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**CERTIFIED PUBLIC ACCOUNTANT  
FOUNDATION LEVEL 1 EXAMINATIONS  
F1.4: BUSINESS MANAGEMENT, ETHICS AND  
ENTREPREURSHIP  
DATE: MONDAY, 26 APRIL 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.

## QUESTION ONE

Kamikazi and Mutoni are sisters, they started a business called Berwa Manufacturing Company (BMC) in 2015 to focus on made in Rwanda women clothing. Kamikazi became the Managing Director and Mutoni became the Business Manager. They recruited other qualified employees with different expertise. In their first meeting Kamikazi led the meeting and emphasized that the success of the business will much depend on effective relationship with superiors and peers which should only be built by enhancing effective communication at all management levels. Kamikazi explained that good leaders, who express feelings and ideas, actively solicit new ideas from others. She also said that people in leadership roles are only as good as the information they have, and much of their information come from watching and listening to what goes around with in the company; be it verbal or non-verbal. She advised leaders to actively interpret others' messages to summarise what they are saying, avoid to rush and to become defensive, instead they should rather encourage others' contributions.

Mutoni as a Business Manager went with the flow and explained that effective communication involves the ability to transmit and receive information with high a probability that the intended message is passed from the sender to the receiver. She continued by asking everyone in the organization to determine the purpose of communication before communicating, and said that both the sender and the receiver have to decide on how to better communicate, whether communicating publicly or privately, orally via face to face or in writing, or using spoken communication in an electronically transmitted way, or broadcast media communications, among others.

She continued to tell them that an E-mail is one of the most widespread means of communication within their business organization. According to her, it is necessary to enhance the clarity of the communication in several ways especially by creating a common frame of reference. The Business Manager also emphasized on the contribution of a two-way communication, and the importance of paying attention to each other's emotional responses.

During this first meeting all participants took a decision on the nature of training needed to increase their ability to think clearly and rationally, and understand the logical connection between ideas. Thus, the training identified was on Problem-Solving Approach and the company decided to train employees specifically on Hyman's Problem Formulation model. This training was specifically selected as it was envisaged that it will contribute towards employees' clear understanding of the steps required to finding the best solution in a business situation. The organization decided to have a culture of beginning to work on solutions until it has a clear definition of the problem and goals it wants to achieve. All employees agreed that organizations should choose a solution which leads to high outcomes and which fits within the organization's current conditions such as budget, time limits, as well as legal, safety and other regulatory requirements.

Kamikazi closed the meeting by encouraging employees to share feelings and ideas with managers and employees at a higher level in the organization without waiting for only messages and information from top management flowing down through the organization. She also said that to build an effective communication arrangement, employees have to bear that

both causal and official communication contribute to the effectiveness of the organization communication. She also reiterated on the importance of the lateral exchange of information among employees at the same level within an organization, or between different departments of an organization.

The Managing Director at the end of meeting informed BMC staff that the next meeting was to be conducted using a live video to exchange ideas between people in different locations. For quick reaction and communication in real time. Organizational workforce will communicate via emails, telephones and use of company Facebook page.

**Required:**

- a. **Explain information richness of the channels of communication used by Berwa Manufacturing Company to ensure that messages are conveyed from one person to another.** (4Marks)
- b. **Discuss Hyman's Problem Formulation model.** (8Marks)
- c. **An E-mail is one of the most widespread means of communication within Berwa Manufacturing Company. List at least four guidelines for creating effective emails.** (4Marks)
- d. **Explain two modern communication technologies used by BMC** (4Marks)

**(Total: 20 Marks)**

**QUESTION TWO**

Muhire was a new Chief Executive Officer (CEO) of BAHO Health Center (BHC) in 2000. BAHO is one of the small health centers that had fallen victim due to a struggling economy. The first activity carried out by the new CEO was an analysis on the organization situation to identify opportunities which should lead to positive changes. After conducting a deep analysis, Muhire realized that there is need of encouraging strong connections between BAHO employees and the general community at large.

Muhire envisaged development of all individuals be it those who affect or are affected by the center, and distribute benefits fairly to all stakeholders to increase their financial capabilities which in turn should affect the center financially. According to the CEO, the business should be accepted by the society only when the management practices are appropriate to the environment, in which it operates. In addition to that, the New CEO organized a training on compliance management and ethical behaviours.

In 2005 Muhire conducted a second analysis to evaluate the Center's performance in implementing identified strategies. Based on the findings, he decided to change the organization's objectives and priorities, redesigned jobs, changed work processes and employees' perceptions and expectations. For proper implementation of the change strategies, Muhire requested the development of a Human Resource Procedures Manual to explain policies and procedures on how and when to recruit individuals with the expertise required and who are honesty and able to influence others.

Similarly, all managers were asked to use their positions and apply a punishment or a sanction policy to those who are not performing as required. Some of the managers in key positions had the authority to figure out how to improve organisational outcomes in whatever means possible. In general, all managers at all levels were asked to be role models and use charismatic leadership to be able to influence others to implement the needed changes appropriately.

**Required:**

- a. **Read the above case and discuss the Principles of Corporate Governance adopted by BHC to address the economic challenges the business was facing.** (12 Marks)
- b. **With vivid examples from the above case, identify and explain the change project used by BHC.** (2Marks)
- c. **Identify and explain the sources of power used by BHC managers to influence their subordinates to implement change strategies properly.** (6 Marks)

**(Total: 20 Marks)**

**QUESTION THREE**

Mugisha started a butcher shop in 2010 and it is currently among the leading butcher shops in Rwanda. To be among the leading companies, Mugisha chose to create a mutually beneficial relationship with business customers by choosing to extend the service beyond the initial purchase to ensure that they retain and attract more customers. The company customer base is increasing by the day due to good customer service. The business interacts with all customers to fit each customer's needs. In addition to that, the business uses various tools and techniques to manage customer data and relations. This has led to increased efficiency and effective use of resources thereby contributing towards increased profitability.

Mugisha conducts advertisements as one of the key means to inform, persuade, remind, and create additional utility impact on customer perceptions. The media used by his business for advertising purposes include Television, Radio, Magazines, Newspapers and the Internet. Business advertisements are carried out in a way Subliminal and Deceptive advertising are evaded. He hopes that if his business is acting ethically in its marketing, it will be accepted by the entire target market, the government and the lobbying groups, because they trust the business products and services, and they will be believing that the business takes care of all its stakeholders and the business environment positively.

Currently Mugisha is planning to expand and grow his business product line by including sea food. Similar to that, he also wants to open up new shops and the location of which to be based on utility and marketing intermediaries, physical distribution channels and logistics.

Due to the high competition the business is facing, it has embarked on a direct marketing strategy to enable it to deal directly with target customers. In addition to that the business charges a low price to gain market share but the price it charges allows it to remain in business in the long term. To complement the business marketing mix strategy, Mugisha every year performs a market analysis to enable him to meet market requirements and cope up with the business environment which informs him about which decisions to make regarding market share, business image or branding among others.

**Required:**

- a. **Identify MUGISHA business Value of Customer Relationship Management Systems.** (5Marks)
- b. **What is marketing ethics? Give two examples of ethical issues in Advertising.** (4Marks)
- c. **Explain elements of the marketing mix of Mugisha Business.** (6 Marks)
- d. **What are the needs for a Marketing Research?** (5Marks)

**(Total: 20 marks)**

**QUESTION FOUR**

- a. **Describe the challenges faced by an entrepreneur at start-up and growth stages.** (5Marks)
- b. **Discuss at least 5 strategies for managing growth and transition.** (10Marks)
- c. **Identify and explain the factors for success at growth and maturity stages.** (5Marks)

**(Total: 20 marks)**

**QUESTION FIVE**

Umwizerwa is a young entrepreneur in the fruits and horticulture industry. In her new business she has strong views on the contribution of ethics and social responsibility to customers, employees and shareholders. She believes that companies that behaved ethically, and strive to satisfy the needs of the customers and employees, simultaneously satisfy the needs of investors because high profits are a result of the loyalty of customers and committed employees. Umwizerwa considers that business success depends on the employee's abilities to assess the different possible courses of business actions regarding benefits and harmful practices to the various different shareholders. The business should choose the course of action that does the least harm to its stakeholders.

She always reminds her employees that it is the duty of organization's employee to think creatively, answer questions, solve problems, and to formulate strategies for one's actions and desired ways of being, where everyone's decisions and actions should be based on a decent or logical foundation so that the morality and moral reasoning be enhanced in the business decision making process.

Umwizerwa business works closely with company directors. Company directors always make decisions in the best interests of the whole company. Umwizerwa together with her management team periodically revise the organization's ethical code of conduct to ensure that they mitigate the negative actions that could harm the organisation's image. The team also ensures that all people are treated equally with righteousness without forgetting to respect the decisions made by other people.

**Required:**

- a. **Identify and explain an ethical theory that guides employees of Umwizerwa Company in its ethical decision-making process.** (3Marks)
- b. **Explain the ethical principles applied by Umwizerwa Company to make her business successful.** (8Marks)
- c. **What are morality and moral reasoning in ethical decision making?** (4Marks)
- d. **Identify at least 5 ethical obligations of company directors.** (5Marks)

**(Total: 20 marks)**

**QUESTION SIX**

The purpose of writing a business plan is to demonstrate how the business is to be setup and managed, based on a clear work plan that displays goals and processes by which a team and/or person can accomplish those goals, offering the reader a better understanding of the scope of the project. Furthermore, writing a business plan helps organizations to identify potential business risks and what mitigation measures should be taken by the business. In addition to that, the understanding of the content of each business plan component is a key factor for the accomplishment of business goals.

**Required:**

You have decided to open up your own bakery business. After understanding the importance of writing a business plan:

- a. **State the steps of developing a business work plan.** (4Marks)
- b. **Discuss the mitigation measures that should be used in business to effectively manage risk.** (8Marks)
- c. **Identify the elements to be covered in each of the following business plan complements:** (8Marks)
  - 1. **Product Description**
  - 2. **Customer Analysis**
  - 3. **Development Plan**
  - 4. **Competitor Analysis**
  - 5. **Financial Plan**
  - 6. **Business Strategy**

**(Total: 20 marks)**

## QUESTION SEVEN

Even as self-employment continues to increase, a significant number of businesses are going out of business during their start-up stage. Different factors affect a new venture's success and the key reasons are associated to qualities and capabilities of entrepreneurs and self-analysis conducted before turning their ideas into a business.

Business success depends on the passion, commitment and self-motivation of entrepreneurs who must also be ready to live with the consequences of their choices. They should have a clear mission and vision to minimise uncertainties and maximise their chances of success. Successful entrepreneurs are people who are flexible to cope-up with environmental changes.

Similarly, entrepreneurs need to be able to forecast future situations as they strive for efficiency and productivity including paying a realistic wage to their staff. Before starting a business, they have to audit their skills and personality to build a network and get support and meet potential customers or contacts.

Today any kind of business is facing stiff competition. Due to these hard times, different businesses without the ability to identify market opportunities, are forced to go out of business. Business should make profits at the same time be able to attract and retain customers and increase their market share.

Starting a business is one thing, but managing it is another key factor of success. Entrepreneurs should have time management skills to prioritise conflicting demands and meet multiple deadlines. Furthermore, due to the influence of technology in today's businesses, IT skills are really essential for business success.

Apart from considering entrepreneurs abilities of running a business, they should equally contribute to the wellbeing of the society. They have to be inventive and innovative to create new jobs.

### **Required:**

- a. Read the above case and identify at least 4 factors to be reviewed when considering self-employment. (4Marks)
- b. Read the above case and explain the characteristics of successful entrepreneurs. (6Marks)
- c. What is the economic importance of self-employment? (6Marks)
- d. What are the roles of an entrepreneur in our society? (4Marks)

**(Total: 20 Marks)**

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