions in this section.

QUESTION FIVE

- (a) Identify and explain the leadership styles currently practiced in business organizations. **(10 Marks)**
- (b) Explain at least five qualities of an effective leader. **(10 Marks)**

(Total 20 Marks)

QUESTION SIX

- (a) As the sales manager at Sunset Supermarket, you have received complaints about poor and ineffective service delivery. It is your responsibility to ensure accuracy and authenticity of the daily transactions.

REQUIRED:

Write a memo to be sent by e-mail to the general manager informing him about a proposal to shift from the manual devices to the Electronic Point of Sales (EPOS) transaction system. **(10 Marks)**

- (b) Identify three specific situations when a memo can be used in an organization. **(3 Marks)**
- (c) ICT is now a vital component of most successful businesses and organizations. State three uses of internet in communication. **(3 Marks)**
- (d) Give four advantages of using e-mail in an organization. **(4 Marks)**

(Total 20 Marks)

QUESTION SEVEN

Planning is vital for the success of all businesses. Business planning is about deciding on what type of business to do, how to do it, when to do it and who should be involved. The business plan encompasses both studies on the feasibility and viability of a business idea. The business plan is made up of many components which should together make up a coherent business. It suffices therefore, that all components should be consistent with each other.

REQUIRED:

- (a) What is meant by a business plan? **(2 Marks)**
- (b) Describe the components of a business plan. **(10 Marks)**
- (c) Explain the importance of having a business plan in the management of one's business. **(8 Marks)**

(Total 20 Marks)

End of question paper