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

FRIDAY: 7 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

Amahoro Honey Processors Limited (AHPL) is a company that deals in processing and packing of honey and its products (beeswax, nectar, bee venom, pollen, propolis) in Rwanda. It was started by Mr. Dawson Kajuga who had previously been employed in the civil service. In 2016 he resigned and opened up his own private company, AHPL, which was to start processing and packing honey and its products.

During the initial stages, Kajuga started packing small jerrycans of honey of one litre that could be affordable. His garage was turned into an office and store; he also had a small vehicle which was being used to deliver his orders. He had employed two young boys who had dropped out of school at primary six. Their roles were to harvest honey from his forest, clean the jerrycans, sieve the honey and pour in the containers of different sizes. Labeling, packing, recording and marketing were all the work of the proprietor, Mr. Kajuga.

Since the products were original and well packed, many of his customers liked them. This led to increased demand from individual customers, industries and companies that used honey and its products as raw materials. As the demand increased, it forced Kajuga to reorganise his company better since it was growing steadily. He first identified the departments that were very crucial like the human resource, finance, procurement, production and marketing. To achieve this, Kajuga recruited an experienced human resource manager Mr. Fredrick Tuyishimye, who had worked with different companies in the same position. His work was to help in the recruitment process. He immediately recruited employees in other departments. With this great team, Kajuga believed that better work would be performed.

Later, the company opened other offices in different regions which required more recruitment of employees as well as an assistant human resource officer, whose major work was to help in administrative issues, post job openings, gather information on new applicants, contact referees and inform employees of their hiring status. He was also involved in documenting grievances, terminations, absence, performance reports, and training new employees.

The growth of the company came along with a number of setbacks in the human resource department. For example, the company was finding it hard to attract the best talents suitable for different jobs and even retaining those that they had already trained since some of their employees were finding better rewarding jobs in other big companies. The company lacked a clear transparent work culture for proper communication and due to over expansion, many new strategies and structures had to come in place and most of the employees failed to adjust with the situation. Expansion of the company brought in new innovations, with new technology and this needed a lot of training to employees to be updated yet resources were not enough to run all these programs as they were required. Information security also became serious issue in the company since there were many competitors. There was need for privacy of some data and information to avoid industrial espionage. This situation needed a lot of input from the human resource department.

REQUIRED:

- (a) Explain the duties of the human resource department at AHP Co. Ltd. **(10 Marks)**
- (b) Identify the challenges that were faced by the human resource department at AHP Co. Ltd. **(10 Marks)**

(Total 20 Marks)

QUESTION TWO

Read the following passage and answer the questions that follow

Communication is a skill employers need to lead others effectively. Bullying employees and being too loyal to them are among the reasons why they may not respect or even like you. One consultant in leadership skills identifies the following signs as indicators to the employer that employees ‘hate his guts’ when during interactions they never look you straight in the eyes, or take the stairs every time you are waiting for a lift, just know they are avoiding you. When your employees do not smile around you or stop laughing when you enter the room. When they never invite you to social events and resign for no good reason.

Leadership is an art you learn gradually. A good boss is flexible, strict where need arises, but can joke and smile with employees too. Always enter your workplace determined to be happy the rest of the day. This will reflect in your attitude towards your subordinates. A good way to start a day is by saying ‘Good morning’ to the security guard at the gate, the cleaners, office messenger and the tea girl. These people might be earning a meager salary, but your friendship is a reward to them.

Being a manager is not always about commanding employees. What you give is what you get. If you respect them you will be respected too. Do not embarrass your employees in public, but show them that they are important to you.

Employees love a leader who is knowledgeable about the work assigned to them. If the boss manifests greenness, then their respect will gradually wane. An employer gives encouragement to his workers when he is involved in performing their tasks. He becomes a role model.

A leader should not only pass on knowledge to his juniors, but also give them space to prove their worth. It is very discomfoting to have the boss peeping over your shoulders all the time. Workers should be given a chance to work on their own because several times they have more experience and skills than the bosses. It is better to **allow them to fail and grow**.

Employers should also reward workers for their contributions to the company through promotions, salary increments, but more frequently by verbally appreciating their efforts. Saying ‘thank you’ is a simple gesture that has a big impact. While it is natural at times to favour some individuals, a good boss should never do this publically. Show concern by promptly responding to everyone’s issues and misunderstanding. Employers are advised to balance their actions, control their emotions and avoid being predictable at all times.

Source: Jobs and careers June 2017

REQUIRED:

- (a) Suggest **four** attitudes an employer should exhibit to earn respect from his employees. (4 Marks)
 - (b) Mention **six** behavioral tendencies of an incompetent leader. (6 Marks)
 - (c) Explain any **three** non-verbal signals which may help a manager to detect resentment from his subordinates. (6 Marks)
 - (d) Mention **two** benefits a leader earns for:
 - (i) Allowing workers to fail and grow. (2 Marks)
 - (ii) Being knowledgeable about the tasks he assigns his employees. (2 Marks)
- (Total 20 Marks)**

QUESTION THREE

TLC manufactures, distributes and exports plastics. The company has sales and distribution branches in all major towns of Rwanda. It locally produces chairs, basins, buckets, jerricans, water bottles, plates and cups. After 20 years of operations in Rwanda, TLC has grown to be one of the leading plastic manufacturers in East Africa. The company executives stress that innovation and continuous improvement in TLC are enshrined in the behaviors and practices at every level. TLC has a strong focus on teamwork as one of its core behavioral expectations. The teams demean any sense of personal blame for mistakes. TLC's culture strongly emphasises consensus building, and consultation in the change process. Hence an idea put forward for improvement by a person goes through the process of discussion and consensus before it becomes TLC's idea. This leads to full collective effort once an idea is ready for implementation. However, financial delays cripple successful ideas more often.

At TLC every worker takes responsibility to detect defect and address it immediately. This motivates workers to freely apply their tacit knowledge to solve company problems. But some workers misuse the freedom for personal gains especially if they are allowed to use company resources freely. New entrants at TLC are given 2 to 3 weeks orientation and workplace induction. They are taught the use of the tools, methods, and the philosophies of work process improvement. Waste reduction is a common form of performance improvement and workers are encouraged to have a strong eye for detail.

In terms of staffing, TLC ensures fit between potential employee and company philosophy, values and methods. Job rotation is a common practice which exposes workers to new challenges and opportunities. Bonuses are awarded to staff when targets are achieved, such as a cost reduction target. Collaborative management is the way TLC deals with employee relations. Competitors, however, tend to steal well trained workers. Humility is part of TLC culture. According to Imaana Iraguha, the research and development manager, complacency is guarded against and flexibility is encouraged. Every year the company holds an innovation convention. The executives and their families take part and many other volunteers. Participation rewards are psychological not monetary most of the time. Recently, Rwanda Manufacturers Association hosted a Business Expo and TLC was recognized as the most innovative company of the year. TLC management was excited about the news; however, they are worried about the sustainability of their innovation strategies given the stiff competition from the various mushrooming companies.

REQUIRED:

- (a) Explain the factors driving innovation at TLC. **(10 Marks)**
 - (b) Describe the benefits of innovation to TLC. **(5 Marks)**
 - (c) Discuss the challenges that affect innovation at TLC. **(5 Marks)**
- (Total 20 Marks)**

QUESTION FOUR

Mr Paul Kamanzi is an auditor at Kimm Partners. The audit firm, through its networks, has been appointed to audit Alexx Motors Ltd (AML), an international company dealing in the manufacture of automobiles, with its assembling plant and showroom in Rwanda.

Kamanzi is to lead the team that will audit AML's financial statements but he thinks that he is not competent to handle this engagement having forged his work experience when joining Kimm Partners.

A review of AML's legal documents and books of account for the previous 2 years has revealed that the finance director who is also a shareholder in AML is a wife to the managing partner of Kimm Partners. A number of related party transactions have been discovered between AML and Kimm Partners worth disclosing to the managing partner.

Kamanzi has had a chat with the managing partner and the following matters have been agreed upon:

1. Not to disclose any relationship between him and the finance director at AML, otherwise the other shareholders will lose trust in her.
2. Not to issue any report that implicates his wife, as this will affect their relationship.

In conclusion, the managing partner has asserted that Kimm Partners cannot decline the engagement due to a small unethical issue like that, which can be resolved by you acting as an independent person.

REQUIRED:

- (a) With reference to the scenario, discuss the:
 - (i) Fundamental ethical principles that were breached by practitioners at Kimm Partners. **(6 Marks)**
 - (ii) Ethical dilemmas faced by the auditors at Kimm Partners when carrying out AML's audit engagement. **(3 Marks)**
 - (b) Explain the measures Paul Kamanzi can institute at Kimm Partners to ensure that AML's audit is carried out properly. **(8 Marks)**
 - (c) Discuss how audit firm networking can impair the independence of professional accountants at Kimm Partners. **(3 Marks)**
- (Total 20 Marks)**

QUESTION FIVE

- (a) Identify and explain the different types of plans. **(8 Marks)**
- (b) Explain the advantages of planning in business organisations. **(12 Marks)**
- (Total 20 Marks)**

QUESTION SIX

- (a) Safi Safe Water project, (SASAWA) has embarked on demolition of business structures on Kamunda Street in preparation for a Town Council project of installation of sewer lines and a power substation in Byumba capital of Northern Province. Several traders: subletting and owners of bars and restaurants are greatly aggrieved because of the forceful eviction conducted under tight security without warning. An estimated number of 400 business entrepreneurs and their workers have been unceremoniously thrown out on the street, with no income and yet they have families to cater for.

REQUIRED:

Write a letter to the Mayor presenting a complaint on behalf of other aggrieved business colleagues and demand for compensation. **(10 Marks)**

- (b) To make claims and adjustments, companies send messages using oral or written communication. Nonverbal communication, however, complements day to day interaction at a workplace.

REQUIRED:

Identify any **four** specific aspects of nonverbal communication which are likely to portray a negative message to colleagues and customers. **(4 Marks)**

- (c) Though phones lack the visual richness of face to face interactions, phone skills are essential in business workplaces. They can boost productivity if used mindfully or cause a morale draining disruption when used carelessly.

REQUIRED:

Explain any **four** guidelines a professional businessman should adopt to improve his phone etiquette. **(4 Marks)**

- (d) By investing in higher speed broad band connections, a businessman can eliminate many potential telecommunication problems, like slow internet speed during heavy use, and slow uploading of files.

REQUIRED:

Mention **two** examples of high speed broad band network. **(2 Marks)**

(Total 20 Marks)

QUESTION SEVEN

Ben, a charismatic founder of Vegas group is one of the celebrated entrepreneurs in Rwanda. Vegas group has grown over years to be the leading company in the processing industry. Vegas group deals in soft drinks with over 20 branches across the country. Ben has always been an integral part of Vega's growth. His entrepreneurial spirit enabled Vegas to create brand image and value proposition in the market. Ben often wrote bankable business proposals in his free time. As a result Vegas group expanded rapidly through acquisitions, diversification and partnerships. Ben was lured to markets which he perceived unserved and lacked innovative products. Ben often worked with research centers to collect market information to support his investment decisions.

In 2017 the net revenues of Vegas group amounted to Frw 50 billion. Business analysts believe that, the success of Vegas group is to a large extent Ben's effort. Ben has now developed interest in environmental conservation. In 2018, Ben launched Vegas planet, a project intended to partner with communities to plant a billion trees in Rwanda. Further still Ben partnered with a micro finance institution to start Vegas fund to give capital to village women groups that deal in clean energy solutions.

Ben is currently turning attention to social entrepreneurship or responsibility and environmental conservation. However, Vegas group lacks a clear organizational structure and a management system to survive on its own. Vegas is managed under the influence of Ben as a figure head of the company. Ben has the capacity to retain and nurture entrepreneurialism among company employees without necessarily mentoring the next leaders. The strategy and business model are not widely understood. Investors are questioning the survival of Vegas group when Ben departs.

REQUIRED:

- (a) Explain the role played by Ben in growing Vegas group. **(8 Marks)**
 - (b) Discuss the growth strategies adopted by Vegas group. **(6 Marks)**
 - (c) Explain the reasons why Ben ventured into social entrepreneurship. **(6 Marks)**
- (Total 20 Marks)**

