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**CERTIFIED PUBLIC ACCOUNTANT**

**FOUNDATION LEVEL 1 EXAMINATIONS**

**F1.4: BUSINESS MANAGEMENT, ETHICS AND**

**ENTREPRENEURSHIP**

**DATE: MONDAY 25, NOVEMBER 2024**

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**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.
4. The question paper should not be taken out of the examination room.

## QUESTION ONE

Different levels of organisational management require different skills to execute different activities to achieve the mission of the organisation. Strategic level of Managers thinks in Five years life of the organization while operational staff execute day to day activities of the organisation. In between, middle managers supervise the achievement of set directions by strategic level of the organisation. Depending on the nature of the business and strategic moves of the organisation, some organizations decentralize power while others seize the power to the top.

In the contemporary world with shift in technology, climate change, and socio-economic pressures among others; management is paramount to the achievement of organisational mission and objectives. In difficulty times, top management plays a significant role to turnaround an organization to fit prevailing market conditions. However, some organizational stakeholders resent to accommodate the change.

### Required:

- a) State any **FOUR** benefits of decentralized form of decision making (4 Marks)
- b) Discuss **FOUR** main functions of management (8 Marks)
- c) Suggest **FOUR** measures for a successful organizational change. (8 Marks)

**(Total: 20 Marks)**

## QUESTION TWO

PNC Ltd. is a company specialized in audit, tax and accounting services in Rwanda. The company is a professional firm started by Peter, Naura and Clement and hence PNC naming. The company was approached by an ABC Commercial Bank Plc to provide audit of financial statements for the year ending 31 December 2025, 2026 and 2027. PNC Ltd has been providing tax advisory services to the Bank since 2015 to review and file all taxes with Rwanda Revenue Authority. As per Shareholders' register, Naura recorded a 10% shareholding. Peter's Wife is a member of Audit and Risk Committee of the Bank.

### Required:

- a) Identify **SIX** circumstances which may cause conflict of interest for PNC Ltd as far as the audit engagement is concerned. (6 Marks)
- b) Discuss **THREE** importance of putting in place a whistleblowing policy within an organization like PNC Ltd. (6 Marks)
- c) Examine any **FOUR** opportunities and **FOUR** challenges Entrepreneurs face in Rwanda. (8 Marks)

**(Total: 20 Marks)**

### QUESTION THREE

The Ultimate Processors Ltd is a manufacturing company based in Bugesera Special Economic Zone. The company involves in production of animal feeds since 2019 with annual production capacity of 20,000 tones. As of June 2024, the company recorded the following performance:

Description	Performance achieved
Number of employees	200
Production	10,000 tones
Annual sales	FRW15,000,000,000
Net profit	FRW300,000,000
Accumulated losses	FRW7,000,000,000
Total equity	FRW10,000,000,000
Total assets	FRW30,000,000,000

Despite an increasing sales record, the company faces competition from local producers of animal feed in Kigali and other parts of the country. The company's assets are majorly funded by banks and creditors, among the major suppliers is Bugesera Soybeans and Maize Cooperative (BuSoMaCo) with an outstanding credit balance of FRW8,000,000,000. The strategic vision of the top management is to grow the business to satisfy local, regional and international markets. The company's management envision a peak in the demand for animal feeds and has proposed the cooperative to integrate their businesses to form a strong venture to serve better the existing demand.

#### Required:

- With clear illustration of business life cycle, indicate the stage and challenges thereon of the Ultimate Processors Ltd. (10 Marks)
  - Compare and contrast franchise, and mergers & acquisition forms of business amalgamation (10 Marks)
- (Total: 20 Marks)

### QUESTION FOUR

Iwacu Nursery School is a newly established in 2020 in Runda, Kamonyi district. The school is solely owned by Iwacu Seraphine, a 46-year-old woman pursuing Bachelor's Degree in Education in one of the renown universities in Rwanda. She managed to start the school using the savings from her previous employer as a teacher. The school employs 3 teachers and 2 casual employees for hygiene and kitchen. The school has got 6 rooms for classes, 1 room for kitchen and another 1 room for staff. Though the school subscribed 300 kids, the school drop-out ratio remains high at around 45%. The school owes 2 terms salaries to Teachers as it pushes recovery of 70% school fees in arrears from the parents. The late payment of salaries led to

resentment among Teachers and they are looking for another school to go to. The government inspection temporarily closed the school with fines amounting to FRW500,000 and recommended the following:

- ✓ To recruit competent and qualified teachers with Early Education Degrees
- ✓ To construct proper toilet facilities for the kids
- ✓ To improve technology for smooth knowledge transfer
- ✓ To improve the kitchen and food hygiene
- ✓ To improve the company's accounting records keeping
- ✓ To increase number of class rooms and reduce number of kids in a classroom
- ✓ To document necessary policies and procedures of the school.

Since inception, the company is yet to make a profit and the Founder is looking for a business partner to meet growth and profitability needs.

**Required:**

- a) **Critically analyse the level (high, medium or low) of any FOUR risks Iwacu Nursery School is facing** (8 Marks)
  - b) **Explain briefly any FOUR benefits that may accrue to Iwacu Nursery School to outsource accounting services** (8 Marks)
  - c) **Outline EIGHT problem solving steps in an organization like Iwacu Nursery School** (4 Marks)
- (Total: 20 Marks)**

**QUESTION FIVE**

ABC Manufacturing Ltd, a company specialized in phones manufacturing has changed from decentralized to centralized way of decision-making to curb down defaulting credit limits at line production unit. Some line production Managers have misused their power to approve credit limits to their colleagues and friends without following proper internal policies and procedures. Some Middle Managers do not understand the rationale behind lifting the power to the top managers.

**Required:**

- a) **Outline any FIVE principles of management as Henry Fayol theory of administrative management** (5 Marks)
  - b) **Discuss FIVE causes of resistance to change and consequences of poor organizational change management in ABC Manufacturing Ltd** (10 Marks)
  - c) **Outline FIVE benefits of confidentiality clause in an employment contract to an organization.** (5 Marks)
- (Total: 20 Marks)**

## QUESTION SIX

MNB Ltd is a Rwanda based audit firm providing accounting, tax, audit and other advisory services. The company is owned by 3 Partners namely Mahirwe, Nahirwe and Bahirwe and hence the name MNB. Mahirwe and Nahirwe are qualified accountants and have practicing certificate offered by ICPAR while Bahirwe who oversee advisory services is still finalizing Bachelor's Degree in Accounting, and CPA at intermediate level. Bahirwe is perceived to be a brilliant and intelligent Accountant and reviews of working papers by Audit and Accounting Associates.

For competition purposes, Bahirwe appears on some of the bidding documents as a qualified accountant to compel confidence of existing and potential clients. For cost administration and job creation, the company employs Secondary School graduates with specialization in accounting. For the year ended 31 December 2023, Mahirwe has not fulfilled the required number of continuous Professional Development (CPD) hours as per ICPAR requirements. MNB Ltd believes in cost cutting hence each staff is encouraged to undertake and finance own trainings to boost their competencies.

Among MNB audit clients include Muhire General Supplies Ltd, a company dealing with construction materials owned and run by Mahirwe's twin. The company's working papers are filed in one of office room accessible by every staff and client. There is no computerized filing system as the company is still strengthening its financial capacity.

### **Required:**

- a) **Analyse FIVE principles of ICPAR code of ethics that are or may be in breach by MNB** (10 Marks)
  - b) **Briefly explain any FIVE qualities for a successful entrepreneur** (10 Marks)
- (Total: 20 Marks)**

## **QUESTION SEVEN**

Irene is a Fashionist in the Cameroon. She eagers to open up a fashion shop in Rwanda. Irene is asking information around laws to comply with, taxation, availability of availability of labour, competition, and costs to run a modern fashion shop in Rwanda. She has heard from the friends of the concept of Corporate Social Responsibility and how its application can be a valuable asset in marking. She approaches you as an upcoming professional accountant to conduct market research for her to set up the business in Rwanda.

### **Required:**

- a) **Critically analyse FIVE steps you will undertake to come up with a market research report to Irene.** (10 Marks)
- b) **Evaluate FIVE arguments for and against Corporate Social Responsibility (CSR) with an organization.** (10 Marks)

**(Total: 20 Marks)**

**End of Question Paper**

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