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

**DATE: MONDAY, 29 DECEMBER 2021**

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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

TERIMBERE is a farmers' cooperative located in Kayonza District. TERIMBERE conducted cooperative environmental analysis to be able to move from subsistence farming to market-driven farming.

Kayonza District is one of the leading producers of quality maize and beans in large quantities in the eastern province of Rwanda. Agricultural experts suggest this is due to a favourable business location and weather conditions for agriculture production. It has 300 active members who are experienced in growing maize and beans. TERIMBERE has 20 years of experience in farming and selling maize and beans. It has its own 200 hectares of land, a warehouse with capacity to store at least 1,000 tons of cereal, and a vehicle which facilitates the cooperative to reach customers very easily.

TERIMBERE is not able to satisfy available strong local and open regional market demand. Due to limited financial abilities, TERIMBERE Cooperative has insufficient materials and equipment which causes limited produce and high post-harvest losses, thus inability to satisfy demand which is always higher than the cooperative's ability. Its members and cooperative staff have limited skills required to run a business professionally and be competitive on the market. Lack of adequate qualified skills causes poor management and governance of the cooperative.

On one hand, TERIMBERE is benefiting from strong relationships with Rwanda Agriculture Board (RAB), Ministry of Agriculture and Animal Resources (MINAGRI), suppliers, customers, and financial institutions. It is also benefiting from available political will and strong national frameworks to support cooperative movement in Rwanda reflected in the Rwanda Cooperatives Agency's mandate. In Rwanda there is existence of available support from development partners and other stakeholders. It is very easy for cooperatives to access finance from different financial institutions and donors. Agriculture loans and grants are available to expand. Different partners are investing in capacity building of cooperative members and staff. In addition, Rwandan government is investing more in agriculture.

On the other hand, TERIMBERE is developing strategies to overcome some of the key challenges the cooperative is facing including: climatic variability and climate change shocks, lack of basic infrastructure, regional higher competition, shortage of required skills in the labour market, insufficient and/or late delivery of quality seeds, and exorbitant agricultural inputs compared to the purchasing power of the farmers.

TERIMBERE's management has articulated an appropriate vision and mission statement, is in the process of assessing the cooperative's strengths and weaknesses as well as its position among its competitors. However, the management is looking for a consultant to advise on what changes are anticipated to occur both inside and outside the organization and whether it is poised appropriately to respond to such changes.

**Required:**

- a) **Conduct a SWOT analysis for TERIMBERE Cooperative.** (16 Marks)
  - b) **State how the management of the organization can use strengths identified in (a) above to exploit the opportunities identified.** (4 Marks)
- (Total: 20 Marks)**

**QUESTION TWO**

UDP Company started business in 1990, producing and selling kitchen equipment. It is a limited liability company with more than 1,000 shareholders and a team of 100 qualified staff. UDP has rapidly expanded that in 2017 alone, it launched 10 new branches in different countries. But in 2020 due to the COVID-19 pandemic, the company has been financially struggling where bankruptcy is considered a possibility by analysts.

UDP hired an expert to analyse its business activities and unpredictably found that some key company employees including internal auditors and the company accountant have started a company that provides similar products to similar clients and use UDP's resources to market their business. The expert also found that the company accountant divulges important information about the acquisition of his company to a friend who owns a substantial shareholding in the company. The friend acts upon the information and sells all his shares before the information is made public.

UDP recruited a team of auditors to examine the work performed by the UDP accountant and employees who have started the same business as UDP. Unfortunately, the audit team leader is the husband of the CEO of the newly created company, and some of the audit team members were employees of UDP Company who have recently resigned.

After realizing all problems and challenges the company is facing, UDP decided to attract new investors through selling its stock and to hire new qualified employees. Directors decided that corporate insiders are allowed to buy and sell shares based on information that is available to everybody but not available to the public. The company traders created amazing fake information to be disseminated through mass e-mails to promote the company stock and to drive the price up. Also, the company's securities traders hired a team of people to buy and sell securities many times or buying and selling it amongst themselves to increase the volume of trades and let people think that the stock has a lot of activity.

**Required:**

Refer to the above case and explain the following questions:

- a) **Using specific examples from the case identify and explain the violations of ethical and professional principles in the case.** (12 Marks)
  - b) **Indicate how the violations identified in (a) above can be mitigated** (8 Marks)
- (Total: 20 Marks)**

### QUESTION THREE

RYOHERWA is a start-up with a single mission: to improve cook stoves in rural Rwanda areas. The company started in the northern province by distributing and constructing cooking stoves to promote energetic briquettes produced by recycled waste from households, restaurants, schools, and prisons. The management of RYOHERWA believes in innovation as a practical implementation of ideas that results in the introduction of new goods or services or improvement in offering goods or services. The company also believes that it is through innovation that it will grow its strategy and change people's lives.

**Required:**

- a) **State four types of innovation that RYOHERWA can pursue.** (4 Marks)
- b) **Explain the importance of innovation for RYOHERWA.** (8 Marks)
- c) **Discuss four levels of social responsibility that RYOHERWA needs to consider if it is serious about fulfilling its duty to society.** (8 Marks)

**(Total: 20 Marks)**

### QUESTION FOUR

Ms UMUTESI is a university graduate who decided to be self-employed and create employment for other young graduates who are struggling to search for jobs. Due to her education background, she is being challenged by running a business without a good written business plan. Currently, Ms UMUTESI is considering attending various national and international trade exhibitions to learn more about benefiting from the advantages of globalization. She also hopes to make good networks that could potentially be interested in funding her start-up. In one of the meetings, she recently had with an experienced entrepreneur from Mali, Ms UMUTESI learned that companies usually face forces external to them that are largely beyond management's control but influence organizational performance. Ms UMUTESI is not entirely sure of these environmental challenges.

**Required:**

- a) **List the importance of a business plan to Ms UMUTESI.** (6 Marks)
- b) **Briefly describe four subcomponents of a financial plan section of a business plan.** (8 Marks)
- c) **Briefly describe SIX environmental challenges Ms UMUTESI's company is likely to face.** (6 Marks)

**(Total: 20 Marks)**

## QUESTION FIVE

The COVID-19 pandemic has wreaked havoc on businesses in Rwanda and across the world. Whether through how they source funds or how they market their products and services, the pandemic has affected how businesses operate. In the face of the unprecedented disruption caused by the COVID-19 pandemic, this is a good time for businesses to review their marketing plan and ensure it is still effective.

### Required:

- a) **Discuss the impact of COVID 19 on the marketing mix. Note: For the purposes of this question, only consider four Ps of the marketing mix.** (8 Marks)
  - b) **State five main risks that face businesses.** (5 Marks)
  - c) **Describe the Porter's generic strategies and discuss different generic strategies proposed by Michael Porter.** (7 Marks)
- (Total: 20 Marks)**

## QUESTION SIX

UBUMWE is a business founded in 2019 in Rwanda, by two young graduates from a leading university in Ngoma District. It is specialized in online buying and selling of various household products and does home delivery too. One of the owners, Ms JURU, likes to read a lot. Recently, she read in popular business journal that fast growing companies are extremely competent at building growth perpetuating systems, which help them create sustained growth from entrepreneurial ideas. The journal also reveals that ‘...growth strategies can be either internal or external.’ Ms JURU and her partner are keen on taking their business to new and higher heights by applying the ideas on the journal, but they are not sure of the specifics and have asked for your help.

### Required:

- a) **Explain the internal strategies for managing growth and expansion that can be used by UBUMWE.** (8 Marks)
  - b) **Discuss the following external growth strategies:**
    - i. **Strategic alliances**
    - ii. **Licensing**
    - iii. **Acquisitions** (7 Marks)
  - c) **Describe the growth stage of a business life cycle and state THREE challenges faced at this stage.** (5 Marks)
- (Total: 20 Marks)**

## **QUESTION SEVEN**

Mr Nkuranga is an experienced business executive and coach based in Mbyo, a financial hub in Rwanda. Mr Nkuranga was recently approached by a group of top banks in Kigali to provide a week-long coaching workshop to their employees on effective business communication and trends in the financial industry. In his opening remarks, Mr Nkuranga's slides read 'We communicate and interact with others all day, every day. In fact, people in organizations spend at least 75 percent of their time in interpersonal situations—one-on-one, in groups, intraorganizational, or with customers, suppliers, investors, and advisers. Communicating effectively is critical in the business world, yet it can present significant challenges.' On day three of the workshop, a discussion was held about how mobile money transfers are reshaping the financial industry in Rwanda.

### **Required:**

- a) State five advantages and five disadvantages of using Mobile Money transfers.**  
(10 Marks)
  - b) Explain five barriers to effective communication.**  
(10 Marks)
- (Total: 20 Marks)**

**End of question paper**

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