
CERTIFIED ACCOUNTING TECHNICIAN (CAP)

LEVEL 1 EXAMINATION

L1.3: BUSINESS MANAGEMENT, ETHICS AND ENTREPRENEURSHIP

THURSDAY: 7 JUNE 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.

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QUESTION ONE

KIGALI ENTERPRISES LTD

Kigali Enterprises Ltd (KEL) was incorporated in 2010 from former Kicukiro Farmers Ltd. It is engaged in processing milk into dairy products with a mission of being the leading supplier of high quality products like ice cream, yogurt and sausages in Rwanda and beyond. The proprietor, Mr. Mugabo, used his long time savings, took advantage of low interest loans from Kigali Savings and Credit facilities plus the abundant milk supply to establish a modern milk processing factory. KEL employs a highly qualified labour force of Rwanda nationals and experts in food science from neighboring Uganda. With the mission of producing for a big market, management of KEL utilized its workforce to efficiently produce quality dairy products for domestic and regional market.

Management of KEL has also ensured a stress-free working environment by emphasizing attainment of goals of KEL without compromising individual goals. That has not only created a good image for KEL but helped the enterprise to win a large customer base. In fact products of KEL had found a large market in Uganda, Kenya and Burundi before some of these countries opted to protect their growing industries.

Meanwhile, KEL has reaped huge profits that have been utilized to replace its old processing machines, computers and trucks which had slowed down the production process. The company also started purchasing milk from as far as Muhanga district. Milk had become scarce with increasing customer demand. This had enabled KEL to have a large market share. Its products can now be easily transported to far distant places because of improved road network.

KEL's operations and profitability have attracted new entrants in the same business and locality. The government of Rwanda has been alerted about environmental degradation caused by poor waste management. Nearby wetlands have been reclaimed and remaining ones choked by heaps of packaging materials that are non-bio degradable. That had sparked off demonstrations from neighboring communities that prompted government to demand for an environment impact assessment. A close scrutiny by Rwanda Revenue Authority revealed KEL's non-payment of taxes. That resulted into threats by Rwanda Revenue Authority to close the enterprise.

A management meeting held to resolve such issues, agreed upon focusing on improving the environmental status through treatment of waste, to direct effort towards the goal of KEL and promote research and development to overcome competition. Management resolved to clear pending tax arrears and opening a tax file to avoid similar circumstances in future.

REQUIRED:

- (a) Carry out a SWOT analysis of Kigali Enterprises Ltd. **(10 Marks)**
 - (b) Explain the role of management in operations of Kigali enterprise Ltd. **(10 Marks)**
- (Total 20 Marks)**

QUESTION TWO

Read the following passage and answer the questions that follow:

A brand refers to a name, term, sign, symbol or design intended to distinguish the goods and services of one seller from those of other sellers. By developing and improving the brand name of the company, one can increase the business market share and even win better contracts.

So branding is not about getting your target market to choose you over the competitors, but getting your potential customers or clients to see you as the only one that provides a solution to their problems.

The objectives that a good brand will achieve include: clearly delivering the message, confirming the credibility of the company as well as motivating the clients and increasing their loyalty. To succeed in branding, you must understand the needs and wants of your customers by integrating your brand strategies through your company at every point of public contact. Your brand resides within the hearts and minds of customers, clients and prospects. It is the sum total of their experience and perceptions, some of which can be influenced.

A strong brand is invaluable as the battle for customers intensifies day by day. Investing in the brand name can be more rewarding than the company's assets especially in winning business contracts. Business should also invest in researching, defining and building a brand.

However, there is need for clarity on the character traits a brand is intended to convey. It may represent competences, quality, authenticity or credibility. The brand name is the first image of the business and usually projects what it has to offer. A well planned and carefully executed brand whether for a product or service will increase sales and can become a valuable asset. It is what customers will remember about the business that will either draw them to it or send them away to the competitors.

As one brand manager expert says: 'A business may last for many years, when a lot is invested in money and time, but to make it more successful, part of the investment should go into building the brand name.'

Source: *Adapted from Business and Tenders, Tuesday, September 13 2016.*

REQUIRED:

- (a) Mention two reasons given in the passage to explain why it is important for a company to invest in building a good brand name.
(4 Marks)
- (b) Suggest three factors a businessman needs to consider when designing a brand name.
(6 Marks)
- (c) In a paragraph of about 35 words, advise a startup entrepreneur on how to succeed in branding.
(6 Marks)
- (d) From the passage, identify four characteristics of a brand which project a favorable company image.
(4 Marks)

(Total: 20 Marks)

QUESTION THREE

Vedaste, 25, is the eldest son of eight children in the family. He lost his father and was unable to complete his accounting course at the vocational institution. When his father passed on, he became the family's main breadwinner. A huge amount of responsibility fell on him at an early age. "When my dad died, it was such a difficult moment. I dropped out of school due to lack of financial support yet being the elder son, I had to provide for my family. I had no marketable skills, nor academic papers therefore, getting a job was difficult. I thought of self-employment as a suitable career choice for me." Vedaste explains.

Vedaste applied to join the OYE's biogas programme in Kigali and he was successfully selected for the SNV organized basic business and life skills training. After the training, he got a permanent job as a biogas technician where he gained experience that enabled him to get a better paying job in another company. He used the salary to educate his younger siblings, who were in secondary school. Life was not easy but he was determined to make something out of it and keep pushing forward to develop himself even further. Things took a turn in 2015 when SNV invited him for advanced business training. This opportunity opened up Vedaste's mind on the possibility of working for himself. He had the characteristics of an entrepreneur and the training opportunity was a simple trigger into self-employment. Full of excitement, Vedaste reiterated about benefits associated with self-employment.

After the training, Vedaste decided to launch his own biogas business. He went door-to-door speaking to farmers who had cows and he managed to convince six farmers to order biogas digester in a matter of weeks. With the confidence that he could make it on his own, he registered his own company and proceeded to gain permission from the district council to build the six digesters under the national domestic biogas programme. However he lacked the money to buy materials for the district work. Because he had determination for success, Vedaste decided to get a loan to finance his work in the district. With the help of three other employees, he built the six digesters in three weeks. Vedaste's entrepreneurial journey is an inspiration for young entrepreneurs in Rwanda and shows how entrepreneurs play a big role in a country's economic development.

Source: Adopted from SNV Rwanda annual report 2016.

REQUIRED:

- (a) (i) Identify the factors that pushed Vedaste into self-employment at a tender age.
(4 Marks)
 - (ii) Explain the benefits Vedaste will enjoy as a result of starting his own business.
(4 Marks)
 - (b) With the support of the case, explain the characteristics Vedaste possessed that made his entrepreneurial journey successful.
(8 Marks)
 - (c) With reference to Vedaste's business, explain the role played by entrepreneurs in Rwanda's economy.
(4 Marks)
- (Total 20 Marks)**

QUESTION FOUR

Gasana Computers Limited (GCL) is a Rwandan based company incorporated in 2014. It is owned by Mr. Josiah & Mrs. Johanna Gasana, who also double as the company directors, and are responsible for providing strategic direction to the company. The company deals in the buying and selling of electronics like computers, telephones, televisions and digital cameras. All these items are imported from South Africa, Asia, and Europe. GCL employs over 30 people countrywide with outlets in Kigali, Rwamagana, Byumba and Nyanza provinces.

In 2017, Rwanda National Police Unit (RPU) which is attached to Rwanda Revenue Authority (RRA) launched an anti-smuggling campaign in which they seized GCL's 40ft imported container due to tax evasion by under declaration of goods. RRA levied penalties and threatened to close GCL's outlets if payments for the taxes are not made. RRA also threatened to auction the goods to recover the taxes as well as penalties.

Mr. Josiah Gasana, in performing his ethical responsibilities, has instructed Joseph Ngoga, the newly appointed Financial Controller and a member of ICPAR, to quickly handle the matter by ensuring that accurate financial data is presented for proper tax assessments by RRA.

REQUIRED:

- (a) Discuss the ethical responsibilities of Mr. Josiah & Mrs. Johanna Gasana at GCL, as company directors. **(8 Marks)**
- (b) Explain the role to be played by Joseph Ngoga, as professional accountant in promoting financial reporting and compliance at GCL. **(6 Marks)**
- (c) Identify other anti-smuggling methods that RRA can use to ensure tax compliance for companies like GCL. **(6 Marks)**

(Total 20 Marks)

QUESTION FIVE

Organisations are set out to achieve certain goals, and they normally involve setting well planned objectives, good organization structure, with right people, good corporate governance, proper motivation and finally effective control. An adequate system of control is essential, if results are to be achieved as planned within an established time frame. Management control therefore, is the process through which managers ensure that actual activities conform to planned activities and it involves a number of systematic steps.

REQUIRED:

- (a) Describe the basic steps in the management control process. **(8 Marks)**
 - (b) Discuss the roles of a board of directors in an organisation. **(12 Marks)**
- (Total 20 Marks)**

QUESTION SIX

- (a) You are the Managing Director of Hakizimana, a community development project whose mission is to support small holder farmers in Rwanda build projects that deliver better returns for their work. Reports have come to you that some area supervisors are engaged in unethical conduct involving demanding money from the farmers for services on the pretext that they will access services easily and quickly, and also, using project facilities to do personal work.

REQUIRED:

Draft a memo with a warning message to be sent to the area supervisors. **(10 Marks)**

- (b) Recently Mr.Tumurere Eric pulled into a fuel station and told a pump attendant who was wearing a set of ear phones to refill fuel worth Frw 15,000. To his surprise the attendant pumped fuel for Frw 50,000. This led Mr.Tumurere to conclude that
“Communication barriers may lead to distortion of messages resulting in disastrous consequences”.

REQUIRED:

Cite four examples of communication barriers which may arise out of carelessness and oversights when handling customers or clients.

(4 Marks)

- (c) While the telephone is an indispensable item in communication it can cause client dissatisfaction or even loss of customers in business.

REQUIRED:

Give **three** examples of behavioral tendencies which are inappropriate when using a telephone at a workplace.

(3 Marks)

- (d) Technology has business value only if it helps deliver the right information to the right people at the right time.

REQUIRED:

List **three** communication guidelines for using communication technology effectively.

(3 Marks)

(Total: 20 Marks)

QUESTION SEVEN

Nyamoya is a young talented marketer and lives in Rwamagana the eastern province of Rwanda. He completed his studies in 2017 and immediately secured a job as sales personnel in Shema distributors Ltd. The company deals in stationary and scholastic products with branches across five districts in Rwanda. Having worked for Shema distributors for a year, he developed a passion for self-employment urging that, the company over works him yet the salary is very small. In March 2018, Nyamoya met Tumukunde an old friend in a restaurant while on his fieldwork. He shared his dream of owning a business in the near future but expressed fear that he had no idea on how to start. Tumukunde on the other hand shared his experience on how he started his online small business that delivers household groceries to working mothers. Tumukunde's business experience has inspired Nyamoya to start-up his own business. His dream is to start as soon as possible and further integrate technology in his business operations in the near future. However, Nyamoya is confused about how to start and where to get finances to launch his small business.

REQUIRED:

- (a) Describe the steps Nyamoya should follow to start up the small business. **(6 Marks)**
 - (b) Explain the financing options Nyamoya can use to raise seed capital for his small business startup. **(8 Marks)**
 - (c) Discuss the role of technology in small business growth. **(6 Marks)**
- (Total 20 Marks)**

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