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**CERTIFIED PUBLIC ACCOUNTANT  
ADVANCED LEVEL 1 EXAMINATIONS  
A1.1: STRATEGY AND LEADERSHIP  
DATE: MONDAY, 29 NOVEMBER 2021**

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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**

#### **Gihanga Breweries Limited (GBL):**

##### **GBL's macro-economic environment**

GBL is a public limited company incorporated in Rwanda in 1980. The company is located in Gihanga Special Economic Zone (GSEZ), a special business location established by the government of Rwanda to increase trade balance, enhance employment opportunities, increase investments, facilitate job creation and effective administration. The company produces and sells alcoholic beverages across the country and also in the East African region. The company works as a franchise for larger international brands in Rwanda and in the region. It also imports some popular alcoholic brands to Rwanda. For instance, it imports Malta Lager, a global popular beer brand, to Rwanda.

GBL is regulated by the Rwanda Alcohol Regulatory Authority (RARA), a government institution responsible for the regulation of alcohol production and consumption. RARA requires that alcoholic beverages are subject to the adulteration and misbranding provisions, and implementing regulations, related to food. For example, manufacturers of alcoholic beverages are responsible for adhering to the registration of food facilities requirements as well as good manufacturing practices. There are also certain requirements for nutrition labelling on menus, menu boards, and other written materials for alcohol beverages served in restaurants or similar retail food establishments. GBL also must comply with other regulations in foreign markets where it exports its products in the region.

In a recent multilateral study, it was revealed that GSEZ has relatively favourable tax policies on many products and services apart from alcohol. When the government attempted to lower taxes on alcohol products, activists and community representatives made an outcry as they believed this could lure young people into excessive and addictive alcohol consumption. On a light note, GBL operates in a relatively stable political environment that is built on the government of Rwanda's commitment to safeguard its citizens. Although there have not been any major civil unrests in the country for over two (2) decades, there has been reported violence in some countries in the region over the past few years, which has significantly impacted GBL's operations in those countries. Further, the outbreak of the COVID-19 pandemic has meant that global supply chain rules have changed in some countries, and this has impacted how GBL does business.

Due to the recent economic downturn, fuelled mainly by the COVID-19 pandemic, the economy was significantly impacted companies had to restructure their sales and marketing campaigns greatly in 2020. However, GBL's situation turned out differently. As the economic downturn ravaged businesses across the country and around the world, GBL experienced increased demand and increased sales of its beverages because mainly as people were being laid off from jobs and forced to stay at home due to lockdowns, they were spending time with friends and family or at their homes. This meant that they consumed more alcohol, hence more

demand for GBL's products. As a result, GBL reported in a press conference aired on state television, that its pre-tax profit more than doubled to FRW 14 billion in 2020, boosted by higher beer sales and lower operating costs. In a statement on the company's website, GBL said that beer sales rose by 10%, weathering year-long bar closures as part of curbing the spread of COVID-19, as consumers bought from boutiques, mini markets, supermarkets, and restaurants.

With the advent of the new age in technology, the management of GBL is keen on completely integrating itself with all the recent changes that have taken place. For instance, GBL has made social media its primary advertising channel in order to reach a younger and more vibrant generation as opposed to the classic radio and television advertisements that dominated the industry in the past few decades. The social media explosion has allowed for increasingly interactive engagement with the consumers with real time results, so GBL must stay ahead of all the developments that take place, keeping in view on how the youth of today utilise technology for their benefit. Further, many consumers are subscribing to mobile apps for a convenient and faster shopping experience for beers, wines, and liquors which are the most alcoholic deliveries. Mobile app companies do not place a markup on the alcohol sold, they charge retailers a monthly license fee while retailers fulfil orders and receive 100% of the amount charged to consumers. Mobile app companies work with government officials to ensure they are in compliance with local laws and regulations.

With a relatively high population growth and growing middle income, the market served by GBL seems promising. The middle-aged customers prefer global brands of beers, wines, and liquors as they appear trendy and classy especially on social media. The older cluster of customers prefer classic beer products produced by GBL such as Icyaka and Gotomera. In a recent market study by the marketing department of GBL, it was revealed that customers with white-collar jobs usually consume alcohol during evening hours and weekends when they are not at work. The older customers' consumption habits are more evenly distributed during the day except in the morning when they are working on their farms. The company, however, is aware of the cultural and traditional perception on alcohol. Alcoholism, problem drinking, and drug addiction are commonly viewed in the region as problems that arise out of human weakness; this is in line with Rwandan values of self-reliance and self-determination.

COVID-19 has transformed the manner in which alcohol can be sold. As restaurants struggled to survive various lockdowns, the advertisement, purchase, and consumption of alcohol changed from bars and hotels to homes. 'If a bar or restaurant is operating in a manner that creates a public health threat, they should be shut down', said a lawmaker on Twitter a few months ago. This statement has ignited debate on whether restaurants and bars should be allowed to sell mixed drinks and loosen alcohol delivery laws as the economy is gradually opening. There is a general consensus, however, that alcohol advertising helps create an environment that suggests that alcohol consumption and over-consumption are normal activities, and this contributes to increased alcohol consumption. Therefore, most countries in which GBL operates have laws and regulations that have been seen to reduce underage alcohol use, binge drinking, and the consequences of intoxicated behaviour which include: requiring responsible alcohol beverage service training for bar owners and servers, eliminating drink specials or setting minimum prices for drinks, strengthening laws concerning hours of sale,

density of retail outlets, and other factors affecting alcohol availability, funding stronger enforcement of existing laws, and passing stricter laws concerning drunk driving and serving intoxicated drinkers, among others.

Traditionally, alcohol production has been spared in the fight against environmentally degrading activities. However, that is not the case anymore. During a recent meeting by the board of GBL in which a sustainability report was presented by a climate change expert, it was noted that the production phase of the alcohol industry actually leaves a surprisingly large footprint. After all, large amounts of water and fertilizers are necessary to harvest the grain, grapes, potatoes, rice, botanicals, cane, and agave that go into alcohol production. And in the case of distilled spirits, nearly all of that water turns into waste. Water run-off from distilling rum, for example, is mixed with molasses and cane juice, both of which are highly disruptive to the nearby microorganism balance. This revelation has resulted in climate change activists, pressure groups from the civil society, and regulators in Rwanda and in the region to assert pressure on GBL to adopt clean technology and streamline its production process to make it greener. The board has agreed to report its carbon footprint annually in its sustainability reports and publish them along with its financial position and performance.

### **GBL's Strategy**

GBL is considering re-thinking its strategy for its product portfolio. GBL's product portfolio is divided into three general classes: beers such as such as Icyaka and Gotomera; wines which include Ruhuka and Roza; and distilled beverages which include Tuza whisky, Sabana vodka, and Tembagara liquor.

The board's views are divided into four opinion camps. One camp suggests that, because the company is faced with rising competition from other companies, it should adapt various promotional strategies to boost its current market share. It also argues that the company should build on established capabilities and products to reach more customers. This group of board members suggest that since this strategy does not require the organisation to venture into uncharted territory yet raising the company's market share, it will lead to greater power vis-à-vis buyers and suppliers. Other board members oppose this strategy because they fear it will exacerbate industry rivalry as other competitors in the market defend their share.

The second camp advances the notion that GBL should consider going global beyond its current markets. It is suggested by this group of board members that GBL should expand its business operations in Europe, western Africa, and Asia by capitalising on its proprietary technology that it can leverage into new markets. This group of board members argues that since these markets are composed of a bigger middle income customer base, the company is likely to raise its profitability by boosting demand. Other board members are not convinced as they suggest that strategies based on simply offloading traditional products or services in new markets are likely to fail. They further back their opposition against this strategy by suggesting that GBL lacks the right marketing skills and brands to make progress in markets with unfamiliar customers.

The third camp disagrees and proposes that the company can only progress by inventing more innovative beverages that both create a strategic buffer and capture the hearts of the younger generation. These members, therefore, suggest that GBL should step up its research and

development efforts to expand the company's product range. They believe that since the company has a strong understanding of their current market, it can innovate great beers, liquors, and wines that meet the current market's taste. This group of board members is, however, being challenged on argument that this strategy can be expensive and highly risky.

The last group of the board has a different view on the future of GBL. It proposes that strategies suggested by camps two and three should be combined. This camp believes that value can be created at the strategic level as GBL could benefit from being part of a larger group: consumers may have greater confidence in the business unit's products and services than before, and a larger organisation can reduce the costs of finance. Other camps are sceptical as they believe that investing in market segments will demand new skill sets, which GBL does not possess.

**Required:**

- a) **Using the PESTEL framework, analyse GBL's macro-environment.** (15 Marks)
  - b) Based on the strategic directions proposed by different groups in GBL's board:
    - i. **Using an appropriate corporate growth model, identify and examine the strategic directions proposed by the four board camps.** (15 Marks)
    - ii. **Advise the board on the best strategic option to pursue and why.** (5 Marks)
  - c) With reference to generic competitive strategies, **demonstrate how GBL can achieve competitive advantage over its competitors in the alcohol industry as proposed by a section of the board.** (15 Marks)
- (Total: 50 Marks)**

## **SECTION B**

### **QUESTION TWO**

#### **Kamikazi Mining Ltd (KML):**

KML is a private limited company registered in 2010 under the Rwandan law, fully owned by Ms Kamikazi Ariel and her family. KML is located in Ngororero District and has been created with a purpose of improving the mining service delivery basing on best internationally accepted practices.

The management is considering undertaking a project for the development of a software to transform its operations. This software will help the company move away from manual operations. Operating in a volatile market, KML needs to ensure its mining operations perform as efficiently as possible. It is poised that the new software will empower KML's customers to manage the entire asset lifecycle to maximize production, increase asset reliability, and improve workforce safety. It will also help the company unite, analyse, and manage its engineering data, processes, and supply chain in an intelligent and efficient way.

Table 2.1 below demonstrates the tasks, dependencies, and estimated times KML's project manager has estimated for the software development project.

**Table 2.1: KML's software development project information:**

| Project start date: 12 January 2012. The tasks shall be implemented in all seven days of the week. |  |                            |                    |
|--|--|----------------------------|--------------------|
| <b>Task</b>  | <b>Task Description</b>                  | <b>Predecessor Task(s)</b> | <b>Time (days)</b> |
| A  | Establish project                        | -                          | 2                  |
| B  | Establish customer requirements          | 1                          | 3                  |
| C  | Produce software specification documents | 2                          | 4                  |
| D  | Write test plans                         | 3                          | 1                  |
| E  | Write code                               | 3                          | 2                  |
| F  | Developer testing                        | 5                          | 2                  |
| G  | System testing                           | 4, 6                       | 4                  |
| H  | Write customer documentation             | 3                          | 3                  |

Some senior managers are excited about the project. They believe that the new software will help the company solve some of the challenges it is facing which include: outdated process operations, declining staff morale, declining profitability, disruptive technologies, and customer dissatisfaction. An expert analysis reveals that the reasons for change score four, two, three,

two, and one respectively along the Kurt Lewin Force Field. A score of four implies a strong reason while a score of one means the reason is weak.

However, another section of management is opposed to this proposed change. This section of management argues that changing to a new software will take the company to the unknowns, change existing organizational structures, change how things are done, potentially interrupt existing commitments to customers, and potential incompatibility with existing systems. An expert analysis reveals that the reasons against the change score three, three, one, two, and two respectively along the Kurt Lewin Force Field. A score of four implies a strong reason while a score of one means the reason is weak.

The board of KML has been made aware of the debate. Ms Kamikazi Ariel was recently quoted saying ‘senior managers need to create a companywide crusade to implement and execute the chosen strategy as fast and effectively as possible.’

**Required:**

- a) Using the provided project information:
    - i. **Illustrate the project tasks using an appropriate GANTT chart.** (10 Marks)
    - ii. **Advise management on how long the project will take and the last project date.** (2 Marks)
  - b) **Illustrate the forces for and against the proposed change using the Kurt Lewin Force Field Analysis and advise whether the change should be implemented or not.** (10 Marks)
  - c) **Explain leadership roles of KML’s strategy implementer.** (3 Marks)
- (Total: 25 Marks)**

### **QUESTION THREE**

**Kira Bank Limited (KBL):**

Kira Bank Limited (KBL) was founded in 1970 in Kigali by Mr Ramba Francis. In 1980 the bank was transformed into a commercial bank. The bank gained some notoriety for having shares owned by key politicians in the government in 1980s. Mr Francis used to be a waiter in a downtown restaurant in town when he was not at school. When he was invited to a major business conference in Tanzania in 1996, Mr Francis narrated about the establishment of KBL. ‘One time I was serving a couple of Belgians and I heard them chat about how banks have transformed lives in Belgium and in many other European countries’, he said. ‘I immediately called my brother who lived in the United States of America and asked him about what banks are and how they work’, he continued. Mr Francis, after seeking information from his brother, introduced the idea to his four friends at the University. They liked the idea and started saving some of the pocket money they had until they decided to start a saving and credit cooperative, which served fellow students before growing to a wider customer base. The cooperative later

grew, and the five founders decided to register it as a commercial bank in 1980. At the entrance of KBL, there is ‘a glowing and spectacular’ statue of Mr Ramba Francis that allows all staff and customers to get to know the great founder of a company changing lives. Every year, the company organises and hosts a mega event to celebrate Mr Francis and his co-founders’ lives and to renew their commitments to keep their dreams alive.

KBL has a functional organisational structure that guarantees an adequate level of control and also assures suitable segregation of functions. KBL’s highest hierarchical authority is the Board of Directors (BoD). KBL’s General Management consists of the General Manager and the Deputy General Manager. The General Management reports directly to the BoD. The Secretary of the BoD, who administratively reports to the General Manager, is assigned the special task of coordinating the BoD’s activities with the General Management and helping the BoD in its responsibilities in the interest of the bank and its shareholders. General Management is responsible for the day-to-day activities such as personal banking, corporate banking, investment banking, private banking, transaction banking, insurance, and corporate services. These activities are structured into divisions which report to the Deputy General Manager. The BoD has responsibility for approving and periodically reviewing the overall business strategies and significant policies of the bank; understanding the major risks run by the bank, setting acceptable levels for those risks, and ensuring that senior management takes the necessary steps to identify, measure, monitor and control those risks; approving the organisational structure; and ensuring that senior management is monitoring the effectiveness of the internal control system. It has ultimate responsibility for the bank's business strategy and financial soundness, key personnel decisions, internal organisation and governance structure and practices, and risk management and compliance obligations.

KBL has an effective internal control system which ensures that material risks that could adversely affect the achievement of the bank’s goals are being recognised and continually assessed. The bank’s risk assessment section ensures that all risks facing the bank are identified and mitigated. Internal controls are regularly revised to appropriately address any new or previously uncontrolled risks. Some control activities designed and implemented by KBL include: top level reviews; appropriate activity controls for different departments or divisions; physical controls; checking for compliance with exposure limits and follow-up on non-compliance; a system of approvals and authorisations; and, a system of verification and reconciliation. KBL is considering establishing an Information Technology (IT) strategy that it intends to use to fully digitalise its operations by 2024, but the BoD is yet to be convinced about the need for the IT strategy.

KBL’s sales staff have a code of common practices to help them achieve the bank’s targets which include: turning in their weekly call planner with all the calls they have scheduled for next week by the close of business on Friday, conducting weekly sales meetings every Monday at 8.30 am, and reviewing relationship plans on all of key customers and key prospects with their Sales Managers twice a year, among others. KBL takes financial performance as serious as it takes non-financial performance. Management has recently hired a Business Performance Manager to help track and report on how the bank is performing from different perspectives.



**Required:**

- a) **Apply the cultural web to examine KBL's culture.** (14 Marks)
  - b) **Discuss why KBL should have an IT strategy if it is to remain relevant in the market. Note: Your answer should be based on the Professor Earl's IT Strategy model.** (5 Marks)
  - c) **As a Business Performance Manager, conduct KBL's balanced scorecard clearly indicating how the bank should monitor results in four perspectives simultaneously to prevent the dominance of a single perspective. Note: You are encouraged to make and clearly indicate any necessary assumptions in a tabular format.** (6 Marks)
- (Total: 25 Marks)**

**QUESTION FOUR**

**Nyamirambo Park:**

Nyamirambo Park is a 1,000-acre leading park located in Nyamirambo town dedicated to building strong, healthy, and resilient communities through the power of parks and recreation. Nyamirambo Park advances this vision by investing in and championing the work of the park and recreation professionals as a catalyst for positive change in service of equity, climate-readiness, and overall health and well-being. In addition to outdoor recreational facilities, the park also offers low-cost accommodation, new gym facilities, recreational equipment for children, and a theatre for local and international tourists. The owner, Mr Gatogo, firmly believes that there is a need for low-cost family accommodation amid the luxury and beauty of the surrounding areas. Nyamirambo Park's rooms are large, family-style rooms with no television. Since the park is relatively new, the grounds are fairly bear with a bit of landscaping, but mostly grass. Mr Gatogo has plans of expanding the site in the near future. The theatre is used to host classic movies using a modern live-streaming software. The Park financed these facilities with a FRW 500 million loan from a bank.

Nyamirambo Park's skilled staff serve breakfast in the rooms, snacks for outdoor customers, and provide tea-making facilities for those who wish to help themselves on-the-go. Nyamirambo town has many good restaurants and fast-food points where by-passers can grab take-aways. Nyamirambo Park charges almost 50% of what similar motels charge and a bargain of what the big hotels in the area are charging. What is surprising is that Nyamirambo Park is located near many museums, shops, and other attractions. The Park has a reputation for low-cost and quick services.

However, Nyamirambo Park faces a challenge of occupancy. The Park has some regular customers who visit every holiday period and are quite loyal to the park ever since it was established five years ago. Nyamirambo Park's occupancy is generally about 50% year-round

yet other properties that offer comparable services in Nyamirambo average around 71% occupancy year-round. Further, there has been development of newer and modern hotels, motels, and recreational facilities in and around Nyamirambo area in the recent past in anticipation for the Commonwealth Heads of Government Meeting (CHOGM) and other events and conferences that have picked up in Rwanda in the last few years. This lack of occupancy can be quite frustrating for Mr Gatogo. Cars sometimes pull in, drive around the parking areas, and then drive away.

Currently Nyamirambo Park does very little advertising on radios, social media, and walls. Mr Gatogo believes that word-of-mouth is the best form of advertising. Although is a member of Nyamirambo Tourism Committee, a committee that promotes an integrated and responsible tourism in Nyamirambo, but he is too busy to go for meetings. However, Mr Gatogo does receive local tourism statistics and knows the average stay in the area is 2.5 nights, and that local families and couples and increasingly overseas visitors are Nyamirambo Park's potential customers.

Mr Gatogo knows Nyamirambo Park is not a market leader, but he is interested in devising strategies to challenge those facilities leading the industry.

**Required:**

- a) **Conduct Nyamirambo Park's resource audit using information provided in the above case.** (7 Marks)
  - b) **Examine Nyamirambo Park's internal and external factors related to its resources, capabilities, and the environment. Note: You are encouraged to tabulate your answer.** (8 Marks)
  - c) **Discuss different strategies available for Nyamirambo Park to attack market leaders for the achievement of a competitive advantage.** (10 marks)
- (Total: 25 Marks)**

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