

CERTIFIED PUBLIC ACCOUNTANT

FOUNDATION LEVEL 1 EXAMINATIONS

F1.4: BUSINESS MANAGEMENT, ETHICS AND

ENTREPREURSHIP

MONDAY: 30 NOVEMBER 2020

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 **should be** attempted.
3. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

Ahhhthe delicious taste of fresh wild blue berry juice smoothie! What could be better to quench your thirst? The supper juice offered by Mugisha Ltd, Kigali based beverage producer, offer much more than just thirst quenching. And, it is a good thing because consumers are looking for more than that these days -much more. Today's consumers insist on products that are both good for them and good for the environment. Its fruits smoothies are known for their nutritional benefits. Adding sugar is a taboo and a 325ml serving provide 25 to 50 percent of your required daily intake of fruits and vegetables. The product is sweet, pardon the pun! But, what's even sweeter about this product is the way it's produced.

In 2018, Deus Mugisha, the President and founder of the company, along with his brother Ngenzi (The Company CEO), decided to get serious about reducing the environmental footprint of their manufacturing business. Their strategy involved reducing bottle weight which also reduced transport cost and emission, reducing packaging (e.g. plastic and cardboard) making responsible raw materials sourcing decisions (like buying local), changing to bulk hauling transportation providers and utilizing renewable energy for power generation. They expect to recover their Rwf 330,000,000 investment by 2021, mostly from cost savings associated with transportation and packaging. The Rwanda Standards Bureau (RSB) thought the change made by the brothers were in line with the government policy and recognized them in 2019 with an award for sustainable packaging leadership. According to Deus speech on the date of receiving the award he mentioned the keynote to Company stakeholders: "The next step we need to consider is growth, consolidate core market, new market development and diversification".

Apparently, their customers liked the changes too, since Mugisha Co has experienced a 125% increase in sales since 2014. Company sales were Rwf 10,000,000 in 2017, and 2018 African magazine ranked the Company among East African fast-growing companies. The company is also involved in social responsibility initiatives that extend beyond concern for the environment. Through its seeds of change program, the company gives at least 10 percent of its annual pre-tax profits back to the community for youth-oriented programs, full disclosure of business acts, proactive strategy supported youth artistic activities, smart transport through noise control, clean up existing pollution and employment of physically handicapped. In 2018, the company was a corporate sponsor of "See them win", a company involving two Rwandans, Sekuru and Gihanga –who ran 4200 kilometres across African continent to raise money for youth education programs in Africa. Along with making healthy products, and ethical procurement decisions, the company strongly believes in reaching the lives of children. For Deus Mugisha, the founder, a fifth-generation fruit farmer from the rural area that do not have access to market, the decision to develop his part time business to full time operations has taken him to great pastures in more ways than one. So, the next time you pull your chair up to the breakfast table to enjoy a glass of cold orange juice, ask yourself "Exactly how green is that orange!"

Required:

- a. **Identify and explain four (4) key steps a firm must take to implement a social responsibility program in the organization.** (4Marks)
- b. **Explain any four (4) factors that may affect the organization/firm growth.** (8Marks)

- c. **Identify and explain any four (4) business environment that may affect the performance of an organization.** (8Marks)

(Total: 20marks)

QUESTION TWO

In 2010, Twitter executives announced the creation of promoted tweets, which enables companies to pay for their messages to be displayed in a more prominent manner on the site while providing Twitter with a new revenue stream. Many companies sign up contracts, authors and musicians use the sites to generate buzz. Now twitter appears ready to cash in on its success. Is this the beginning of sustainable revenues for twitter? For Twitter boss, entrepreneurs need to think and develop their business ideas on a paper depending on the legal business form and firm up their thinking about how to launch their businesses before investing time and money on it. The starting point of being rich is to come up with great idea before moving to the business plan as a summary of business strategy for proposed new venture and implementation strategy, this might be a business that you have already considered setting up. If you don't have ideas for a business already, look around. What are some of the businesses that you may come into contract that gives the right to sell the product or the mother company. Do not miss an opportunity; exploiting an opportunity and resources commitment that makes it necessary to make informed decisions when committing to an opportunity." Today's community challenges are opportunities to entrepreneurs, but can be exploited in different ways.

Required:

- a. **Discuss three (3) main characteristics of a good business opportunity.** (6Marks)
- b. **Describe the forms of legal organization for a business, advantages and disadvantages for each.** (6Marks)
- c. **Identify and explain two (2) benefits of successful marketing strategies to the organization.** (4Marks)
- d. **Identify and explain four (4) main sources of finance, its advantages and disadvantages for an entrepreneur.** (4Marks)

(Total:20marks)

QUESTION THREE

Peter Kamoso and John Mutembe run a small HIT shop. They are recruiting an administrative assistant. Peter puts up an advert on the notice board in his men's club. It says: The person required for the post in HIT shop. Full –time, aged 28. Contact.... Two candidates turn up for the interview the following day: a man and a woman (who heard information about the job by the word of mouth through his interview mate). Peter interviews them both, asking work related questions. He also asks the woman whether she has children and how much time she expects to spend dealing with family matters.

Required:

- a. **Identify and explain any three (3) examples of practices HIT shop used that constitute indirect discrimination on the ground of sex.** (4Marks)
 - b. **Explain the psychological contracts and the person –job fit in the workplace.** (4Marks)
 - c. **Identify and explain Six (6) advantages and drawbacks of outsourcing in the organization.** (12Marks)
- (Total 20marks)**

QUESTION FOUR

- a. **Indicate any three (3) elements which would make up a positive attitude to work in the organization.** (6Marks)
 - b. **Discuss the new product development process in organization.** (6Marks)
 - c. **Explain four (4) success factors of small business at each stage of product life cycle, strategies to be undertaken at each stage of product development.** (8Marks)
- (Total: 20marks)**

QUESTION FIVE

- a. **There is a variety of advertising media available to employers/ recruiters. Explain three (3) main factors influencing the choice of medium used to reach the beneficiary.** (6Marks)
 - b. **Communication is viewed as the key to the success of any organization. Discuss four (4) qualities of effective communication in the organization.** (8Marks)
 - c. **The business plan serves as a planning tool to help guide the start -up and execution of a new venture. Once the venture is started, the business plan is still a vital tool for planning continued growth and /profitability. Explain any three (3) reasons to update the business plan for entrepreneurs.** (6Marks)
- (Total: 20marks)**

QUESTION SIX

Success in the workplace depends on the strength and quality of collaborative relationships. New ways of working emphasise collaboration across functions and hierarchical levels as well as with other companies, team –building skills are crucial. Instead of managing a department of employees, many managers act as team leaders of ever-shifting, temporary projects. When a manager at ... needs to staff a project, he or she gives a list of skills needed to the human resources department, which provides a pool of people who are qualified. The manager then

puts together the best combination of people for the project, which often means pulling people from many different locations.

The shift to a new way of managing is not easy for traditional managers who are accustomed to being in charge, making all the decisions and knowing where their subordinates are and what they 're doing at every moment. Even many new managers have a hard time with today's flexible work environment. Managers of departments participating in best Buys 'Results –only work environment program, which allows employees to work from anywhere, any time as long as they complete assignment and meet goals, for example, find it difficult to keep themselves from checking to see who 's logged onto the company network. Even more changes and challenges are on the horizon for organizations and managers. It's an exciting time to be entering the field of management.

Required:

- a. **Indicate two (2) reasons why long-term loans are attractive for borrowers.** (4Marks)
 - b. **Explain three (3) main purposes of setting project goals in the organization.** (6Marks)
 - c. **Discuss three (3) drawbacks of teamwork in the organization.** (6Marks)
 - d. **Identify four (4) main guidelines on how to make worthwhile and productive meetings.** (4Marks)
- (Total :20marks)**

QUESTION SEVEN

- a. A professional accountant in public practice before accepting a specific client engagement should determine whether acceptance would create any threats to compliance with the fundamental principles.

Required:

Identify four (4) key guidelines to eliminate or reduce them to an acceptable level (8Marks)

- b. You have been asked to cover the duties of one of your colleagues while they are on holiday. One of their duties is to distribute the management meeting agenda to the departmental managers a few days before they hold the monthly accounts meeting. Before colleagues left, they told you "Just print off the accounts and put them on each manager's desk".

Required:

- i. **Explain two (2) circumstances in which professional accountants are or may be required to disclose confidential information or when such disclosure may be appropriate.** (4Marks)
- ii. **Identify two (2) factors to consider in deciding whether to disclose confidential information.** (4Marks)

- c. A&B Co is an Audit firm that has been appointed by Muhanga trading company as their auditor. Yves Bigaruka is a senior auditor tasked with a duty of supervising the audit team assigned to Muhanga trading company. Muhanga trading company is a dealer of Techno products and during COVID -19 these products were very expensive because of the global lockdown. Muhanga trading company manipulated accounts and paid less tax to RRA. The director of Muhanga Trading co invited Yves Bigaruka for a coffee and gave him a phone as a thank you gift for doing audit. Bigaruka accepted the gift.

Required:

Explain the fundamental principles that may have been threatened? (4Marks)

(Total :20Marks)

BLANK PAGE

BLANK PAGE