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**CERTIFIED PUBLIC ACCOUNTANT**  
**ADVANCED LEVEL 1 EXAMINATIONS**  
**A1.1: STRATEGY AND LEADERSHIP**  
**DATE: MONDAY 25, NOVEMBER 2024**

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**INSTRUCTIONS:**

1. Time Allowed: **3 hours 45 minutes** (15 minutes reading and 3 hours 30 minutes writing).
2. This examination has **two** sections: **A & B.**
3. Section **A** has **one** Compulsory Question while section **B** has **three** optional questions to choose any **two**
4. In summary attempt **three** questions.
5. Marks allocated to each question are shown at the end of the question.
6. The question paper should not be taken out of the examination room

## **SECTION A**

### **QUESTION ONE**

#### **LENO Company Limited (LENO)**

##### **The competitive landscape**

LENO Company Limited is a prominent consumer electronics firm that has been in operation for more than two decades. The company specializes in the design, manufacture, and distribution of various electronic products, including smartphones, tablets, laptops, and home appliances. LENO has built a strong presence both domestically and internationally by consistently offering innovative products at competitive prices. The company's dedication to quality and customer satisfaction has contributed to its success in the consumer electronics industry. Building on many years of operations, LENO has well-established distribution channels and can negotiate favourable terms with component suppliers.

In recent years, LENO has encountered a series of challenges that have prompted concerns within the management team regarding the company's future. The consumer electronics industry is known for its dynamic and highly competitive nature, with frequent technological advancements and new entrants disrupting traditional market dynamics. Further, consumers are price sensitive and have alternative choices for products. LENO's leadership is now seeking to conduct a comprehensive analysis of the competitive environment. This analysis aims to gain a better understanding of the forces impacting LENO's competitive position and profitability, ultimately guiding the development of strategies to address these challenges effectively.

##### **LENO's Value Chain**

Within its value chain, LENO engages in activities that directly impact its product development, manufacturing processes, and customer engagement. For instance, LENO efficiently sources raw materials and electronic components from a global network of suppliers to ensure streamlined manufacturing processes. These manufacturing facilities are equipped with state-of-the-art technology to produce electronic products efficiently and at a high-quality level. The company's complex distribution network ensures that finished products reach retailers and customers promptly, while marketing strategies include digital advertising, partnerships with retailers, and direct-to-consumer sales through their online store. LENO also provides comprehensive customer support, including technical assistance and warranty services, to ensure customer satisfaction and product reliability.

LENO also relies on indirect activities that underpin its operations. The company's procurement department plays a pivotal role in negotiating favourable terms with suppliers, enabling cost-effective sourcing of components and materials. To stay at the forefront of technological advancements in the consumer electronics industry, LENO maintains a dedicated research and development team. The importance of human resource management is evident in the company's commitment to hiring and retaining top talent to drive innovation, product

development, and customer service. Infrastructure encompasses advanced manufacturing facilities, an efficient supply chain management system, and an extensive distribution network to support its operations. The firm's infrastructure is dedicated to maintaining a customer-centric approach, fostering a culture of innovation, and ensuring efficient operations.

### **Unethical Practices at LENO Company Limited**

LENO Company Limited, a well-established consumer electronics company known for its innovative products and competitive pricing, has recently come under scrutiny due to allegations of unethical practices within the organization. These allegations have raised concerns about the company's commitment to business ethics and corporate responsibility.

The specific unethical practices include reports of subpar working conditions in some of LENO's manufacturing facilities, where employees are allegedly subjected to long working hours, unsafe conditions, and inadequate compensation. Furthermore, there have been allegations of environmental violations, with claims that LENO is not properly disposing of electronic waste, contributing to environmental pollution.

These allegations have drawn the attention of stakeholders, including customers, shareholders, and regulatory authorities, prompting questions about LENO's ethical standards and corporate values.

### **Required:**

- a) Applying the Michael Porter's Five Forces framework, **Discuss and analyse the five forces that influence LENO Company Limited within the consumer electronics industry.** (13 Marks)
  - b) Using the Value-Chain Analysis:
    - i) **Conduct LENO's Value-Chain Analysis based on the information provided in the case study.** (13 marks)
    - ii) **Propose strategies and actions that LENO can implement to optimize its value chain, reduce costs, and improve the overall customer experience, drawing insights solely from the information presented in the case study.** (10 marks)
  - c) Based on the provided case study of unethical practices at LENO Company Limited, **critically assess the ethical implications of these allegations.** (14 Marks)
- (Total: 50 Marks)**

## **SECTION B**

### **QUESTION TWO**

#### **Amarembo Restaurant (AR)**

Amarembo Restaurant (AR) joined the restaurant business 10 years ago. Since its establishment, it was earning enough profits as it serves close to 100 customers on a daily basis who are mainly employees from the nearby offices. The Restaurant is located at Gishushu close to several private and public office buildings. Apart from physical customers who visit the restaurant to take mainly breakfast and lunch, the restaurant also ventured into online business where clients can directly book through an app and have their food delivered at any location within Kigali. The price of food is almost the same for all clients though with deliveries, an extra amount for transport and packaging is added. Amarembo Restaurant offers a unique cuisine style which is purely African. Clients who visit the restaurant perceive the food to provide more health benefits since it is prepared without adding oil.

In October 2022, three restaurants were opened in the same location. Amarembo Restaurant started sharing clients with the rest of the other three restaurants and this has led the restaurant to start incurring some losses and 30% of the market share has already been lost. Amarembo Restaurant possesses a unique selling proposition of preparing “Luwombo” chicken – this is chicken prepared in banana leaves, without adding any oil. Most of the clients around Gishushu offices essentially like that food. The three competitors in the market sell food at a slightly lower price when compared with Amarembo Restaurant. The nature of the food industry is price sensitive though some clients would not mind paying a premium if they got the kind of food they want, such as the Luwombo. The owner of Amarembo Restaurant is currently confused and not sure of what to do next, but a plan to open up new restaurants in locations near big offices within Kigali was underway. The research conducted by the owner showed that Luwombo food would be liked by several employees who are between 30 – 50 years of age, and several of such working-class individuals fall within that age bracket.

#### **Required:**

- a) The owner of Amarembo Restaurant has approached you for advice. **What Michael Porter’s generic strategies would you recommend that would provide Amarembo Restaurant with a competitive advantage? Provide an example on each evaluated strategy.** (10 Marks)
- b) **Critically identify and evaluate strategic options or directions that Amarembo Restaurant may pursue.** (15 Marks)

**(Total: 25 Marks)**

## **QUESTION THREE**

### **Mark & Associates (M&A)**

Mark & Associates (M&A) is a law firm based in Kigali. The firm advises both individual and corporate clients about their legal rights and responsibilities; represents clients in criminal and or civil cases; as well as providing legal advice on business transactions and other legal consultancies. M&A recently merged with an accounting firm regulated by the Institute of Certified Public Accountants of Rwanda (ICPAR) in the names of RAJI CPA Ltd. The accounting firm was initially specialising in Intellectual Property (IP) related consultancies and tax matters.

The rationale for the merger is to create one big corporate and commercial law firm which will serve as a full-service Rwandan corporate with an international scope. The Managing Partner of RAJI CPA Ltd would now be a Partner in charge of IP and Tax Advisory Services. To better serve their clients going forward, they believe investing into Information Technology (IT) and improving their mission statement would be paramount. The proposed mission statement is “We deliver highly skilled, effective, and innovative legal representation to our clients in a timely manner and at a reasonable cost”. The Managing Partner believes that the firm requires strategic leadership going forward to ensure that appropriate strategic actions are developed and measures should also be put in place to implement them.

Additionally, the Managing Partner, Mr. Daniel Nkusi called for a staff meeting to explain to them what would be required of them going forward if the firm is to achieve its new set goals. “Interconnecting some leadership tasks would be paramount if our strategic planning and implementation are to be effective” he emphasised. He also reminded staff that M&A’s vision remains “Being the Premier Law Firm in Rwanda and Beyond”. More capacity building workshops are planned in the coming months and all staff are expected to attend. In those trainings, the emphasis will be on M&A’s strategy, leadership skills, team work, information technology, creativity, communication skills among others.

In order to ensure that all staff understand the Firm’s context, and remain accountable to their tasks and responsibilities, a retreat was organised out of Kigali, for a week; to enhance employees’ level of understanding M&A’s strategy along with the key leadership actions that M&A would be undertaking to implement the strategy. It is expected that after this workshop, M&A would have set a strategic direction that would help the achieving of its goals and objectives.

**Required:**

You are acting as an advisor to M&A and you are asked the following:

- a) **Explain the benefits to M&A after setting its strategic direction.** (6 Marks)
- b) **Describe interconnected leadership tasks which are important if M&A's strategic planning and implementation are to be effective.** (9 Marks)
- c) **With appropriate examples, explain five key leadership actions that can be conducted at M&A to successfully implement its strategy.** (10 Marks)

**(Total: 25 Marks)**

**QUESTION FOUR****AIRNET LTD**

Airnet Ltd is a company that was incorporated in 2020 in Kigali though it is headquartered in Niece, Eurasia. The company ranks among the top 10 mobile service providers globally, and it specialises in the provision of mobile commerce, wireless services, voice and data services, and fixed line services. The company equally possesses a mobile service that allows its clients to send and receive money across other networks in the country, to buy airtime for self or other individuals, make payments using Airnet money, among other services. The company however, has not yet integrated its platform with banks (Digital Payment System) where by customers will be able to conduct bank transactions such as checking bank balances, sending money from some one's phone to the bank and vice versa or to another account. The absence of this platform has hindered Airnet Ltd from gaining enough market share. Airnet Ltd has only 5000 clients as per the statistics from its recent publication. The company's Chief Executive Officer, Mr. Peter Mugabo has vowed to have this changed, though he is not sure how to proceed. In the recent staff meeting, the Chief Consumer and Digital Manager, who is passionate about the idea, pledged to follow it up with the concerned stakeholders even though the Human Resources Manager had not thought about it, as a good idea. The Risk and Compliance Manager, was worried about the intellectual property rights when such an initiative is implemented to which the Chief Financial Officer addressed by ensuring him that, by the time the platform is launched all paper work and the required approvals shall have been sought.

The CEO reiterated that apart from the missing platform, he believes that change is required within Airnet Ltd to be able to compete favourably and increase the current market share. Apart from the missing bank integration platform, he also believes that the company should shift away from the current "Organisation by Function" structure to Organisation by Product Division. His argument revolved around some employees focusing on departmental goals rather than organisational goals and that competition was starting to develop between functions. Implementing a new organisation structure, he emphasised, would make control and communication easier, resources shall be utilised efficiently, among other benefits.

The company equally believes that due to the recent advancements in technology and globalisation, it can be able to borrow from what its Head office has done and replicate it here in Rwanda including becoming one of the pioneers to launch the 5G network onto the Rwandan market. In his remarks in one of the company meetings, the CEO gave an example that, effective change within the company is a must, since change is occurring faster globally, with extensive impact and complexity in nature. “Airnet Ltd will therefore have to devise new ways of initiating innovative change and creativity if we are to remain competitive”, the CEO stated.

**Required:**

a) The CEO remarked that change is a must within Airnet Ltd and that, it is globally occurring faster, with extensive impact and complexity in nature. Giving examples, **explain three factors that are influencing change to occur in the manner described in the scenario above.**

(6 Marks)

b) Airnet Ltd’ d CEO, Mr. Peter Mugabo is passionate about the Digital Payment System that has to be integrated with Airnet money, an initiative he believes would increase Airnet Ltd.’s market share. According to Richard Daft, championing an idea successfully, requires four roles in an organisational change. With reference to Airnet Ltd.’s scenario above, **critically analyse the four roles.**

(8 Marks)

c) The CEO remarked that apart from the missing DPS platform, he believes that change is required within Airnet Ltd to be able to compete favourably and increase the current market share. He also stated that effective change within the company is a must since change is occurring faster globally, with extensive impact and complexity in nature. **Explain at least four other ways through which Airnet Ltd can initiate the needed change.**

(4 Marks)

d) The CEO, Mr Peter Mugabo revealed some challenges a company would encounter when it sticks to what is considered as a traditional organisation structure. He went ahead to recommend that Airnet Ltd should shift from the current “Organisation by Function” structure to “Organisation by Product Division”. **Critically analyse three benefits that Airnet Ltd would gain from the shift as per the CEO’s recommendation.**

(7 marks)

**(Total: 25 Marks)**

**End of Question Paper**

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