
CERTIFIED ACCOUNTING TECHNICIAN
LEVEL 1 EXAMINATION
L1.3: BUSINESS MANAGEMENT, ETHICS AND
ENTREPRENEURSHIP
THURSDAY: 6 DECEMBER 2018

INSTRUCTIONS:

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

QUESTION ONE

- (a) Explain the concepts that make up a marketing mix of services. **(8 Marks)**
- (b) Discuss the factors that influence the price of a product. **(12 Marks)**
- (Total 20 Marks)**

QUESTION TWO

Read the following passage and answer the questions that follow.

Most graduates search for jobs to have a stable financial status yet those with jobs still find it hard to sustain daily demands.

Statistics show that 80 per cent of graduates in a year cannot find jobs and amongst the 20 percent who join the job market, 10 percent are under employed.

Therefore, it is not easy to find jobs, if found, chances are high that most will work for survival, which might cause dissatisfaction and low output at work places.

However, transforming life through small businesses is one of the greatest solutions to job scarcity. In spite of the potential challenges, most small business owners are happy with their decision to start a business. From surveys conducted by business analysts, it is evident that small business owners are more satisfied with their work than their corporate executive counterparts.

Small businesses startups are not easy, because the idea seems vague at the beginning. But in the long run, they are worth the sacrifice for various reasons.

First, being independent is the greatest desire of mankind. Entrepreneurs are their own bosses. Although independence comes with hard work and resilience, they make decisions for the benefit of their own businesses. They respond faster to customer needs. **A customer is a king** and his needs come first, so response is quick without any bureaucracies. The business owner is in control of the total operations of the business, one can ably make decisions to make the business succeed.

Entrepreneurship offers greater possibilities of financial rewards than working for someone else. A salary may not guarantee a stable financial status, but owning a business gives one an opportunity to enjoy the profits and reinvesting to accumulate more assets. Overtime, small business owners attain financial stability and freedom enabling them to build a lucrative enterprise which can be kept, sold or be passed on to the next generation.

In addition, small businesses have access to small business loans and grants to cover startup costs. They also have lower operation and overhead costs, whereas large corporations are not eligible for small business loans, and usually rely on investors who may be unreliable.

Albert Einstein once said “**strive not to be a success, but rather to be of value**”.

Success comes with value addition.

Adapted from: Prosper your Finances. Tuesday 26 June, 2018

REQUIRED:

- (a) State **two** reasons why it is not advisable to persist in the search for jobs after graduating. **(4 Marks)**
 - (b) Explain **four** benefits of owning a small business to a young entrepreneur to convince him that it is worth the sacrifice although the idea of startup business may seem vague at the beginning. **(8 Marks)**
 - (c) Mention **three** limitations of working in large corporations. **(6 Marks)**
 - (d) Explain to a young graduate looking for a job what is meant by the saying “**strive not to be a success, but rather to be a value**”. **(2 Marks)**
- (Total 20 Marks)**

QUESTION THREE

Kamanzi Eric is a 25-year-old energetic graduate who is passionate about entrepreneurship as a promising career. Since childhood, Eric enjoyed watching movies and took it as a hobby. He graduated with a Bachelor of Science in Accounting and Finance in 2018. He plans to start up a video library and an Internet cafe business around **Kacyiru** next to the University of Kigali main campus. He has never been employed nor has he ever started any business. He shared his business idea with his parents and they showed keen interest to support him in starting a business. Out of excitement, he also shared the business idea with his friend Ngoga who works for an organization that supports youths in entrepreneurship in Nyarugenge. After a long conversation, Ngoga acknowledged that Eric had all it takes to succeed as an entrepreneur. “My friend I am very impressed by the energy and passion you have to see this business take off. By far you have all the success factors as a nascent entrepreneur in the bloc,” Ngoga said. However, Ngoga advised Eric to undertake a feasibility study because turning a business idea into a successful business requires one to analyze and screen the idea to determine whether it is realistic. Not every idea identified is business worthy. The feasibility study will also help Eric to ascertain if the idea has desirable qualities of a good business opportunity. When Eric received this feedback, he developed panic and he thinks of dropping the idea.

REQUIRED:

- (a) Explain to Eric the different aspects to consider when conducting a feasibility study. **(6 Marks)**
 - (b) Describe the qualities of a good business opportunity. **(6 Marks)**
 - (c) Explain the success factors Eric should possess as a nascent entrepreneur. **(8 Marks)**
- (Total 20 Marks)**

QUESTION FOUR

CPA Felix Mukunzi is a senior partner in MM & Associates. One of the firm's clients, Toto International Limited (TIL), appointed Felix as its fiduciary agent for all their bank accounts with full authority. TIL's directors keep signed cheques with him for easy payment of loans, suppliers and tax obligations. This was after a long period of building trust through financial and tax advisory services provision. At the end of last year TIL gave him a black suit as a gift for good financial representation in Rwanda Commercial Bank (RCB), where TIL had obtained a credit facility of Frw 70.5 million for business expansion.

Felix is known in the social circles as a 'party animal' that never missed any social activity. To support his luxurious lifestyle, he used TIL's funds worth Frw 30 million from the bank accounts fraudulently recording them as payments for further assignments. His partner, CPA Tina Mulembe became suspicious when she noticed the transactions and could not find evidence to suggest that further assignments had been carried out.

TIL's directors noticed the irregular withdraws on their company bank accounts and have petitioned iCPAR on the matter. Felix has threatened to disclose all TIL's tax affairs to Rwanda Revenue Authority (RRA) if the directors do not withdraw the petition.

REQUIRED:

- (a) Discuss the requirements set out regarding the custody and reporting of clients' assets or money that CPA Felix Mukunzi should have observed. **(5 Marks)**
- (b) Briefly explain the factors that CPA Felix Mukunzi would have considered before accepting Christmas gifts from TIL. **(4 Marks)**
- (c) Write a letter to the directors of TIL explaining the:
 - (i) conditions under which Mukunzi can disclose tax information to RRA. **(6 Marks)**
 - (ii) factors CPA Felix Mukunzi will consider when deciding to disclose tax information. **(5 Marks)****(Total 20 Marks)**

QUESTION FIVE

KADO Company Limited (KCL) is one of the largest exporters of organic honey and beeswax in Rwanda. The company was formed by Dominic Karamira, a re-known entrepreneur and consultant in business planning. Dominic served in a number of companies acting in various managerial positions. In 2015, he decided to start KCL, specialising in exportation of organic honey and beeswax, and also training farmers in the country how to start up bee projects at a micro level.

In 2012, Dominic secured 15 acres of land in Bugesera district where he planted eucalyptus trees. Because he had a dream of processing honey and beeswax, he decided to maximise his available land and erected bee hives amidst the planted forest. When the honey got ready for harvesting and

extraction, Dominic was able to harvest over 1,000 litres. This inspired him to plan big as earlier thought. He decided to store it for six months and embarked on making a company business. He recruited five people who had the expertise in beekeeping and marketing the products to help him start off the project.

In 2015, Dominic officially opened up offices in Rwamagana town. He appointed the general manager, Samson Nihimana, who supported him to write the mission for the company i.e. ‘To produce quality honey and other bee products that are distinct, valued and healthy for the body’. Other employees were attached to different departments like sales and marketing, production, accounts and human resource. The purpose was to make his work easier, well knowing that he was busy with other consultancy work.

The company’s main objectives were to ensure that people enjoy honey that is organic and healthy to their bodies, as well as supply genuine beeswax that can be used as raw material for other products. The company’s major strategy was to ensure quality that is fit for export and ready to compete with other producers. Samson and Dominic laid down the company’s policies and procedures. For example, when harvesting honey, employees had to wear protective clothing; honey would not be sold at the packaging centre. All customers had to buy from authorised distributors. A set of rules were designed and issued indicating arrival time and dress code. In the same vein, personal bags were to be kept in the cloakroom, while staff had to wear company uniforms while on duty. These rules were to govern the company and its employees to make it grow and become exemplary from other companies.

Management designed various programs that were to help support the company’s mission and goals. From the time they recruited the finance manager, Chris Gatanazi, financial discipline has greatly improved. KCL operates following an annual budget that he developed to see how funds will be utilised effectively.

The employees of KCL were energized by good working conditions such as allowances that they received every extra hour worked, break tea and lunch offered, and medical insurance. Employees were issued with appointment letters as security for their jobs and this increased employee productivity. Every department set targets to achieve on weekly basis. Management set goals including providing their customers with quality honey and beeswax, making public awareness about honey/ beekeeping, and training farmers countrywide. Employees were provided with protective clothing when harvesting honey and hygiene was a basic priority. Many of the employees feel comfortable and this is evidenced by their long stay at the company. Every year, management arranges parties for them and recognises the best performers with rewards. This has boosted their love for work; and relationship with each other has also been stimulated and reinforced.

REQUIRED:

- (a) Explain the outcomes of the planning process at KADO Company Ltd. **(10 Marks)**
- (b) Discuss Maslow’s hierarchy of needs as enjoyed by the employees of KADO Company Ltd.

(10 Marks)
(Total 20 Marks)

QUESTION SIX

- (a) The following advertisement appeared in Amahoro Daily Newspaper of 3rd November, 2018.

CLASSIFIED ADVERT

SALE SALE SALE
BUILDING AND CONSTRUCTION
ACCESSORIES
METAL WORLD LTD.RUHENGERI
Sixth Street Industrial Area
Dealers in metal works for building and
construction. Offer a 15% reduction in
prices on all items.
Buy while it lasts.

Tel: +255786786/ +255756756

You are the manager of Ingabire Constructors, a construction firm and would like to seek clarifications about the materials, specifications, terms of sale, and the prices.

REQUIRED:

Write a letter to the marketing manager of Metal World Ltd to request for this information.

(10 Marks)

- (b) Today's employers expect to interview serious candidates who demonstrate an understanding of the company's operations and some basic information about its position in the industry.

REQUIRED:

Mention any **three** aspects an interviewee should learn about the organization before going for an interview.

(3 Marks)

- (c) Most of the communication in business and at work places is carried on through words either written or spoken; but many times the receiver of the message may not assign the same meaning to it as the sender may have intended.

REQUIRED:

Suggest any **three** steps which can be adopted by management to avoid miscommunication at a workplace. **(3 Marks)**

- (d) Emerging trends in technology continue to create opportunities for business professionals to interact with customers, conduct meetings, training sessions, and sales presentations and even negotiate with clients.

REQUIRED:

Give **four** advantages video conferencing has over in-person meetings. **(4 Marks)**
(Total 20 Marks)

QUESTION SEVEN

Joab Ntaganda is a teacher of home economics at ABT International School. Joab hails from Rwamagana. In 2005, he decided to start a restaurant in a small town next to his workplace as a mechanism to raise additional income for his family. At the start, the business was booming because he was actively involved in the management of the restaurant and he dedicated adequate time to supervision. Over time, the small restaurant grew into a medium-size business serving a majority of middle-income earners and corporate organizations that held workshops and conferences in Rwamagana. Joab is now planning to diversify into fast foods. His dream is to become a ‘MacDonald’ of Rwanda. When he consulted a professional chef in one of the biggest food store in the country, he was advised to go for a franchise because franchising gives a better start up option for such businesses. Nevertheless, Joab is not convinced by the advice given to him. He thinks franchises work in only developed countries. Besides, he has no clear understanding of the benefits and difficulties involved in taking a franchise.

Meanwhile Joab was promoted to deputy head teacher because of his hard work and commitment in his workplace. The new promotion came in with many responsibilities. Joab now spends more time at work and hardly gives time to his business. The performance of the business is declining and many clients complain about poor service, bad food and negative attitude of the employees. A close friend has advised him to continue performing his entrepreneurial roles or else he risks the business closing. He is wondering what his friend meant by entrepreneurial roles, because every evening he passes by his restaurant to pick the proceeds and pay his workers. He is seeking your advice as an expert in entrepreneurship.

REQUIRED:

- (a) Explain to Joab the advantages and disadvantages of franchising as a form of business start-up. **(10 Marks)**
- (b) Describe the roles that Joab should take as an entrepreneur in his business. **(10 Marks)**
(Total 20 Marks)

