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

The manager of IK Sauce Packers closely supervises his workers and his orders are to be followed without any deviations; all decisions are strictly made by him.

REQUIRED:

- (a) Identify the leadership style exhibited by the manager of IK Sauce Packers. (2 Marks)
 - (b) Explain the advantages of using the leadership style identified in (a) above. (8 Marks)
 - (c) Examine the demerits of using the above type of leadership in a company. (10 Marks)
- (Total 20 Marks)**

QUESTION TWO

Read the passage below and answer the questions that follow:

According to career change statistics, an average person will change careers five to seven times during their working life. With an ever increasing number of different career choices on offer, approximately 30% of the total workforce will now change jobs every 12 months.

It is therefore only normal that you may want to have a change of career. The difference between changing career and changing a job is that whereas a job change is moving from one job to another either vertically or horizontally in the same career, a career change is a much bigger step where one moves from one career profession to a totally different career path that may not necessarily be related to their former career.

A successful career change calls for a well thought out process by the person intending to make it. In order to have a successful career change, you need to be clear and give yourself time to assess if you just need a new job or a new career. You need to think about your life passion and your income when thinking about change of career.

Think about what you are giving up, what you are moving into, whether it is necessary and if it is the right time for you to do so. Timing can be very important in terms of the opportunities at your disposal that favour the career change, a time in your old career when you just need a new career path, and timing in terms of geographical location that may need you to assume a new job other than keeping the old one.

After your mind is made up to make that big step and having identified a new career path you would like to take, start building your competencies around the new field.

However, it is dangerous to just drop your job simply because you are going to the streets to hunt for a new job in a new career. It is advisable, while changing career, to go step by step into the new career. Look for people who know you to evaluate and provide an opinion whether they think you could be a good candidate. Hold frequent conversations with them about how to penetrate the new field.

Source: Adapted from: Money and Careers; 16 February, 2019.

REQUIRED:

- (a) Identify **four** situations that may lead people to change their careers. (4 Marks)
 - (b) Advise a workmate planning to drop to move into new career which he assumes will offer him better opportunities. (6 Marks)
 - (c) Distinguish between career change and job change giving specific examples. (4 Marks)
 - (d) Suggest **three** necessary steps discussed in the passage to be taken by a person embarking on a new career path. (6 Marks)
- (Total 20 Marks)**

QUESTION THREE

At 18 years, Kim sampled chocolates at a supermarket and discovered she could do better. She started making her own chocolates and sold them in her home town in Nyanza. The motivation was like that of youngsters who open shops to earn some money to spend. However, people began asking for more. Using her meagre profits and her mother's kitchen, Kim made large batches of chocolates, designed her own wrappers and developed a commission system for friends who sold her chocolates in schools.

The business picked up and it became an obsession. Kim worked after school, weekends and holidays except for the period Quality Standards Bureau stopped her because she had no permit. Even then, Kim continued to make chocolates manually and she could meet demand by sacrificing other activities. One day she took her chocolates to the school fundraising event but the demand exceeded her production capacity. She decided to fundraise resources from her contacts, family and friends to purchase equipment, hire workers and buy materials. She recalled the obsession to succeed, how she worked long hours and the challenge of learning about business on her own. She decided to register her business with support from family and close friends. In the first month of formal operations, she received 16,000 orders. Kim repositioned her company as a major distributor of specialty chocolates and ventured into upscale supermarkets.

While in a family event, Kim reflected on her business journey and realised that she enjoys fun and has made lots of money. Many people considered the success luck of a youngster who made chocolates and accidentally stumbled into good markets. On the other hand most customers were not comfortable buying from her as a student until they dealt with her for long. Winning customer loyalty was a challenge to Kim but she enjoyed what she did.

Asked about her future plans, Kim is not anxious to become a corporate employee though she worked well with others. She likes the feeling of independence and autonomy. She thinks of establishing a chain of outlets to distribute her specialty chocolates. This requires more financial resources yet she had always avoided debts. She is at crossroad in her business career; the choice is either to expand the business using borrowed funds or stick to the existing business.

REQUIRED:

- (a) Explain the factors that led to Kim's success. (8 Marks)
- (b) Identify the challenges Kim faced in her entrepreneurial journey. (4 marks)
- (c) Explain to Kim the advantages and disadvantages of using debt financing to expand the business. (8 Marks)

QUESTION FOUR

Kivu Public School (KPS) is a government-aided school located in the outskirts of Kibuye town, with a population of 1,000 pupils as per the School Register. The school has been receiving capitation grants for the last five years from government. At the start of the year, the Ministry of Education carried out forensic investigations in all government schools.

Preliminary reports have indicated that KPS has over 450 ghost pupils. The head count carried out revealed that the enrolment has never reached 1,000 pupils. The school bursar, in collaboration with Ministry of Education officials, has been inflating the enrolment figures especially from primary one to primary four and billions of money have been lost. The Permanent Secretary, Ministry of Education has vowed to deal with the culprits saying “Professional accountants have a duty to maintain professional knowledge and skill and must comply with relevant laws and regulations”.

CPA Freddie Mukonjo, the school bursar at KPS is in hiding fearing the legal implications of his behaviour. The head teacher is also wondering the next course of action from the Ministry of Education. He has approached you as one of the ethical citizens for professional advice.

REQUIRED:

- (a) Write a letter to the head teacher, enlightening him on how CPA Freddie Mukonjo’s:
 - (i) Professional competence and due care would have helped him avoid such unethical practices. **(4 Marks)**
 - (ii) Behavior discredits the accountancy profession. **(6 Marks)**
 - (b) Discuss the safeguards that the head teacher can put in place at the school to reduce the unethical practices to an acceptable level. **(10 Marks)**
- (Total 20 Marks)**

QUESTION FIVE

NGOMA DAIRIES LIMITED

Ngoma Dairies Limited (NDL) was established in 2015 by Mr. Dominic Bagaza and Mrs Jane Bagaza in Rwamagana district using their savings and family labour. The enterprise is engaged in processing milk into different products namely skimmed milk, yoghurt, ice cream, ghee and others. NDL started as a small firm targeting the local market with two departments of production and marketing, but has grown to include other departments like procurement, transport, and finance departments.

When the firm started, there was minimum competition from within the district for a long time. Because of that, milk was abundant. NDL operated on a bureaucratic structure using only one cooling plant of 10,000 litres capacity, one standby generator and one ice cream making machine. NDL being a sole producer and supplier of processed milk products quickly captured a large market. However, it took time for NDL to adjust its operations so as to match the changes.

As time passed by in 2018, NDL's financial stand greatly improved and such growth necessitated expansion of the plant. Profits were reinvested in purchasing state 'of- the -art' machinery, to enable NDL cope with the large clientele. However, that has attracted new entrants offering the same goods and services. Management has decided to employ skilled labour from the district and Rwanda at large in the existing and new departments. As employees and departments have increased, management has been keen to ensure that different views and functions in each department are coordinated towards achievement of NDL's objectives. Such has minimised conflicts between employees on one hand and between employees' interests and those of the company on the other. No wonder, therefore, that NDL boasts of great efficiency and productivity with no duplication and overlapping of work.

REQUIRED:

- (a) Explain the factors that influenced the structure of Ngoma Dairies Limited. **(10 Marks)**
 - (b) Explain why coordination is important for organisations such as Ngoma Dairies Limited. **(10 Marks)**
- (Total 20 Marks)**

QUESTION SIX

- (a) IRADUKUNDA, a growing business enterprise seeking to improve the overall performance of its employees, has organised an annual staff workshop for all the company staff. The Executive Director, Mr. Hakizimana, has been invited to present a paper on 'Ethical Behaviour at the Place of Work'. His presentation will highlight several issues which include; time management, unhealthy work relationships, integrity and accountability.

The workshop will be presided over by a rapporteur, and after the presentation and discussion, you, as one of the participants, will give a vote of thanks

REQUIRED:

- (i) Distinguish between a vote of thanks and a rapporteur's presentation. **(2 Marks)**
- (ii) Design a vote of thanks you will deliver on behalf of other participants. **(8 Marks)**
- (b) Active participants in a meeting engage in critical listening, critical thinking as well as problem solving tasks. These are essential skills which enable them to respond effectively to the communication in the meeting

REQUIRED:

Give **four** characteristics of an effective listener in a meeting. **(4 Marks)**

- (c) With technological advancement in business communication, information flow has been made efficient and much cheaper than before. The use of e-mail has greatly narrowed the global distance. Many social media platforms, however, have different challenges related to the information they share.

As the public relations manager of Kwizera consultancy firm, you have been tasked to send communication to the clients informing them about changes in the company management.

REQUIRED:

- (i) Suggest **four** reasons why you would prefer sending e-mails to SMS (phone text message) in this form of communication. **(4 Marks)**
- (ii) Identify **two** challenges associated with information shared through WhatsApp social media platform. **(2 Marks)**

QUESTION SEVEN

Santos Gicanda the founder of KAL Enterprises took advantage of a tax waiver to incorporate his business in 2005. Prior to that, KAL had been a sole proprietorship owned and operated by Gicanda a skilled printer. The business evolved from printing in late 2000 to become a fast growing publishing company by the time of incorporation. Gicanda's personal skills in printing, type-setting and graphics were enhanced by several qualified employees. By incorporating his company, Gicanda discovered he could properly write off expenses for business use no longer allowed for proprietorship under the revised tax regulation. Personal health insurance, business travel expenses and certain interest charges were treated as corporate expenses and deductions. He paid a modest salary for himself, taxable as personal income and allowed business profits to be appropriately allocated to earnings. Santos further wanted to protect his family from business disputes especially over assets. With business growth, the litigation risks were more likely to emerge hence it was safer to separate business assets from personal property.

Shortly after KAL's incorporation, Gicanda was diagnosed with cancer. This created shock and he wondered how the business would be run in his absence. Besides management issues, Gicanda also wondered how he could protect his family's interests. Lacking national coverage and inability to gain a significant share in printing industry, Gicanda decided to buy a franchise from TEC international. KAL is now a subsidiary of TEC International backed with a strong distribution network, a US \$ 5 billion capital and state-of the-art technology. However, Gicanda is not aware of the shortfalls of franchising.

REQUIRED:

- (a) (i) Define the term 'sole proprietorship'. **(2 Marks)**
 - (ii) State the characteristics of sole proprietorship business. **(4 Marks)**
 - (b) Describe the advantages of incorporating KAL enterprises. **(6 Marks)**
 - (c) Explain to Santos the shortfalls associated with buying a franchise. **(8 Marks)**
- (Total 20 Marks)**

