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CERTIFIED PUBLIC ACCOUNTANT
FOUNDATION LEVEL 1 EXAMINATIONS
F1.4: BUSINESS MANAGEMENT, ETHICS AND
ENTREPREURSHIP
DATE: MONDAY 27, NOVEMBER 2023
MARKING GUIDE AND MODEL ANSWERS

QUESTION ONE

Marking guide

QN 1	Description	Marks	Total Marks
a.	Director Kananga can effectively use both management and leadership skills in her role as the Manager of Ejo Neza		
	Delegate managerial responsibilities	1	
	Learn to trust managers and other staff	1	
	Improve communication skills	1	
	Give training to staff by leading them properly	1	
	Address the concerns on the high employee turnover	1	
	Listen to the concerns of the employees	1	
	Maximum marks	6	
b.	Advise the management of Ejo Heza how to build the staff confidence in the future		
	Give the managers more authority towards the staff	1	
	Give managers needed information	1	
	Regularly communicate changes with the staff	1	
	Provide the staff with time to learn	1	
	Engage them in team-building activities	1	
	Affirm staff with their contributions and performance	1	
	Provide incentives to motivate them	1	
	Empowerment is another key to keep the organizational successful	1	
	Make time to directly talk and listen to the staff	1	
	Address the issue on Kananga's conversation style	1	
	Maximum Marks	6	
c.	Challenges faced by the managers and supervisors while dealing with staff management		
	Poor communication	2	
	Resolve conflict	2	
	Manage performance	2	
	Handle protected employees	2	
	(Any correct answer is awarded 2Marks each*4). Any poorly explained challenge only 1Mark is awarded)		
	Maximum Marks	8	
	Total Marks		20
Note: Marker must consider other valid points identified by students not captured in the model answer			

Model answers

(a) Director Kananga can effectively use both management and leadership skills in her role as the Manager of Ejo Heza:

- **Delegation of authority and responsibilities:** With this, Kananga could just delegate most managerial responsibilities to these two managers. This strategy can help the managers build their confidence and their skills and will also allow them to solve problems for their staff. It can also help the Kananga reduce the workload and focus on other important matters.
- **Work on her communication with Managers:** Kananga seems not to communicate properly with the managers. She did not share the budgets to the managers and even potentially lied to them about not receiving sufficient data to complete the budget details.
- **Learn to trust the two managers:** Kananga should learn to trust the two managers and inform them about anything they should know to help them manage their staff. Afterall, they are the ones next in line to the Director.
- **Train managers by leading them properly:** Kananga can influence the manager's behaviors and attitudes by showing them the way by getting in the process for example discourage unnecessary spending of money.
- **Address the concerns on the high employee turnover:** Kananga should also address the concerns on the high employee turnover. It is not healthy for an organization to let your employees become overworked because of lack of manpower. It will just increase the number of people leaving the organization.
- **Learn to listen to the concerns of the employees:** through the managers assigned and resolve the issue by collaborating their ideas so that they can prevent the employees from leaving.

(b) Advise the management how to build the staff confidence in the future

- Give the managers more authority towards the staff under them
- Give managers needed information to help them manage their staff
- Regularly communicate changes with the staff including the changes in management and policies.
- Provide the staff with time to learn and encourage them to pursue professional development and learning opportunities
- Engage them in team-building activities that could help build relationship and harmony within the team.
- Affirm staff with their contributions and performance
- Provide incentives to motivate them
- Address the issue on Kananga's conversation style
- Empowerment is another key to keep the organizational successful.
- Make time to directly talk to the staff and listen to them without retribution so that the issues

(c) The challenges faced by the managers and supervisors while dealing with staff management

- **Poor communication:** Managers frequently are not aware of the quality of their communication or how their communication or interpersonal style is perceived by their employees.
- **Failure to resolve conflict:** Many managers ignore problems and do not directly address conflicts with their employees or work team. Whether these are performance problems, conflicts among team members, issues of trust or personality clashes, managers are challenged to confront and address problems head-on and as they emerge, diffuse employees' feelings and emotions about the problem, listen to both parties' needs and desires, derive win-win solutions that lead to more productive and positive work relations, and prevent conflict in the future by nurturing positive coworker relationships and recognizing potential for conflict or problems early
- **Manage performance:** Managers must balance meeting goals, managing workloads and motivating employees. These issues, coupled with the fact that many managers are ill-equipped to provide regular and constructive feedback and may not understand the importance of documenting performance, can make managing performance challenging
- **Handle protected employees.** Most managers are not well-versed in administering laws that protect certain groups of employees, but unknowingly find themselves managing an employee who requires an accommodation, leave of absence or falls into a protected group

QUESTION TWO

Marking guide

Qn 2	Description	Marks	Total Marks
a. (i)	The advantages of digital transactions		
	Reduction in cash operations cost	1.5	
	Universal availability of banking services online	1.5	
	Convenient and user-friendly services	1.5	
	Transparency in businesses	1.5	
	Efficiency in welfare programmes	1.5	
	Reduced instances of tax avoidances	1.5	
	Curb black money generation	1.5	
	A correct answer with an explanation (any 4*1.5marks each = 6marks)		
a. (ii)	The disadvantages of digital transactions		
	The lack of anonymity	1.5	
	The necessity of Internet	1.5	

	Higher risk of getting hacked	1.5	
	Difficult for tech-unsavvy	1.5	
	High restrictions	1.5	
	A correct answer with an explanation (any 4*1.5marks each = 6marks)		
	Maximum Marks	12	
b.	The various dimensions of business environment which relate to the above case		
	Economic Environment, Social Environment, Political and technological environment Any correct answer with explanations (any 4 *2 marks for each = 8 Marks). Any poorly explained dimension 1Mark is awarded		
	Maximum marks	8	
	Total Marks		<u>20</u>
	<i>Note: Marker must consider other valid points identified by students not captured in the model answer</i>		

Model answers

a) The advantages and disadvantages of digital transactions in the country

Advantages:

- i. **Reduction in cash operations cost:** Cash operations costs to the central bank and other commercial banks can be limited to a greater extent with the cashless economy which is possible through digital transactions. The increased use of credit/debit cards will reduce the amount of cash that people will carry and as a consequence, reduce the risk and the cost associated with that.
- ii. **Universal availability of banking services online:** Digital transactions will provide universal availability of banking services to all across the nation as there would not be any physical infrastructure needed other than digital portals of the respective financial institutions.
- iii. **Convenient and user-friendly services:** Digital transactions can be performed at any time across world through internet with no delays and queues. Also, speed and satisfaction of operations for customers, make it an efficient way of making payments.
- iv. **Transparency in businesses:** An increased use of credit cards instead of cash would primarily enable a more detailed record of all the transactions which take place in the society, allowing more transparency in business operations and money transfers. Thus, improvement in credit access and financial inclusion will benefit the growth of Small and Medium Enterprises in the medium/long run.
- v. **Efficiency in welfare programmes:** There will be greater efficiency in welfare programmes as money is wired directly into the accounts of recipients. Thus, once money is transferred directly into a beneficiary's bank account, the entire process becomes

transparent. Payments can be easily traced and collected and corruption will automatically drop.

- vi. **Reduced instances of tax avoidances and curbing black money generation:** Since digital transactions are based on financial institutions, it lowers the instances of tax avoidance and money launderings due to the higher traceability of all transactions. At the same time, curbs generation of black money and problem of counterfeit currency.

Disadvantages

- i. **The necessity of Internet:** Since internet is a prerequisite for digital transactions, inaccessibility of internet services at emergency situations can limit the use of digital platforms for transactions.
 - ii. **Higher risk of getting hacked:** The biggest fear is the risk of identity theft. With the rising incidence of online fraud, the risk of hacking will grow as more people use digital platforms for transactions in the long run. The worse situation is when the system of processing company has been broken, because it leads to the leak of personal data on cards and its owners. Even if the electronic payment system does not launch plastic cards, it can be involved in scandals related to the identity theft.
 - iii. **High restrictions:** Each payment system has its limits regarding the maximum amount in the account, the number of transactions per day and the amount of output which limits its use.
 - iv. **The lack of anonymity.** The information about all the transactions, including the amount, time and recipient are stored in the database of the payment system which implies that the intelligence agency has an access to this information.
 - v. **Difficult for tech-unsavvy:** Besides the practical difficulty of going digital, a bigger block is the psychological shift. The digital medium may prove a challenge for the tech-unfriendly people, who will need more time to adapt or the availability of other options to conduct transactions. It's a problem for the older people and those lacking digital literacy, who may suddenly find themselves locked out of their accounts if they can't download an app or don't have cash.
- b) The various dimensions of business environment which relate to the above case.
- i. **Economic Environment:** The economic environment comprises of all the economic forces which are likely to influence the functioning of a business enterprise. It consists of GDP, Per capita income, money supply, banking system, inflation rates, foreign exchange rate, tax rates, development of capital market, availability of economic resources. E.g: the consequence high inflation rate increases the cost of production,
 - ii. **Social Environment:** The social environment of business implies social trends of the country. It includes the social forces like customs and traditions of the society, education level of the people in society, life style and standards of living of people in society, society's expectations from business. Eg. Health and fitness trend has become popular nowadays, social movement to increase the education level of girl child.
 - iii. **Political Environment:** It includes various aspects relating to the functioning of the government in the country where the business operates, also have an important bearing on

its smooth working. The main constituents of political environment are general stability and peace in the country, attitude of government towards different groups of societies, philosophy of political parties, ideology of the government. E.g: Political stability encourages business enterprises to invest in long-term projects, Promotion of “Digital economy” has provided advantage to IT industry in the country.

- iv. Technological Environment:** It includes forces relating to scientific improvements and innovations and practices which provide new ways of producing goods and services and new techniques of operating a business. Technologies related to production, marketing, handling customer grievances, training of employees are changing rapidly. Organization should adopt this change quickly to have first mover advantage.

QUESTION THREE

Marking guide

Qn	Description	Marks	Total Marks
a	The stages of product life cycle and challenges at each stage		
	Introduction stage, Growth / Survival Stage, Maturity stage and Decline stage. Any correct life cycle stage with explanations * 2 marks each, and 0.5 marks for any valid challenge i.e Any 4 * 2.5marks = 10 marks maximum. Poorly explained points are awarded 1 mark each		
	Maximum Marks	10	
b.	Advantages of outsourcing		
	The business can concentrate on its core activities, benefit from specialized services of the outsourced partner, Improved customer service from subcontractors, improve operational efficiency, reduces costs, streamline its business operations, thereby cutting costs. (Any 5 correct answers * 1 Mark each = 5 Marks)		
c.	Challenges/issues related to outsourcing		
	Security Concerns, Fall in Service Quality, Environmental Issues, Poor Work Environment at Vendor Location, Potential conflict with external parties, Staff redundancies. (Any 5 correct challenges *1 mark each = 5 marks)		
	Maximum Marks	10	
	Total marks		20

<i>Note: Marker must consider other valid points identified by students not captured in the model answer</i>		
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Model answers

a) The stages of a product life cycle and one challenges at each stage:

- i. Introduction stage:** when the product is launched onto the market for sale. It usually requires huge investment on promotion and advertising to sustain sale. It is, however, frequently a high-spending period for the company, with no guarantee that the product will pay for itself through sales.

The challenges: Managing Cash Reserves, Managing Sales Expectations, Accounting Management, Establishing Customer Base, Establishing Market Presence.

- ii. Growth / Survival Stage:** when sales increase rapidly with the product becoming well known to the market. This is also when you need to fine tune your business model and implement proven methodologies, sales model, marketing model, and operations model before expanding your venture for the mass market.

The challenges include: Dealing with Increasing Revenue, Dealing with Increasing Customers, Accounting Management, Effective Management, Market Competition

- iii. Maturity stage:** when the sales revenues are at, or near, their minimum with minimal or no more scope for growth, i.e sales become saturated. Therefore, your business will experience a rapid growth in revenue and cash flow. The rapid growth stage takes advantage from the proven sales model, marketing model, and operations model set forth from your growth/survival.

The challenges include: increasing Market Competition, Accounting Management, Moving into New Markets, Adding New Products/Services, Expanding Existing Business.

- iv. Decline stage:** During the decline stage, the product's sales and profitability begin to decline. This is primarily because other innovative or substitute products that meet customer needs better than the current product have entered the market.

The challenges include: Increasing Market Competition, Accounting Management, Moving into New Markets, Adding New Products/Services, Expanding Existing Business, Exit Strategy

b) Advantages and challenges related outsourcing practices and ethics

i. Advantages of outsourcing:

- Using an outsourced provider means the business can concentrate on its core activities and competitive strategies
- The firm benefits from specialized services of the outsourced partner
- Improved customer service from subcontractors can attract new potential customers and strengthen the brand loyalty
- It helps the firm to streamline its business operations, thereby cutting costs and improving profitability.
- It improves operational efficiency and reduces costs

c) Challenges/ issues related to outsourcing practices

- **Security Concerns:** The core concern of outsourcing ethics is confidential information security. Companies need to be concerned about the security systems in place and about the safety of electronic data storage. If your outsourcing partner does not have adequate information about security measures, it might be a good idea to stay clear of them
- **Fall in Service Quality:** There is concern that services delivered from half-way across the globe might not meet quality expectations. Companies looking to outsource should check the track record of the vendor and their technical competencies
- **Environmental Issues:** Companies are concerned that vendor companies may practice environmentally damaging processes. They may need to conduct periodic audits to ensure compliance
- **Poor Work Environment at Vendor Location:** Companies have to impose stringent standards on the work conditions at offshore locations. They need to conduct intermittent audits on the work conditions and review the HR policies of offshore vendors.
- **Potential conflict with external parties** such as subcontractors can arise
- The firm may have to deal with staff redundancies due to the use of outsourced providers.

QUESTION FOUR

Marking guide

Q n	Description	Marks	Total Marks
a	Employer's responsibilities in regards to whistleblowing in the organization		
	Recognizing workers are valuable ears and eyes, Getting the right culture, Training and support, being able to respond, better control, Resolving the wrongdoing quickly.		
	Any valid answer well explained is awarded 2 marks (any 5 * 2 Marks)		
	Maximum Marks	10	
b	i. Indicate the circumstances where disclosure of confidential information is appropriate for an accountant		
	Disclosure permitted by law and is authorized by the client	1	
	Evidence in legal proceedings	1	
	Quality review of a member body or professional body	1	
	Respond to an inquiry or investigation by a member body or regulatory body	1	
	To protect the professional interests of a professional accountant in legal proceedings	1	

	To comply with technical standards and ethical requirements	1	
	Maximum Marks	5	
c	Factors to consider in deciding whether to disclose confidential information		
	No effects to interested parties or employer 's consent	1	
	Incomplete information	1	
	Unsubstantiated conclusions	1	
	Unsubstantiated facts	1	
	The type of communication	1	
	Whether the parties to whom the communication is addressed are appropriate recipients	1	
	Maximum Marks	5	
	Total Marks		<u>20</u>
	<i>Note: Marker must consider other valid points identified by students not captured in the model answer</i>		

Model answers:

- (a) The employer's responsibilities in regards to whistleblowing in the organization
- Recognising workers are valuable ears and eyes:** Workers are often the first people to witness any type of wrongdoing within an organisation. The information that workers may uncover could prevent wrongdoing, which may damage an organisation's reputation and/or performance, and could even save people from harm or death.
 - Getting the right culture:** If an organisation hasn't created an open and supportive culture, the worker may not feel comfortable making a disclosure, for fear of the consequences. The two main barriers whistleblowers face are a fear of reprisal as a result of making a disclosure and that no action will be taken if they do make the decision to 'blow the whistle'.
 - Training and support:** An organisation should implement training, mentoring, advice and other support systems to ensure workers can easily approach a range of people in the organisation.
 - Being able to respond:** It is in the organisation's best interests to deal with a whistleblowing disclosure when it is first raised by a worker. This allows the organisation to investigate promptly, ask further questions of a worker and where applicable provide feedback. A policy should help explain the benefits of making a disclosure.
 - Better control:** Organisations that embrace whistle-blowing as an important source of information find that managers have better information to make decisions and control risk. Whistleblowers respond more positively when they feel that they are listened to.
 - Resolving the wrongdoing quickly:** There are benefits for the organisation if a worker can make a disclosure internally rather than going to a third party. This way there is an opportunity to act promptly on the information and put right whatever wrongdoing is found.

(b) The disclosure of confidential information is appropriate in the following circumstances

- i. Disclosure permitted by law and is authorized by the client or employer
- ii. Evidence in legal proceedings
- iii. Public authorities of infringements of the law
- iv. Quality review of a member body or professional body
- v. Respond to an inquiry or investigation by a member body or regulatory body
- vi. To protect the professional interests of a professional accountant in legal proceedings
- vii. To comply with technical standards and ethical requirements

(c) Factors to consider in deciding whether to disclose confidential information

- i. Whether the interests of all parties, including third parties whose interests may be affected, could be harmed if the client or employer consents to the disclosure of information by the professional accountant.
- ii. When a situation involves unsubstantiated facts, incomplete information or unsubstantiated conclusions, professional judgment shall be used in determining the type of disclosure to be made.
- iii. The type of communication that is expected and to whom it is addressed
- iv. Whether the parties to whom the communication is addressed are appropriate recipients.

QUESTION FIVE

Qn	Description	Marks	Total Marks
a	Problems KORA Ltd is trying to solve in Rwanda		
	Improve health improvements of people lives	1	
	Reduce time consumed in cooking	1	
	Reduced black carbon or greenhouse gas emissions and deforestation	1	
	Recycle waste from the restaurants, schools and prisons to briquettes	1	
	Promote energetic briquettes from waste to household	1	
	Any valid answer is awarded 1 mark each (any 4 * 1 Mark)	1	
	Maximum Marks	4	
b	Types of innovation that can be used by an entrepreneur		
	Invention- creation of a new product, service or process	2	
	Extension- expansion of a product, service or process	2	
	Duplication- replication of an already existing product, service or process	2	
	Synthesis- the combination of existing concepts and factors into a new formulation	2	
	Any valid answer well explained is awarded 2marks each (any 4 * 2 Marks)		
	Maximum Marks	8	
c	The importance of innovation for a company like KORA Ltd		

Solving problems, Adapting to change, Maximizing on globalization, Evolving workplace dynamics, Facing up the competition, Customers' changing tastes and preferences		
Any valid answer well explained is awarded 2marks each (any 4 * 2Marks). If poorly explained 1 mark is awarded.		
Maximum Marks	8	
Total Marks		20
<i>Note: Marker must consider other valid points identified by students not captured in the model answer</i>		

Model answer

(a) Problems KORA Ltd is trying to solve in Rwanda

- Improve health improvements of people lives from better indoor air quality,
- Reduce time consumed cooking
- Reduced black carbon or greenhouse gas emissions and deforestation.
- Recycle waste from the restaurants, schools and prisons to briquettes
- Promote energetic briquettes from waste to household

(b) Types of innovation that can be used by an entrepreneur

- **Invention** - described as the creation of a new product, service or process
- **Extension** - the expansion of a product, service or process
- **Duplication** - defined as replication of an already existing product, service or process
- **Synthesis** - the combination of existing concepts and factors into a new formulation

(c) The importance of innovation for a company like KORA:

- **Solving problems:** Most ideas are actually derived from attempts to solve existing problems. As such, when you encourage innovation, you are opening doors for solutions to problems both within and outside your company. If your business provides services, you might realize that your customer does not have an avenue to share their opinions, complaints, and compliments. The only avenue available could be the physical office. So, to solve the problem, you could decide to operate a virtual office where customers' needs can be attended to within a short time. The customers will be happy and as a result, your sales will go higher.
- **Adapting to change:** This is especially evident in the technological world where there are rapid changes defining the business. Change is inevitable and innovation is the method to not only keep your business afloat, but also ensure that it remains relevant and profitable. E.g: With the rise in mobile phones, traditional telephone had to find ways to remain relevant. Same case with your business, when you develop an innovation culture, you remain relevant at all times.
- **Maximizing on globalization:** With markets all over the world becoming more interlinked, greater opportunities are emerging in these new markets and with that, new needs and challenges. E.g: For instance, China and India are estimated to be the leading markets, and Africa is predicted to be the next "hot spot". Therefore, if your company hopes to tap into this market share, innovation is a must to enable you to capitalize on the opportunities opening up.
- **Facing up the competition:** The corporate world is always very competitive, and with many new companies coming up, the top position in the industry is no longer a reserve of a few. To retain or establish your company's cutting edge, you can compete strategically by having a

dynamic business that is able to make strategic and innovative moves and thus cut above the rest.

- **Evolving workplace dynamics:** The demographics in the work place are constantly changing. With the new generation that has entered the market place; new trends are also coming up. Innovation is therefore critical to ensure the smooth running of the company.
- **Customers' changing tastes and preferences:** The current customer has a great variety of products and services available to him and is well informed of his choices than before. The company must therefore keep itself abreast with these evolving tastes and also forge new ways of satisfying the customer

QUESTION SIX

Marking guide:

Q n	Description	Ma rks	Total Marks
a	Impact of social media as a tool of marketing a product or service		
	Promote products or a service in a less formal way, entail content to uploaded or downloaded, facilitate in direct marketing, connect customer with the companies, transmit information in a wide audience		
	(Any relevant 6 *1 mark each)		
	Maximum Marks	6	
b	Advantages of protecting a business idea for a start-up		
	Prevent imitation or doing anything on your idea without permission	1	
	Facilitate business growth	1	
	Demonstrate commitment of entrepreneurs	1	
	Value the investment for the development of products or services	1	
	Differentiation from competitors	1	
	Transmits security, credibility and commitment	1	
	Generate money by selling or licensing the product or service	1	
	(Any relevant 6 *1mark each)		
	Maximum Marks	6	
c	Types of business idea protection for entrepreneurs in Rwanda		
	Patent, trademark, copyright, trade secret, Design right		
	Any valid answer well explained is awarded 2 marks each (any 4 * 2 Marks). If poorly explained 1 mark is awarded		
	Maximum Marks	8	
	Total Marks		<u>20</u>

<i>Note: Marker must consider other valid points identified by students not captured in the model answer</i>		
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Model answer:

a. Impact of social media as a tool of marketing a product or service

- Social media allows content to be uploaded, e.g video, newsletters,e-books ,blogs, podcasts
- Social media such as companies that use Facebook id a form of direct marketing
- It can have a global reach, enabling customers to review the business from a different perspective e.g: a company Facebook site may might have photos of staff social functions
- It can help a business to connect with its customers on a more personal and emotional level, making their products more appealing

b. Advantages of protecting a business idea for a start-up

- Is the exclusive right by preventing third parties to produce, manufacture, sell or to economically exploit the developed solution, without the permission of the holder;
 - Facilitates business growth as this is protected legally impossible competition to adopt the ideas;
 - Demonstrates the commitment of entrepreneurs for their ideas;
 - Values the investment for the development of products or services;
 - Allows for differentiation from competitors by offering customers something new and innovative;
 - Generates money by selling or licensing the product or service;
 - Transmits security, credibility and commitment to the customer by the holder.
- c. There are four main types of **business ideas protection**: Patent, trademark, copyright and trade secrets

- **Patent:** If the entrepreneur is having an invention may consider protect it with a patent. A patent grants property rights to an invention, new products and innovative processes. That is, this gives the holder the right to prevent others from making, using, importing or selling these without your permission.

- **Trade mark:** This type of **protection** is a sign that distinguishes the products or services of one trader from another. They can take many forms, such as, words, slogans, logos, shapes, colors, sounds, symbols, distinct product names or marks or even a combination of these elements. Trademarks are registered for specific products of a certain class. It is possible that other companies or entrepreneurs register their marks that are identical or similar, provided that they belong to different classes of brands already registered.

- **Copy-rights:** Copyrights protect original works of authorship. Examples of these are literary works, music, sound recordings, dramatic works, pantomimes, and cinematic choreography, sculptural works, pictorial and graphic, architectural works, software, web content, among many others.

- **Trade secret:** A trade secret is something that companies keep secret in order to provide an advantage over its competitors. This kind of protection may include, but are not limited to the following, formula, process, device, business information, list of customers or suppliers, financial data, computer algorithms, programs, techniques.

QUESTION SEVEN

Marking guide

Q n	Description	Marks	Total Marks
a	External strategies for managing growth and expansion strategies that can be used by Twihaze company		
	External growth strategies: licensing, strategic alliances, acquisitions, Joint Ventures, Merge and Acquisition and Franchising.		
	Any 5 valid answers well explained are awarded 2 marks. If poorly explained 1 mark is awarded		
	Maximum Marks	10	
b	Impacts of globalization on the growth and evolution of the business enterprise like Twihaze		
	Cultural export- this creates a business opportunity to grow	2	
	High competition- It stimulates competition internally or externally	2	
	A lack of international business etiquette- can cause offence to others	2	
	The deregulations of trade restrictions- Barriers to enter overseas markets	2	
	Consumer access to huge range of markets- Internet technologies facilitate connection to a huge market	2	
	Any valid answer well explained is awarded 2 marks each (any 5 * 2 Marks). If poorly explained 1 mark is awarded		
	Maximum Marks	10	
	Total Marks		<u>20</u>
	<i>Note: Marker must consider other valid points identified by students not captured in the model answer</i>		

Model answers

a. External strategies for managing growth and expansion that can be used by Twihaze company

External growth strategies rely on establishing relationships with third parties, such as licensing, strategic alliances and acquisitions.

- **Strategic alliances:** Strategic alliances are a collaborative agreement between two or more companies to pursue common goals. Each party remains an independent organization and doesn't involve the formation of a new entity. By pooling their complementary assets, these firms can typically produce a product and bring it to market faster and cheaper than either firm could alone.
- **Licensing:** Licensing is the granting of permission by one company to another company through a contract to use a specific form of its intellectual property under clearly defined conditions. Virtually any intellectual property a company owns that is protected by a patent, trademark, or copyright can be licensed to a third party. Licensing can be a very effective way of earning income, particularly for intellectual property-rich firms, such as software and biotech companies.
- **Joint venture:** A joint venture is a cooperative agreement of two or more companies by forming separate legal entities. Each party contributes to the initial investment, shares profits or losses, and owns shares in the joint venture.
- **Mergers & acquisitions:** Mergers and acquisitions refer to transactions between business entities that involve a complete exchange of ownership. A merger is a financial transaction in which two companies unite into one new company with the approval of the Board of Directors of both companies. In a merger, the involved companies may create a completely new entity (under a new brand name) or the acquired company may become a part of the acquiring company.
- **Franchising:** it refers to an agreement between a business (The franchisor) giving the legal rights to other organizations (the franchisee) to sell products under the franchisor's brand name.

b. Impacts of globalization on the growth and evolution of the business enterprise like Twihaze

The following are ways through globalization is affecting businesses:

- **Cultural export-** this create a business opportunity for Twihaze as partners are looking to grow and evolve and learn from other culture.
- **High competition-** it stimulates competition as many companies from outside enters the market with products competing in domestic market, requires Twihaze to be innovative.
- **A lack of international business etiquette** can cause offence to others. Habits, fashions and tastes may differ in overseas countries so different customs may need to be considered
- **The deregulations of trade restrictions** around the world have allowed domestic business to enter overseas markets, thereby enabling these firms to benefit from economy of scale and a larger customer base.
- **Consumer access to huge range of markets-**Internet technologies have also contributed to globalization, with social media making it increasingly easier for people and business around the world to connect. E-commerce has improved consumer access to a huge range of markets.
- **Job opportunities** -Globalization has increased job opportunities around the world, so has significantly reduced the number of people living in poverty.

END OF MARKING GUIDE AND MODEL ANSWERS