



INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF RWANDA
Driving Sustainable Performance



CERTIFIED PUBLIC ACCOUNTANT FOUNDATION 1 EXAMINATIONS

F1.4: BUSINESS MANAGEMENT, ETHICS AND ENTREPRENEURSHIP

FRIDAY: 02 DECEMBER 2016

INSTRUCTIONS:

- 1. Time Allowed: 3 hours 15 minutes** (15 minutes reading and 3 hours writing).
- This examination has **seven** questions and only **five** questions are to be attempted.
- Marks allocated to each question are shown at the end of the question.
- All iCPAR Examination rules and regulations apply

Attempt any five questions

QUESTION ONE

International Youth Development Programme (IYD) is an organisation that promotes sustainable private sector investment among the youth in developing countries.

IYD is a member of the World Bank Group and its primary objective is to improve the quality of life of the youth in developing countries. This is done by financing projects that are started by youth groups, helping them mobilise finances in international financial markets, and providing technical assistance and advisory services to their businesses.

Corporate governance is a priority for IYD. IYD believes that corporate governance would add value to the clients that the youth projects serve. It also presents opportunities to the organisations to manage their investments and reduce reputational risks. Working towards improving corporate governance in the projects under their support contributes more broadly to IYD's mission to promote sustainable private sector investment in developing countries.

To promote good corporate governance, IYD has tried to observe and follow the rule of law prevailing in the different countries where they have interests. It is also acknowledged all over the world for showing a lot of interest in its stakeholders and to serve them in a reasonable timeframe. Their employees are known for being very effective and efficient in meeting the needs of stakeholders.

IYD has a supervisory board which has always emphasised governance to the youth to ensure accountability as a matter of priority. This has gone a long way in promoting integrity in all the projects and companies supported by IYD in one way or the other. They have also provided leadership in promoting corporate governance practices in developing and emerging markets. More so IYD has provided opportunities to its stakeholders to maintain and improve their wellbeing and value their society. It has always fronted consensus as a way to consult and understand the interests of their entire stakeholders.

However, IYD has to some extent faced a number of challenges as it implements and supports the youth projects in different countries for example, much as IYD tries to emphasise corporate governance in some projects there is still lack of proper governance structures, especially in situations where the projects have not followed proper registration procedures and forged certificates. Some youth projects have also failed to manage their finances properly and instead provide poor and substandard accountability reports. This, in part, emanates from lack of proper budget preparation and control. There are also widespread instances of board members being ineffective as a result of limited skills and lack of information about project management and budgeting. IYD has also encountered the challenge of conflict of interest among board members of some projects who want to become managers in those projects as well. This hinders the development and implementation of internal controls as well as checks and balances in those projects.

As a result of these challenges, IYD is considering withdrawing its funding and support in some developing countries that have not embraced corporate governance.

REQUIRED:

(a) Explain the elements of good corporate governance practices promoted by IYD. **(10 Marks)**

(b) Suggest solutions to governance challenges highlighted in the scenario. **(10 Marks)**

(Total 20 Marks)

QUESTION TWO

Read the passage below and answer the questions that follow:

Procurement can be defined as the act of buying goods and services. The process includes preparation and processing of expression of interest/advertisement as well as the eventual goods /service delivery acknowledgement and approval of payment. It often involves purchase planning, standard determination, specification development, supplier research and selection, value analysis, financing, price negotiation, purchase, supply, contract administration, inventory control, stores and disposal.

Information relating to the procuring process should be kept confidential until the best bidder has been announced by the evaluation committee to ensure fairness among the different bidders. The contracting officer must treat all information in a secure and confidential way to ensure the integrity of the contracting or procuring process. This helps to avoid future complaints from bidders, promotes efficiency and makes the process competitive, leading to effective provision of services from the supplier.

In case one of the bidders feels the principle of confidentiality was breached before the winner was announced,

they should complain in writing to the procuring entity's accounting officer so that justice is served.

Breach of confidentiality is common especially at the evaluation level of the procurement processes and comes with a lot of challenges that affect the processes as well as the timely provision of goods/services. It leads to unfair competition and bribery tendencies that would have been avoided if the principle was effectively observed.

Breach of confidentiality leads to bad working relationship among members especially those on the evaluation committee as a result of differences in interests arising when a member leaks information before the process is complete.

A procuring and disposing entity should not disclose to a bidder or to any other person who is not involved in the preparation of the solicitation documents, the evaluation process or the award decision and any information relating to solicitation of documents before they are officially issued.

Information should also not be released before the examination, clarification, evaluation and comparison of bids and before the best bidder is displayed on the procurement and disposal board of the procuring and disposing entity.

This is because disclosure interferes with the right to privacy of any person and would amount to a breach of the law, impede law enforcement or would not be in public interest.

Information supplied in confidence by a bidder, the disclosure of which could reasonably be expected to put that bidder at a disadvantage in contractual commercial negotiations or to prejudice the bidder in commercial competition should also not be released.

REQUIRED:

- (a) Explain the importance of confidentiality in the procurement process. **(5 Marks)**
- (b) In the event of breach of confidentiality, explain the steps a disgruntled bidder should take. **(2 Marks)**
- (c) With examples, describe three challenges associated with breach of confidentiality at the evaluation level in a procurement process. **(6 Marks)**
- (d) Identify five essential stages carried out before information is released by the procurement and disposal entity. **(5 Marks)**
- (e) Identify two principles that should be applied by procurement and disposal entities. **(2 Marks)**

(Total 20 Marks)

QUESTION THREE

Entrepreneurs are individuals who possess the capacity and ability to start up new businesses whether large or small. Entrepreneurs creatively develop organizations from scratch or as part of an ongoing process. One of the most difficult problems in the new venture creation process is obtaining financing. The entrepreneur should consider the available sources of financing the business be it internal or external sources. A successful start of business provides the opportunity for the entrepreneur to grow it. As the business grows, it changes; managing change is often a complex task especially in a dynamic and volatile business environment and this requires an entrepreneur to design strategies to manage growth in a changing business environment.

REQUIRED:

- (a) Distinguish between 'graduate entrepreneur' and 'opportunist' entrepreneur. **(4 Marks)**
- (b) (i) Describe the different ways through which a business can grow. **(4 Marks)**
(ii) Explain the strategies that an entrepreneur can use to manage the growth of an enterprise in a changing business environment. **(5 Marks)**
- (c) Explain the sources of business finance available to entrepreneurs. **(7 Marks)**

(Total 20 Marks)

QUESTION FOUR

Blessed Honey Limited (BHL) is a honey processing and export company in Nyabihu, western Rwanda. The company was incorporated in 2007, and has grown tremendously since that time to become the leading honey processing and exporting company in the East African Community region. By the end of the reporting period to 31 December, 2015 at the annual general meeting, there was a change of external auditors of the company.

The directors have, however, expressed dissatisfaction with the quality of the audit work compared to the

previous auditors. They have formally lodged a complaint with the Institute of Certified Public Accountants of Rwanda, especially, according to them, the incompetence of the new auditors.

REQUIRED:

- (i) Describe the responsibilities of the directors of BHL Company Limited. **(12 Marks)**
 - (ii) Describe, in detail, the circumstances under which an audit firm may be liable to disciplinary action. **(8 Marks)**
- (Total 20 Marks)**

QUESTION FIVE

The manager's ability to perform is a result of his /her managerial skills. A manager with the necessary management skills will probably perform well and be relatively successful.

REQUIRED:

- (a) Define the term 'management'. **(1 Mark)**
 - (b) Suggest ways of gaining management skills. **(5 Marks)**
 - (c) Identify and explain the types of skills that are important for successful managerial performance in any organisation. **(8 Marks)**
 - (d) Discuss the basic functions of management in an organisation. **(6 Marks)**
- (Total 20 Marks)**

QUESTION SIX

The annual general meeting of Umuganda Savings and Credit Co-operative (USACCO) was held on 16 June, 2016. Their constitution requires the Secretary General to circulate a notice of two weeks to the members.

The members deliberated on the affairs of USACCO. However, some members faulted the executive for not using visual aids to explain the state of affairs of USACCO. It was also evident that some members did not know how to conduct themselves in a formal meeting.

During the same meeting, you were re-elected as the Secretary General for the next three years. During your previous term in office, you discovered that one of the core responsibilities at the general meeting is to record minutes.

REQUIRED:

- (a) Produce the minutes of the Annual General meeting of USACCO. **(10 Marks)**
 - (b) Explain to the members the difference between formal and informal meetings. **(4 Marks)**
 - (c) Discuss the visual aids that should have been used at the annual general meeting of USACCO. **(4 Marks)**
 - (d) Explain the important components of a Notice for an annual general meeting. **(2 Marks)**
- (Total 20 Marks)**

QUESTION SEVEN

Entrepreneurs contribute to economic development of a country by using the power of creation to start something new and nurture it to grow and develop overtime. There are many options that an entrepreneur can choose in setting up an appropriate form of business organisation. It is necessary to understand all the advantages and disadvantages of each form of business organisation namely sole proprietorship, partnership and corporation. Once an entrepreneur has come up with an innovative idea for a product or service that has market potential, he or she should try to protect such an idea from unauthorized use through trademarks, copyrights, patent rights and others.

REQUIRED:

- (a) Explain the role of entrepreneurs in the economic development of Rwanda. **(8 Marks)**
 - (b) (i) Distinguish between a 'trademark' and a 'copyright'. **(2 Marks)**
(ii) Explain the benefits of having a registered trademark. **(3 Marks)**
 - (c) Explain the advantages of a partnership business. **(7 Marks)**
- (Total 20 Marks)**