
CERTIFIED PUBLIC ACCOUNTANT
FOUNDATION 1 EXAMINATION
F1.4: BUSINESS MANAGEMENT, ETHICS AND
ENTREPRENEURSHIP
FRIDAY: 7 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

BURERA BUSINESS ENTERPRISES LTD

Burera Business Enterprises Ltd (BBEL) was established in 2001 by Mr. Ganza using his family savings. It deals in processing and packing of fruit juices for both local and regional markets. BBEL employs over 100 employees in its various departments of production, finance, marketing, and research and development. Such staff has become a major pillar in the growth and development of BBEL.

Realizing the importance of a strong labour force, Mr. Ganza invested time and funds in recruitment and maintenance of motivated employees. In selection of employees, priority went to academic qualifications. He insisted on professionals experienced in food processing giving BBEL an opportunity to progress quickly. These are in charge of research and quality control, which has ensured production of high quality drinks that have attracted many customers from Rwanda and neighboring countries.

The management of BBEL ensures that the selected employees fit their positions. This has enabled them to perform their duties excellently with minimal supervision. Screening interviews are held on telephone with the prospective applicants to ensure that shortlisted applicants meet the requirements of BBEL; that the applicants have the qualifications and are suitable for the job in question. No wonder therefore, the staff of BBEL has displayed a high level of the desired personal and managerial qualities that have taken BBEL to great heights.

BBEL also considers those applicants that are to be beneficial to the company. Management endeavors to ensure that it recruits those who can serve the company for long, have a good track record and are passionate about their work. Employees put skills to action, are team players, ambitious and responsive. This has helped BBEL to minimise costs.

Teamwork has become another aspect to BBEL's success story. Management emphasises teamwork. In fact Mr. Shama, the human resource manager, ensures cordial relationship among employees at all levels. This has been achieved through prompt response to resource needs like funds and human resources. There are clear duties and responsibilities of employees.

Staff also pursue common group goals communicated to all members of the team through open communication lines. This has helped to minimise differences arising from personalities, power and status of employees at different levels. BBEL's success has made it a re-known model enterprise in Rwanda.

REQUIRED:

- (a) Explain the qualities considered by management of BBEL in selection of its staff.
(10 Marks)
 - (b) Discuss how BBEL has been able to avoid conflicts originating from teamwork.
(10 Marks)
- (Total 20 Marks)**

QUESTION TWO

Read the following passage and answer the questions that follow.

Criticism is one important task a manager is charged with and it is also one of the most dreaded. But today, many managers and leaders are very willing to criticize but very economical with praise. Employees have come to believe that feedback on performance is only given when they blunder.

How criticism is given or received will determine the effectiveness, productivity and satisfaction of workers. Managers and leaders should master the crucial art of feedback on employees' imperfections and failings. Effective handling of mistakes and irksome irregularities at a workplace will help to keep the team motivated and to retain valuable employees. The propensity to give irrational criticism could be attributed to a delayed reaction. Just as the emotional health of a couple depends on how frequently they air out their grievances, feedback should be immediate.

Managers and leaders need to be specific when giving feedback. A key event or incident should be identified to demonstrate the problem that needs to be addressed. Blanket statements are never useful. They are self-imposing and often send wrong messages. Criticism, like all constructive feedback, should also offer a solution, otherwise the recipient will remain frustrated, demoralized and demotivated.

In addition, feedback should preferably be a face to face interaction. The manager should personally meet, give audience to employees and opportunity for response and clarifications. Criticism channeled through emails and written correspondence is impersonal and may reflect diffidence on the sender part.

Good managers and leaders are also expected to be sensitive. Feedback should be presented with tact and compassion. Confrontational criticism is destructive: instead of opening the way for correction, it increases emotional backlash of resentment, bitterness, defensiveness and friction.

Adapted from, Jobs and Carriers, Monday June 11, 2008.

REQUIRED

- (a) Give **two** reasons explaining why managers and leaders need to master the art of feedback on employees' imperfections and failings. **(4 Marks)**
- (b) Suggest **four** steps a team leader should take to effectively execute the task of criticism. **(8 Marks)**
- (c) Give **three** reasons to explain the dangers of tactless and irrational criticism at a workplace. **(6 Marks)**
- (d) Point out the reason given why leaders may choose to criticize irrationally. **(1 Mark)**

- (e) From the passage, identify **one** specific mistake team leaders make when giving feedback on employees oversights. **(1Mark)**

(Total 20 Marks)

QUESTION THREE

Fast Automobile Ltd is a prominent company dealing in motor cycle assembling in Rwanda. Since its inception, the company has built a brand name as specialist in assembling different kinds of motor cycles and distributing them to regional wholesalers across the country. During the recently concluded annual general meeting, Mr. Kayibanda the proprietor of the company unleashed a proposal to expand operations to other neighboring countries as a mechanism to boost the company's revenues. During the meeting, Mr. Kayibanda tasked his research team to assess company readiness to take on the new business in terms of finances, technology, equipment and personnel among others. He further emphasized the need for strong networks and time in implementing the proposed idea successfully. At the end of the meeting, Mr. Kayibanda instructed his planning department to study the proposal and give recommendations for viable markets and start-up option. After a thorough market research, the department recommended that Uganda had a lucrative market and that the company should consider acquiring an existing business to avoid bureaucratic processes of starting-up a new company. The team also pointed out the need for thorough investigations to ensure due diligence before the new business is acquired. Mr. Kayibanda appreciated the recommendations and noted that necessary resources were available. However, he is not certain on what to consider before acquiring an existing business. Mr. Kayibanda has approached you for guidance.

REQUIRED:

- (a) Explain the key resources required to expand the operations of Fast Automobile Ltd. **(10 Marks)**
- (b) Advise Mr. Kayibanda on factors to consider before acquiring an existing business. **(10 Marks)**

(Total 20 Marks)

QUESTION FOUR

CPA Michael Gatete is the Finance Director of Cure Pharmaceuticals Limited (CPL), a company involved in importing, exporting, distribution and marketing of pharmaceuticals and hospital consumables. CPA Gatete is responsible for the company's strategy and financial affairs. Rwanda Revenue Authority (RRA) has discovered that CPA Gatete has been colluding with senior RRA officials to evade taxes.

A recent RRA tax audit was conducted and the following were discovered:

1. CPA Gatete did not declare that he is one of the shareholders of CPL in addition to two Dutch nationals, Van Perne and Roben Vonk. This implies that CPA Gatete has a financial interest in CPL;
2. The company had fictitious tax invoices stating goods and services that were never received.
3. CPL bribed RRA officials to under declare its tax obligations which CPA Gatete preferred to call "tax planning and management".

4. CPL was involved in transfer pricing manipulation in which CPL purchased goods from a sister company based in Malaysia quoting lower invoice values.
5. The income tax returns filed with RRA included; overstated employee costs, incorrect computation of allowable deductions on assets; and consistent declaration of losses for three years contrary to CPL's unqualified audited financial statements issued by CPL's external auditor.

Following the tax audit report detailing the fraudulent schemes, RRA has written to CPL threatening the cancellation of CPL's tax registration and litigation.

REQUIRED:

- (a) Using the following ethical principles, discuss the various ways CPA Gatete would resolve the unethical practices at CPL:
 - (i) Professional behavior. **(5 Marks)**
 - (ii) Professional competence and due care. **(5 Marks)**
 - (b) Explain how:
 - (i) Having financial interest in CPL could impact on Gatete's independence in financial reporting. **(4 Marks)**
 - (ii) The provision of accurate, complete and reliable financial information may have mitigated CPL's RRA tax risk exposure and the possible tax penalties. **(6 Marks)**
- (Total 20 Marks)**

QUESTION FIVE

- (a) "Communication is a key factor in the success of any organization. Discuss the barriers that are faced by organizations as they carry out communication in their day to day businesses. **(10 Marks)**
 - (b) Explain why Internet marketing has become more popular in promoting products and services businesses. **(10 Marks)**
- (Total 20 Marks)**

QUESTION SIX

- (a) Residents of Nyaruguru district in the southern province of Rwanda have succeeded in mobilizing themselves to form Nyaruguru Village Savings and Credit Association (NVISCA). The association has been running for eight months and comprises 400 village saving groups of people whose livelihood is steadily improving. To become a member of a village saving group, one must be 18 years old and above, with a good reputation. Member groups pay a commitment fee of 3,000 Francs to the Association and hold their Association meetings every first Monday of the month.

Members of the village saving groups meet every week on a selected day and each member saves at least 200 Francs whenever a meeting is convened.

Members are mainly farmers who get loans to buy fertilizers, seedlings and other farming implements. Others are owners of small businesses wishing to learn how to manage their small resources effectively and invest productively.

Members have managed and are engaged in viable projects like:

- Buying tents and chairs for hire;
- Piggery farming;
- Poultry farming.

The groups were originally comprised of women but men have gradually been motivated to join.

REQUIRED:

You are the Chairperson of the Nyaruguru Village Savings and Credit Association and you are asked to present a report to the manager of Turatsinze Micro Finance, Nyanza, which is willing to give loans to the village saving groups.

Draft a report giving background information on: profile, objectives, current activities and future plans of the Association. **(10 Marks)**

- (b) Reports like any other written form of communication may be drafted online for convenience and effectiveness using websites and social networking sites.

REQUIRED:

Identify **four** qualities of effective online communication. **(4 Marks)**

- (c) Within the business environment, messages can be disrupted by a variety of communication barriers like noise, discomfort, thought, emotions, crowded computer screens, reminders popping up on phones, chronic multi-tasking and channel breakdowns.

REQUIRED:

Give advice on how a business man can minimize or overcome the odds to ensure that he captures the interest of his audience. **(3 Marks)**

- (d) Handwritten correspondences, telephone calls, text messages, e-mails and fax transmissions have gradually reduced the use of general letter services in business communication. However, they cannot entirely replace the importance of postal services.

REQUIRED:

Identify **three** specific situations where postal services complement transactions in daily business. **(3 Marks)**

(Total 20 Marks)

QUESTION SEVEN

At the age of 62, many people would fold their arms and wait for handouts perhaps from their children for survival. This is not the case with Gatanazi Emmanuel of Musanze district. When he retired from formal employment in the year 2000, Gatanazi resorted to commercial fruit farming using the meagre income he had received as retirement package. With a lot of interest to generate an income for the family, Gatanazi experienced many challenges in managing the farm. He lacked technical knowledge in farming, had no capacity to market the fruits and the farm was hit by weather changes. Despite the challenges, Gatanazi never gave up his dream. He attended a short course in Kenya organized by Kenya Institute of Organic Farming. He also visited Prof. Wanjiru for further guidance. This enabled him to sharpen his farming skills and his business is now doing well.

Following the remarkable progress in the business, Gatanazi plans to establish a juice factory to add value to his fruits but lacks knowledge of distribution. One employee has advised him to outsource the distribution of the juice to established distributors but Gatanazi is not convinced. Fortunately, his dream of adding value to the produce coincided with the Government plan to support farmers in value addition as a strategy to fight poverty. However, to benefit from the government offer of financial support, Gatanazi is required to submit a good business plan. Gatanazi is wondering how to go about it and has approached you for professional guidance.

REQUIRED:

- (a) Explain to Gatanazi the:
- (i) Components to include in the marketing section of a business plan. **(6 Marks)**
 - (ii) Common mistakes entrepreneurs make in preparing business plans. **(6 Marks)**
 - (iii) Benefits of outsourcing juice distribution. **(8 Marks)**
- (Total 20 Marks)**

