
**CERTIFIED PUBLIC ACCOUNTANT
FOUNDATION LEVEL 1 EXAMINATIONS
F1.4: BUSINESS MANAGEMENT, ETHICS AND
ENTREPREURSHIP**

DATE: MONDAY, 23 AUGUST 2021

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.

QUESTION ONE

A good product includes a lot more than its function. Even the best port wine can be enhanced by its package and served in a way that makes it more appealing, not just another refreshment. This is the message conveyed by UMWIMERERE Honey Company Ltd (UHL) Managing Director, Rugero Peter. UHL is Rwandan company specialized in exportation of organic honey, and also trains farmers in the country how to start up bee projects at a micro level. In 2012, Rugero secured 20 acres of land in Bugesera district where he planted eucalyptus trees. Because he had a dream of processing honey and beeswax, he decided to maximise his available land and erected bee hives amidst the planted forest. When the honey got ready for harvesting and extraction, Rugero was able to harvest over 1,000 litres. This inspired him to plan big as earlier thought. He decided to store it for six months and embarked on making company business. He recruited five people who had the expertise in beekeeping and marketing the products to help him start off the project.

In 2015, Rugero Peter opened up offices in Rwamagana town. He appointed a General Manager, Samson Nahimana, who supported him to write the company mission which is “To produce quality honey and other bee products that are distinct, valued and healthy for the body”. Other employees were attached to different departments like sales and marketing, production, accounts and human resources. The purpose was to make his work easier, well knowing that he was busy with other consultancy work. The company’s main objectives were to ensure that people enjoy honey that is organic and healthy to their bodies, as well as supply genuine beeswax that can be used as a raw material for other products.

The company’s major strategy was to ensure quality that is fit for export and ready to compete with other producers. In March 2020, the Government of Rwanda implemented strict quarantine procedures and strengthened the existing healthcare system to respond to the Covid-19 pandemic situation, its surveillance and prevention measures at all points of entry, health facilities, public places and in the community. Rugero Peter and Samson Nahimana his General Manager laid down the company’s policies and procedures to abide to the government rules and regulations. Some of the UHL’s policies include the harvesting of honey: employees had to wear protective clothing; honey would not be sold at the packaging centre among others. All customers had to buy from authorised distributors. A set of rules were designed and issued indicating arrival time and dress code. In the same vein, personal bags were to be kept in the cloakroom, while staff had to wear company uniforms while on duty. These rules were to govern the company and its employees to make it grow and become exemplary from other companies.

Management designed various programs that were to help support the company’s mission and goals. Since the time they recruited the Finance Manager, Chris Gatanazi, financial discipline has greatly improved. UHL operations are in line with an annual budget that he developed to

ensure that funds will be utilised efficiently and effectively. The employees of UHL were motivated by the good working conditions such as allowances that they received every extra hour worked, break tea and lunches offered, in addition to medical insurance. Employees were issued with appointment letters as security for their jobs and this increased employees' productivity. Every department set targets to achieve on weekly basis. Management set goals including providing their customers with quality honey and beeswax, making public awareness about honey/ beekeeping, and the training of farmers countrywide. Employees were provided with protective clothing when harvesting honey and hygiene was a basic priority. Many of the employees feel comfortable and this is evidenced by their long stay at the company. Every year, management arranges parties for them and recognises the best performers with some rewards. This has boosted their love for work; and relationship with each other has also been stimulated and reinforced.

Required:

- a. Identify the major UHL company mission, goals, objectives and policies. (8 Marks)**
- b. Using PESTLE, analyse the future trends that might impact on the organization. (12 Marks)**

(Total: 20 Marks)

QUESTION TWO

Read the passage below and answer the questions that follow

Muhima Motors (MM) is a chain of motor products (importer of vehicles, supplier of vehicle components, tools, and diagnostic equipment to the motor trade). The company has a wide range of product lines, customers, and very innovate with the introduction of new products on the market. Covid-19 has caused the largest and fastest shift in human behavior change at scale, ever. As digitalization is already underway in almost every organization, this shift has accelerated the adaptation of digital technologies.

MM is yet incorporate e-business into its IT strategy, although it does have a website, but needs a better way to manage its interactions with customers and sales prospects. Key issues for MM include: increased competition and increasing customer expectations; the need for better information about its extensive customer base, which tracks each and every contact with a customer, providing potential for increased sales; the need to understand more fully each customer and provide a quick and efficient response to their requirements; the inability of the sales team to perform effectively using outdated and inefficient software to manage such a large customer base; a difficulty in identifying the most profitable customers; an inadequate sales pipeline management system (a system which helps sales people to more objectively evaluate and forecast future sales); and a need to achieve sales targets and avoid business erosion.

As the power of knowledge workers grow, they become more like partners than “hired hands.” During the Covid-19, MM and other smart companies forged partnerships with external suppliers. Employees are, similarly, internal suppliers and partners. Still, suppliers and employees can be fired, unlike real partners, who must agree on an appropriate severance.

Required:

- a. **Discuss the e-business solution(s) which Muhima Motors should adopt to build stronger customer relationships, better manage sales processes, control costs for a better competitive advantage.** (12 Marks)
 - b. **Explain the main challenges involved in effective business management.** (8 Marks)
- (Total: 20 Marks)**

QUESTION THREE

Kurama Peter was a production worker at Jali Motors Limited (JML), which made components and accessories for automotive industry. He had worked at JML for almost 7 years as a welder, along with fifteen other men in the plant. All had received training in welding, both on the job and through company sponsored external programmes. They had friendly relations and got along very well with one another. They played basketball in the playground regularly before returning to the hostel rooms allotted by the company. They ate together in the company canteen, sharing jokes with each other and making fun of anyone who dared to peep into their privacy during lunch hour. Most of the fellows had been there for quite some time, except for two men who had joined the ranks only two months back.

Peter Kurama was generally considered to be the Leader of the group, so it was no surprise that when the foreman of the department was transferred and his vacancy was announced, Peter Kurama applied for the job and got it. There were only four other applicants for the job, two from mechanical section and two from outside. When there was a formal announcement of the appointment on a Friday afternoon, everyone in the group congratulated Peter Kurama. They literally carried him on their shoulders and bought him snacks and celebrated the event enthusiastically.

On Monday morning Peter joined the duty as a foreman. It was company practice for all foremen to wear blue jacket and a white shirt. Each man's coat had his name badge sewn onto the left side pocket. The company had given two pairs to Peter. He was proud to wear the coat to work on a Monday. People who saw him from a distance went up to him and admired the new blue coat. There was a lot of kidding around calling Peter Kurama as a **"Hero" Big Man and Officer** 'etc. One of the guys went back to his locker and returned with a long brush and acted as though he were removing dust particles on the new coat. After about five minutes of playful, all of the men went back to work. Peter went back to his office to get more familiar with his new job and environment.

At noon, all the men broke for lunch and went to the canteen to eat and enjoy fun as usual. Peter Kurama was busy when they left but followed after them a few minutes later. He bought the food coupon, took the snack and tea and turned to face the open canteen. Back in the left side corner of the plant all observed in their blue coats. At that point of time, silence

descended on the canteen. Suddenly both groups looked at Peter Kurama anxiously, waiting to see which group he would eat with.

Required:

- a. **Explain the main forms of employee training and development in the organization.**
(4 Marks)
 - b. A variety of factors influence the recruitment decision. Before any criteria may be set, those involved need to have a clear understanding of the nature and purpose of the position to be filled. **Identify and explain any 4 criteria in shortlisting or ranking applications (CV's) for a particular position.**
(4 Marks)
 - c. **Explain common reasons of individual resistance to change in the organization.**
(6 Marks)
 - d. **Explain any 6 ways of overcoming resistance to change in the organization.**
(6 Marks)
- (Total: 20 Marks)**

QUESTION FOUR

LIFAN Ltd is a prominent company dealing in Lifan motor cycle assembling in Rwanda. Since its inception, the company has built a brand name as specialists in assembling different kinds of Lifan motorcycles and distributing them to regional whole sellers across the country. Amidst the Covid-19 pandemic, the company concluded an online meeting with Mr Kanamugire, the owner of the company unleashing a proposal to expand operations in neighboring countries as one of the mechanisms to boost the company's revenues as in Rwanda Covid-19 measures that include lockdowns could not allow the company to transact more and earn the necessary margins. During the meeting, Mr Kanamugire tasked his research team to assess the company's readiness to take on the new business in terms of finances, technologies, equipment, opportunities and personnel, among others.

He further emphasized the need for strong networks and time in implementing the proposed idea successfully. At the end of the meeting, Mr Kanamugire instructed his planning department to study the proposal and give recommendations for viable markets and start up option. After a thorough market research, the department recommended that Tanzania had a lucrative market and that the company should consider acquiring an existing business to avoid bureaucratic processes of starting up a new company. The team also pointed out the need for thorough investigations to ensure due diligence before the new business is acquired. Mr Kanamugire appreciated the recommendations and noted that necessary resources were available. However, he is not certain on what to consider before acquiring an existing business. Mr Kanamugire has approached you for guidance.

Required:

- a. **Describe the main advantages of acquiring established business.** (6 Marks)
 - b. **Identify and explain considerations for evaluating a business opportunity.** (4 Marks)
 - c. **Explain the nature of resources required to expand the operations of LIFAN ltd in Tanzania.** (10 Marks)
- (Total: 20 Marks)**

QUESTION FIVE

As the last decade of the 21st century passes, Rwandan consumers want more enjoyable time. Most have adequate money, and most have careers, but what they lack is adequate time to spend money or pursue interests beyond their careers. Consumers are more willing than previously through convenience for better services, and appear ready to consume. This demand is partially the result of an affluent, mobile society and partially the results of dual – career families with fewer children who live in condominiums, town houses and urban apartments. Few spouses have time to shop for groceries, run errands, linger in mall stores, service their cars, do laundry or clean their houses.

Time pressure represents a major shift in consumer buying habits and perceptions of the value shopping. The time crunch became serious toward the end of the 2020's and entrepreneurs rose to the challenge with house-cleaning services, rapid car services franchise, freezer-to-microwave foods and a variety of other time-saving devices and services. Demographic forecasts and market research indicate that the time crunch will reach a crisis stage before the year 2020. Entrepreneurial opportunities alike, will likely grow in direct proportion. Market research is a fundamental responsibility for planning a new venture, and having good information during pre-start-up planning stage cannot be overemphasized, entrepreneurs must establish how they will compete in clearly defined markets.

Required:

- a. **Explain the forms of market research techniques and why an entrepreneur needs to conduct market research.** (4 Marks)
 - b. **Explain why internet marketing has become more popular in promoting products and services business in recent years.** (8 Marks)
 - c. **Explain the barriers that are faced by organization as they communicate in their day today businesses.** (8 Marks)
- (Total: 20 Marks)**

QUESTION SIX

Mr. Paul Nzirwanaho an entrepreneur is so zealous about poverty eradication and economic Independence. One time he visited some places in Bugesera District. He saw vast empty flat land. Quickly he got an idea of how to make money. He thought of constructing a school. He surveyed the land once again. He estimated the cost and quickly went to Bank Populaire and got a loan of 200 million Rwanda Francs. Within one month he had bought a double Cabinet Pick up for operations and hired a Project Manager at a cost of one (1) million Rwanda Francs per month.

The Project Manager worked for 10 months and resigned. He informed Mr. Nzirwanaho that the project was not feasible. The Entrepreneur was not convinced.

Required:

- a. **Basing on the issues in the case, identify the most causes for small business failure in Rwanda.** (4 Marks)
 - b. **Explain the role and importance of social entrepreneurship in Rwanda's economy.** (8 Marks)
 - c. **Explain the business life cycle, stage and the challenges that may be faced by Nzirwanaho at each stage.** (8 Marks)
- (Total: 20 Marks)**

QUESTION SEVEN

CPA Remy Butera is the Finance Director of Rwanda Pharmaceuticals limited (RPL), a company involved in importing, exporting, distribution and marketing pharmaceuticals and hospital consumables. CPA Remy Butera is responsible for company's strategy and financial affairs. Tax Authority officials discovered that CPA Butera has been colluding with senior officials to evade taxes. Recently, the tax authority audit was conducted and discovered the following:

1. CPA Butera did not declare that he is one of the shareholders of RPL in addition to two Dutch Nationals, Van Perne and Ruben Vonk. This implies that CPA Butera has a financial interest in RPL.
2. The company has fictitious tax invoices stating goods and services that were never received.
3. RPL bribed tax officials to under declare its tax obligations which CPA Butera preferred to call "tax planning and management".
4. RPL was involved in transfer pricing manipulation in which RPL purchased goods from a sister company based in Singapore quoting lower invoice values.

5. The income tax returns filed with tax authorities included: overstated employee costs; incorrect computation of allowable deductions on assets; and consistent declaration of losses for three years contrary to RPL's unqualified audited financial statements issued by RPL's external auditor.

Following the tax audit report detailing the fraudulent schemes, tax authority has written to RPL threatening the cancellation of RPL's tax registration and litigation.

Required:

- a. Using the following ethical principles, discuss the various ways CPA Butera would resolve the unethical practices at RPL:
- i. Professional behavior (5 Marks)
 - ii. Professional competence and due care (5 Marks)
- b. Explain how
- i. Having financial interest in RPL could impact on CPA Butera's independence in financial reporting. (4 marks)
 - ii. The provision of accurate, complete and reliable financial information may have mitigated RPL's tax authority risk exposure and possible tax penalties. (6 Marks)
- (Total: 20 Marks)**

End of question paper