
CERTIFIED PUBLIC ACCOUNTANT

FOUNDATION LEVEL 1 EXAMINATIONS

F1.4: BUSINESS MANAGEMENT, ETHICS AND

ENTREPREURSHIP

FRIDAY: 6 DECEMBER 2019

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

Kenzo group company can be a good corporate citizen not only in compliance with all relevant laws and regulations, but also by actively assisting in improvement of the quality of the life of the people in the communities in which it operates with the objective of making them self-reliant and literate and encourage application of modern scientific and managerial techniques and expertise. Such social responsibility would comprise, to initiate and support community initiatives in the field of community health and family welfare, water management and vocational training. The company would also not treat these activities as optional ones but would strive to incorporate them as integral part of its business plan.

The company would also encourage its employees and help them to behave ethically. Kenzo group company's employees are encouraged to develop social accounting system and to carryout social audit of their operations

Amendments were made to the articles of association of the Kenzo company in the year 2010.

Newly included was an article stating that the company shall be mindful of its social and moral responsibilities to consumers, employees, shareholders, society and local community. To institutionalize the corporate social responsibility charter, a clause on this was put into the group's code of conduct. This clause states that group companies had to actively assist in improving quality of life in the communities in which they operated.

All the group companies were signatories to this code, and Management considered it critical to the success of the company.

REQUIRED

- a) Identify the corporate social responsibility statement of Kenzo group company (10 marks)
- b) Explain the ethical obligations of Kenzo company's employees would perform as auditors.

(10 marks)

(Total 20 marks)

QUESTION TWO

For a growing number of students, college is not just a time of learning, enjoying and growing into young adulthood, it is fast becoming a place for building businesses.

Almost all colleges and Universities in Rwanda are offering courses in entrepreneurship and small business management. In addition, many organizations and entities are offering training in entrepreneurship and innovation and small business start-ups which in the end lead to the overall national development strategy as reflected in the vision 2050.

In the past most students used to come to the University and assume that 5-10 years down the road they will start their own Businesses, but today they come in preparing to get ideas and then start – up their own businesses without hesitation.

Many of these collegiate entrepreneurial ideas come from their college life experience. During her first year at the University of Kigali, Mutesi was participating in an internship program with one of the leading business companies in Burera. One day she was taken to company's cafeteria, and she met workers who had been told that their jobs were being terminated.

This changed her ambitions concerning ICT jobs as a web Master. She decided, not to go to work for anyone. She was going to start her own business.

After her internship, Mutesi got a job to work for a Telecom company during her high school vacation.

So, she realised an opportunity to open a small shop to start a small business at the campus

The initial challenges she faced were getting permission from college officials to open the shop and finding the financing, preparing a business plan that may help her to get money from the bank and therefore she consulted one of her friends who was carrying out the business and she assisted her to prepare a business plan for loan purpose.

Since then, she has overcome these challenges and her business is running smoothly.

REQUIRED

- a. What challenges do upcoming entrepreneurs face when starting up businesses in relation to Mutesi's business? **(7 marks)**
 - b. Discuss the importance of a good business plan **(6 marks)**
 - c. Give a sketchy format of the main components of a winning business plan **(7 marks)**
- (Total 20 marks)**

QUESTION THREE

Maria 35, single mother is a top celebrity braid maker at Keza saloon in Kigali City. Women from across the city are struggling to get an appointment for braid made by Maria.

Maria says that the prices charged for her work are set by the saloon management according to the forces of supply and demand. While the average price of getting any good braid style is around Frw 20,000 in other saloons in Kigali, it is much higher with Maria's braids clients who are asked to pay between Frw 40,000 and Frw 50,000 to get braided by Maria, yet there is always a long queue of clients waiting new appointments at Frw 50,000 and Maria is not able to keep up with the demand.

The saloon must look for ways to exploit such popularity and expand their business.

REQUIRED

- a.** Discuss the key phases of enterprise process by poche (1999) **(14marks)**
 - b.** Explain the three options of financing expansions available for business owners. **(6marks)**
- (Total 20 marks)**

QUESTION FOUR

Shema PLC is one of the big retailers in Rwanda playing a part in the lives of around 1 million customers a week.

Shema PLC objectives are as follow:

- ❖ To provide shareholders with good financial returns by focusing on customer needs, adding values through our expertise and innovation, and investing for future growth.
- ❖ To provide unrivalled value to our customers in the quality of the goods we sell, in the competitiveness of our prices and in the range of choices we offer.
- ❖ To achieve efficiency of operation, convenience and customer service in our stores, thereby creating as attractive and friendly a shopping environment as possible.
- ❖ To provide a working environment where there is a concern for the welfare of each member of staff, where all have opportunities to develop their abilities and where each is well rewarded for their contribution to the success of the business,
- ❖ To fulfil our responsibilities by acting with integrity, maintaining high environmental standards, and contributing to the quality of life in the community.

Every year, Shema PLC conducts a survey of employee attitudes. The survey is based on a 12-point questionnaire and is sent to all employees.

Every Department manager is given a staff satisfaction measure based on the results of the questionnaire answered by its staff.

The latest survey found that the opportunity to grow and develop was the most prized aspect of a good working environment. Second was the desire to work for a well-run company, and third a friendly atmosphere.

The overall measure of staff satisfaction has been found to be closely linked to the level of customer satisfaction.

REQUIRED

- a. As an expert in Management, what is the relationship between employee satisfaction and customer satisfaction (3 marks)
 - b. List any 5 trends impacting human resource Management (10 marks)
 - c. Briefly explain the various pay schemes of employee compensation (7 marks)
- (Total 20 marks)**

QUESTION FIVE

ABC Company is a good example of a sole trader business. Emma is the owner of the business, a 20 year- old entrepreneur with a love of fruit juice marketing company / business. Her business, which is currently based in her home area Rwamagana is taking off quickly customers for her personalised fruit juice service which includes traditional fruits as well as imported ones from different areas all over the world. By 2020 Emma expects to have opened up another branch in Kigali. In terms of start-up costs, Emma's initial capital was Frw 400,000 of which Frw 300,000 was a loan from bank. Added to this she had Frw 50,000 worth of stock.

It is relatively simple and cheap to have a small business of fruit juice as little as Frw 50,000 . However, the quality of juice is very important. It must be clean and clearly designed and prepared to meet the customer needs and requirements, for it to grow and earn more income.

As clients increased Emma started to think that she would need more capital to expand her business.

REQUIRED

- a. How would Emma benefit from forming a partnership as a way of expanding her business? (6 marks)
 - b. Briefly explain the different forms of business organization (8 marks)
 - c. What would be the characteristics of good business opportunities (6 marks)
- (Total 20 marks)**

QUESTION SIX

At the start of the new academic year at Muyenzi Business school, staff of the business studies department were hoping that their head of department, Karake would be more organised than last year. However, as the term progressed it was obvious that the same problems still existed.

Every Monday morning at 8:00 am, there was a departmental meeting. As usual, Karake would arrive five to ten minutes late. He always prepared an agenda on his way to work. This gave his staff no time at all to prepare for the meeting. The format of the meetings were always the same: Karake would talk

through the items on the agenda in great detail. This left very little time for his staff to make their contributions which was often done while walking out of the door on their way to the classroom.

Sometimes, not all of the agenda items were covered. Instead of being carried forward to the next meeting, they were simply forgotten. This often resulted in staff of Business studies department missing vital information. Students waiting to speak to Karake in person or on the phone often interrupted the meetings. Karake would never keep a student waiting, so instead the meeting would be put further behind.

Many times, important information regarding particular work issues would not be passed on to staff.

Karake would receive a message in the morning and forget to inform the relevant member of staff.

Karake also had another annoying habit. He would keep all of the latest business studies' magazines and books to himself. He seemed to have every intention of passing them on to staff but somehow, they would disappear in the pile of paper on his desk.

With a quality Assurance inspection due next term, the staff were determined to sort out the problems within the department. Otherwise, the poor inspection result would reflect upon all of them.

REQUIRED

- a. What do you think Karake is doing wrong? **(6 marks)**
- b. Explain the guidelines for effective meetings **(7marks)**
- c. Outline electronic forms of communication **(7marks)**

(Total 20 marks)

QUESTION SEVEN

John Ndugu provides a good example of a company that spotted profitable opportunities and took advantage of them.

John identifies Markets which are dominated by just few large firms that are making chip levels of profits. John then enters those markets by investing heavily and aggressively in order to win customer interest. An example of a market that John entered is that of a maize production in the market, John saw the fact that the market was dominated largely by a single producer global Company.

During the 2018 global markets opened up as never before. John recognised the potential to sell many tons of maize on a global scale.

The company therefore, invested considerable amount of capital to create a new product of wheat flour which could be sold not only in Rwanda but across the world. John also recognised that BBA Company producing Beans was exploiting a monopoly position and that with the worldwide move to international competition. There would be scope for a major new Beans producing company offering good quality, below cost deals to a variety of markets. John Ndugu Company was born.

REQUIRED

- a. Referring yourself to this case, what are characteristics of business opportunities john did see and exploit? **(6 Marks)**
 - b. Explain the common routes used by entrepreneurs to get products to the market **(8 marks)**
 - c. Discuss the various sources of Business ideas by Vesper (1990)? **(6 marks)**
- (Total 20 marks)**

