CERTIFIED PUBLIC ACCOUNTANT

FOUNDATION LEVEL 1 EXAMINATIONS

F1.4: BUSINESS MANAGEMENT, ETHICS AND ENTREPREURSHIP

DATE: MONDAY 24, APRIL 2023

MARKING GUIDE AND MODEL ANSWERS

QUESTION ONE

Marking guide:

Qn	Description	Marks
a)	**From the storyboard, Gakuba cited some basic managerial skills for effective rice cooking. These include:**	
	Human skills	2
	Technical skills	2
	Conceptual skills	2
	Each point with a correct explanation weights 2 marks (any **3** points ***2** marks =**6** marks maximum. Poorly explained points are awarded 1 mark	**6**
b)	**Seven (7) principles of management using Henry Fayol's administrative management theory and how they relate to rice cooking storyboard**	
	Division of labour	2
	Unity of command	2
	Discipline	2
	Remuneration	2
	Esprit de Corps	2
	Unity of direction	2
	Equity	2
	Any valid answer explained with examples and context of the story carries 2 marks (any **7** points ***2** marks =**14** marks maximum. Poorly explained principle are awarded 1 mark	**14**
	Total marks	**20**

Model answer

a) From the storyboard, Gakuba cited some basic managerial skills for effective rice cooking. These include:

i) Human skills: Rice cooking entails planning of required staff and skillset for cooking rice, organizing them towards the realization of goals, coordination, and controls. How he aligns works according to tasks and abilities depicts his relational capacities (inter-personal skills).

ii) Technical skills: The story shows task-orientation, specifically how rice sorters separate quality rice from bad ones. The story talks about an officer, named Munyana Jovia in charge of production and technical related tasks which evidences that the entire process requires specific technical skills.

iii) Conceptual skills: The story talks about planning (goal-setting), strategizing, answering the Ws: what, when, where, who; monitoring the process to results (tastier rice) point to logical thinking an integral part of conceptual skills. How Gakuba leads the members of RWARCP based on their skillsets and competencies depict his analytical levels.

b) Seven (7) principles of management using Henry Fayol's administrative management theory and how they relate to rice cooking storyboard.

i) **Division of labor**: Under rice cooking, there are specific specialized departments: production and technical office, finance, management of staff and company's properties. Such arrangement operationalizes Henry Fayol's division of labor where every person does the job, he or is good at for efficiency and productivity purposes.

ii) **Unity of command:** In the two companies dealing in rice cooking; roles and responsibilities are clearly defined. For instance, RWARCP's Chairperson, Mr. Gakuba Jean de Dieu who is supposed to give orders to the corresponding subordinates. This evidences Fayol's principle about clarity of origin of command to minimize anarchy.

iii) **Discipline:** The third principle is discipline: sweepers and rice sorters follow a set of rules. Discipline evidenced by practices is informed by set departmental rules and procedures to guide behavior. From the story, the Chairperson testified, "You may not separate rice sorters from finance team in terms of behaviours. Discipline counts in managing human resources, without it, it would be extremely challenging to plan, organize and coordinate towards the realization of planned activities.

iv) **Remuneration:** Fourthly, the story also mentioned of payment of salaries to employees. Whereas there is no evidence showing salary differences and if there are cases of dissatisfaction, such practice operationalizes the principle of remuneration under Fayol's principles of management. Remuneration motivates employees to work harder though it should be in line with each employee's efforts.

v) **Esprit de Corps:** The fifth practical evidence of principles of Fayol in the story is the spirit of working together to achieve common goals and objectives. It goes back to management to ensure that all staff are working in a conducive environment and are supportive of one another. There are different departments in rice cooking all driving towards one overall goal: cooking tastier rice. This is what was referred to by Fayol as esprit de corp.

vi) **Unity of direction:** The sixth practice aligned to the principles of Fayol is one head (chairperson) and one plan for group activities. With a unified goal it makes it easier to achieve set targets. In the story, rules are developed from one major plan. This is what Fayol referred to as "unity of direction." Chairpersons, for instance, Gakuba Jean de Dieu of RWARCP and KAPOC's President, Jessica Munezero setting the desired sense of direction for their respective cooperatives actualized Fayol's Unity of direction.

vii) **Equity:** The seventh principle in practice in the storyboard is equity. Treatment of staff is guided by rules to ensure mutual respect, "no room for harshness," as noted by the Chairperson, Gakuba. It should be a manager's responsibility to avoid any form of discrimination. Sweepers among themselves are equal, and respect professional staff in Finance and the rest. All the above operationalizes Fayol's principle of equity, mutual respect and fair treatment.

QUESTION TWO

Marking guide

Qn	Description	Marks
a)	**Advices to the CEO about proper decision-making process based on a rational decision-making model**	10
	State the goal	2.5
	Identify the problem	1.5
	Determine the decision type	1.5
	Choosing an alternative	1.5
	Implementation	1.5
	Measurement and control	1.5
	Each point explained with contextual perspectives from the story carries 1.5 marks except point of stating the goal which is awarded 2.5 marks (Poorly explained points are awarded 0.5 marks)	**10**
b)	**Five descriptions of how CEO could have handled Kira's bank system migration challenge to exemplify good leadership qualities**	
	Source identification	1
	Coalition building	1
	Interest – based negotiations	1
	Participation and involvement.	1
	Vision articulation	1
	Each point described as per the story weighs 1 mark (any 5 points ***1** mark =**5** marks maximum.	**5**
c)	**Communication barriers between the CEO and ITO of Kira Bank Ltd**	
	i) Lack of a persuasive language	1
	ii) Organizational values mismatch	1
	iii) Listening gaps	1
	iv) Incomplete information	1
	v) Information credibility	1
	Each described barrier relating to the story weighs 1 mark (any 5 points ***1** mark =**5** marks maximum.	**5**
	Total marks	**20**

Model answer

a) Advices to the CEO of Kira Bank Ltd on rational decision-making process.

The six steps to rational decision making are explained as follows:

i) State the goal

The CEO of Kira bank Ltd should start by stating the goals and objectives of the company. This is done by first conceptualizing and defining the goal and objective of the decision in a very succinct and simple/actionable terms for the entire team including the ITO, in particular. With clarity of decisional goals and objectives, it becomes much easier to monitor and evaluate company progress towards the realization of the goal. Failure to do the above is a recipe for tensions within the decision-makers or with others.

ii) Identify the problem

The second step is problem identification and statement. In the context of Kira Bank Ltd, the problem was a potential risk of hackers as informed by the politician. However, reliance on what the politician said was not evident enough. He should have gathered more information to support his decision. Effective problem identification is invariably a product of good information gathering.

iii)Determine the decision type

Determining the decision type is the third step. If the decision solution is technical, for instance information technology system as in the case of Kira Bank Ltd, he should have generated more technical-backed data and information before making the decision. The type of the decision in question is technical, therefore, it should have been informed by technical insights from the experts whilst evaluating them, as opposed to politicians. As such, the ITO should have played a central role at this stage of decision-making.

iv) Choosing an alternative

Choice of decision alternatives is the fourth step. Whereas the politicians hyped the case of potential risks, the fourth step should involve choosing a decision with minimal risks. The case in the story sounded like a great risk, the real system migration took longer and there was no exposure to hyped risk. Therefore, the course of action/alternative taken should guarantee greater benefits and minimal or zero risks as had been requested by Uwera

v) Implementation

The fifth step is decision implementation: this step is in tandem with the previous one after determining whether the benefits of taking the actions are greater than inaction. the chosen alternative is implemented. The drivers/implementers in the bank's case the ITO and those affected should be communicated, again for effective implementation including making them get aware of their roles

vi) Measurement and control

The six step is monitoring and measuring whether the set decision goals and objectives are in good progress (monitoring) and whether the set goals will be fully achieved. In view of Kira Bank Ltd, the CEO should have set the key milestones while monitoring system migration and evaluation indicators. Monitoring of decisions help the CEO to guide the implementation process whilst taking correction action where required. In this case, the CEO may consider reinstating Uwera if there are probable litigation actions as well as determining an alternative control mechanism to avoid further losses and the bank's reputation.

b) Five descriptions of how CEO could have handled Kira bank's system migration challenge to exemplify good leadership qualities.

From the case, the CEO experienced resistance to change from the Information Management Officer. However, there are ways the CEO could have handled it better as follows:

i) Source identification

First, identification of the source and cause of the resistance. Collecting information, analyzing it could have shaped the CEO's perspective better rather than being forceful. Data and information related to systems migration could have made system migration realizable and smoother.

ii) Coalition building

Tactical coalition building towards the set goals and objectives of the required change. In every organization, Kira Bank Ltd included, there are power brokers and influencers and good negotiators. The best way out for the CEO, should have been to leverage on such individuals to influence the change the CEO wanted.

iii) Interest – based negotiations

The third way is interest-based negotiations rather than positional based negotiations. The CEO exemplified making hard positions with the ITO as opposed to interests-based bargaining. For instance, if the ITO's concerns were about recognition of her expertise, such psychological needs and interests can be satisfied using rewards, praises and other techniques. This wasn't at play.
The CEO of Kira Bank Ltd would have facilitated effective and constant communication between him and the ITO. Leaving this communication gap between the CEO and ITO could have triggered wrong assumptions and misplaced fears which could have been handled through consistent communication.

iv) Participation and involvement.

Another technique the CEO of Kira Bank Ltd could have deployed to prevent resistance was participation and involvement. In the story, it appears, the decision-making approach was top-down rather than bottom up. The CEO did little consultations with technical officer(s) such as the IT team while making decisions. In such operating context, staff feel distanced and do not develop a sense of ownership of the processes and outcomes of change.

v) Vision articulation

Effective articulation of the company vision and how the significant number of management members and staff share the desired destination (change) and the benefits thereof, minimizes the ground taken by the people who resist change. However, in the context of Kira Bank Ltd, the CEO did not work in defining the vision, the goals, and objectives rather, he simply stated what could be qualified as rumors from the politician.

c) Communication barriers between the CEO and ITO of Kira Bank Ltd.

i) Lack of a persuasive language

From the story/case study, the communication between the CEO and ITO was not effective and persuasive enough. An indicator of its ineffectiveness is exemplified by its failure to achieve the intended objectives. Failure of the CEO (the sender) to state very clearly the objectives to the ITO (the receiver) in a way that is not coercive but persuasive and preventative of potential risks emerging, was a major communication barrier. The CEO talked with assumed power rather than a problem-solver. These exemplified leadership deficiencies.

ii) Organizational values mismatch

The second barrier of communication as per the story was the mismatch between set organizational values: transparency, integrity and customer focus and practice. It is as if organizational culture is defined in terms of rumors rather than the set values. As the story stated, decision-making would be influenced by politically motivated interests packaged in form of rumors. When decision-making is based on rumors rather than proven facts, tensions between decision-makers and decision-takers ensue.

iii)Listening gaps

The third communication barrier was listening gaps. The ITO strongly became a custodian of ITO knowledge but failed to ask for details about the potential risks; the source, where it happened in Rwanda and draw reassurances to the CEO based on interactive communications. There appears to be limited listening skills from the CEO which demonstrates leadership inadequacies.

iv)Incomplete information

The fourth barrier was withholding information by the CEO. Whereas the CEO had accessed the information from the politician, he withheld the source and other basic elements that make information complete: what happened? Where it happened? Who was there? When was it? How it happened? Why it happened. Based on incompleteness of the information about the potential risks to the bank erected the communication barriers between the CEO and the ITO.

v) Information credibility

The fifth barrier in the context of Kira Bank Ltd was credibility of the source and a flawed reference point. Whereas the source of the information was not revealed, the story showed that the source could be suspected and confirmed: a politician whose credibility was questionable and with no reliable reference point. Sources of information with questionable credibility cannot be trusted. Other barriers of communication included: noise, personality class, use of jargons and colloquial language, wrong choice of communication tools, communication overload (too much information in a short time in someone's head). All these may not be reflected in the story above, but they may attract the marker.

QUESTION THREE

Marking guide:

Qn	Description	Marks
a)	**Two weaknesses and two strengths as per PESTEL Analytical tool in Kira Bank Ltd.**	
	Two weaknesses: Ineffectual decision-making, ineffective communication. Each stated and explained point weigh 2 mark (any **2** points *2 marks = **4** marks maximum. Poorly explained points are awarded 1 mark **Note:** Marker should also consider any other valid points outside this marking guide.	4
	The Strengths: Technological factor, Political factor, presence of the legal officer. Each stated and explained point weigh 2 marks (any **2** points *2 marks = **4** marks maximum. Poorly explained points are awarded 1 mark **Note:** Marker should also consider any other valid points outside this marking guide.	4
b)	**Six advices about what steps he could have applied to effectively manage change in Kira Bank Ltd**.	
	State the desired change	1
	Forming a team	1
	Express the Vision and strategy	1
	Eliminate barriers	1
	Lead change	1
	Institutionalize change	1
	Each stated and explained advice weigh 1 mark (any 6 points *1 marks = **6** marks maximum. Poorly explained points are awarded **0.5** marks **Note:** Marker should also consider any other valid points outside this marking guide.	**6**
c)	**Six organizational strategies for the two to effectively adapt to a changing environment**	
	An effective communication and education strategy, Involve and ensure the CEO, ITO and other employees, Support and encourage fearful people by	**6**

Qn	Description	Marks
	the management, apply negotiation and agreements, Positive manipulations by magnifying the benefits. Each explained point weigh 1 mark (any **6** points ***1** marks = **6** marks maximum. Poorly explained points are awarded 0.5 marks	
	Total marks	**20**

Model answer

a) Two weaknesses and two strengths as per PESTEL Analytical tool in Kira Bank Ltd.

Two weaknesses:

i) Ineffectual decision-making

Decision-making of the CEO was not backed by facts, but hearsays and it came from not technically qualified sources. This weakness from the CEO's side was exemplified by relying on a politician with personal interests as per the story.

ii) Ineffective communication.

Poor communication between the CEO and the employees as exemplified by tensions between the CEO and ITO. Poor communication is inconstant with the social component under the PESTEL analysis. Failed use of persuasive communication technique to the ITO to visualize the need for the change and potential risk as the CEO actually visualized it.

The Strengths:

i) Technological factor

Technological skillset to examine technological related risks as exemplified by the bank's ITO Officer. This is consistent with the technological component of PESTEL. There is clear evidence of the presence of an ITO person who would provide technical process of migrating the system.

ii) Economic factor

Better economic outlook. For instance, the story noted, the bank contributes to Rwanda's economic growth through corporate taxes, employment of Rwandans. This is consistent with the economic factor in the PESTEL analysis.

iii) Presence of the Legal officer.

Qualified legal officer who advises the CEO about his decision's alignment with the country laws. This is in line with the legal component of the PESTEL analysis.

b) Six advices about what steps he could have applied to effectively manage change in Kira Bank Ltd.

i) State the desired change

The first step the CEO needs to undertake is stating the desired change, the need for it whilst creating the required sense of urgency for it. Change comes with fears; the CEO needs to remove or reduce fears related to this desired change. The CEO should have reduced the fears the ITO had by working with her to devise strategies to overcome issues raised. This step is critical and foundational to the proceeding ones.

ii) Forming a team

Forming change champions for a technological-based change requires technically qualified change agents and champions. Combining such technical team with quick adapters would lead the Bank's system migration to the required success. Uwera would have worked as part of such a team.

iii) Express the Vision and strategy

The third step is articulating the vision for the change. This step clarifies many issues; it motivates employees to embrace change and move forward towards it, and it equally contributes to effective coordination of change related actions. For Kira Bank Ltd, the ideal or actual vision was neither articulated nor communicated effectively.

iv) Eliminate barriers

Enable change actions; remove potential or actual change barriers, replace structures and systems that would underrate required change, promote risk-taking people and initiatives and activities consistent with stated change.

v) Lead change

Implement and sustain the change (lead change); actualize the required change with vigor and rigor. At this level, motivating and reinvigorating change agents is critical because it encourages people who hesitant (stragglers) to make steps forward by embracing changes, recognize and reward early adapters.

vi) Institutionalize change

Recognize, reward change agents in the institution. Create and streamline change into organizational culture through policies, strategies and operating standards of Kira Bank Ltd. Institutionalization of change takes intention, clarity of minds, change champions, and setting up policy and operational framework for anchoring change.

c) Six organizational strategies for the two to effectively adapt to a changing environment.

For the CEO and ITO to effectively adapt to the changing environment, Kira Bank Ltd should apply the following strategies outlined below:

i) An effective communication and education strategy. Provide them with complete, concise and persuasive information;
ii) Involve and ensure the CEO, ITO and other employees meaningfully participate in the process of planning sessions for change;
iii) Support and encourage fearful people by the management rather than rejecting them;
iv) Apply negotiation and agreements with groups organized to resist change in their interests or rights-based groups (trade unions)
v) Positive manipulations by magnifying the benefits and downplaying risks associated with change;
vi) Coercion is the last strategy for organizational change. For example, memos and directives can be issued to influence change.

QUESTION FOUR

Marking guide

Qn	Description	Marks
a)	- Definition of business ethics and its purpose	2
	Three reasons why Mwema should keep the information in her possession confidential	
	Stakeholders risk mitigation reaction:	1
	Possible litigation and burdens thereof.	1
	Credibility	1
	Each explained reason weigh 1 mark (any 3 points ***1** marks = **3** marks maximum. Poorly explained points are awarded 0.5 marks	**5**
b)	**Four major steps to be taken in protecting organizational confidential information.**	
	File and safely store confidential information	1
	Mark as "Confidential"	1
	Sign MOUs	1
	Destroy and clean after use	1
	Avoid social space	1
	Each explained point weigh 1 mark (any 4 points ***1** marks = **4** marks maximum. Poorly explained points are awarded 0.5 marks	**4**
c)	**Five circumstances under which Mwema may disclose what she knows about the Country Director**	
	Sanctioned by law	1
	Compelled by code of conduct	1

Qn	Description	Marks
	Compelled by the regulator	1
	Safety	1
	Moral consent	1
	Each stated and explained point weighs 1 mark (any 5 points *1 marks = 5 marks maximum. Poorly explained points are awarded 0.5 marks	**5**
d)	**Six ethical obligations the accountant will abide by in line with confidentiality requirements of a professional accountant in Rwanda**	
	Keep employment information confidential	1
	Do not use for personal gain	1
	Do not disclose in public space	1
	Extend scope of confidentiality	1
	Transfer skills and knowledge to relevant personnel	1
	Manage possible access points	1
	Each stated point carries 1 mark. (Any 6 points *1 marks = **6** marks maximum.	6
	Total marks	**20**

Model answer

a) **Definition of business Ethics:**

- Principles, norms and standards guiding company's conduct of activities and relations with stakeholders; internal and external.
- The code of conduct of companies and organizations.
- Principles defining what is right and wrong in pursuit of business activities.
- Business ethics help firms decide what actions are right or wrong in certain circumstances.

Three reasons why Mwema should keep the information in her possession confidential

i) Stakeholders risk mitigation reaction:
Minimization of risks associated with revelation of the Country Director's (CD) actions would trigger keeping information confidential. While Mwema would be justified to reveal what the CD does, revelation of such information in her possession would lead to loss of stakeholders and supporters. Sponsors and supporters of poverty eradication initiatives would withdraw upon accessing such information about GONE International.

ii) Possible litigation and burdens thereof.
The second reason is that revelation of confidential information can lead to prolonged and complex court cases against GONE International. Considering the benefits and costs of Mwema's actions, the former outweighs the latter. Such judgment exemplifies ethical considerations before one makes a decision.

iii) Credibility

The third reason why Mwema should keep information in her possession confidential is the possible loss of credibility of GONE International and the benefits thereof. For instance, on the basis of GONE International's credibility, it had secured FRW 100,000,000. Potentially, such sums of money and much more in the future would be lost upon Mwema's revelation of confidential information in her possession. Her refusal to reveal was in tandem with utilitarian ethical school of thought.

Golden rule is an ethical principle that requires avoidance of extremes whenever faced with two pulling opposites either in actions or decisions. Such principle would operate in the context of Mwema. For instance, if silence is closer to peace both Mwema, CD and the GONE International compared the risks of revelations; her ethical position would be better off

b) Four major steps to be taken in protecting organizational confidential information.

In the context of GONE International, below are some steps to be taken to protect confidential information:

i) File and safely store confidential information

First, files and documents with highly confidential information about GONE International should be marked and stored in access restricted areas and cabinets. Only those with express/defined Right to Know/access should be accessing such information. For instance, the documents signed between GONE International, and the borrower of the money should be filed and kept in such cabinets.

ii) Mark as "Confidential"

Second, marking documents and objects storing confidential information as: "Confidential." Such markings protect the organizational information from wider circulation by well-intentioned people/employees.

iii)Sign MOUs

Third, GONE International should sign Confidentiality Agreements and Non-Disclosure Memoranda of Understandings (MoUs) with other parties of which they do share confidential information. Disclosure of information under such arrangements is considered unethical and illegal. Signatories of such instruments are compelled not to disclose information.

iv)Destroy and clean after use

Proper destruction and disposing of objects, carriers, and files with confidential information. It is widely advised that financial information about employees and organization should be effectively destroyed with zero opportunities of re-use or access. Effective cleaning of objects and files after work. Employees working on confidential projects should clear their places and spaces of work for effective management of confidential information.

v) Avoid social space

Great care of emails and other electronic communications should be kept in mind. E-mail and social media are public spaces. As such, organizational confidential information should not get to such social spaces. For official e-mail communication, they should have a disclaimer statement related to access of organization's information.

c) Five circumstances under which Mwema may disclose what she knows about the Country Director.

i) Sanctioned by law

First, one circumstance under which Mwema would be compelled to disclose information in her possession about the Country Director is when it is sanctioned by the law of the Republic of Rwanda or any country were GONE International is operating. In this case, the court of law may require her to do so.

ii) Compelled by code of conduct

The organizational policy and code of conduct policy of GONE International may also compel Mwema to reveal confidential information about the Country Director. However, this may be sanctioned by a relevant authority such as the Board of Directors upon a guidance of the expert: laws, for instance.

iii)Compelled by the regulator

Another situation that may require Mwema to disclose information about the conduct of the Country Director of GONE International is when the professional body regulating the profession such as the body of Professional Accountants requires to do so for public interest Benefits.

iv) Safety

The other situation is irreplaceable safety: life of a person. No matter how precious information is and the benefits and powers associated with possessing it, the holder of information shall be required to disclose it if doing so is justifiable beyond reasonable doubts. For example, if disclosing such information would save an individual's life in this case, Mwema's life.

v) Moral consent

The last point is the consent of the Country Director of GONE International can also make Mwema to disclose information in her possession. However, the consent of the Country Director should be signed, and intent of such consent should be examined to remove or reduce unintended consequences of Mwema's and CD's actions to third parties.

d) Six ethical obligations the accountant will abide by in line with confidentiality requirements of a professional accountant in Rwanda.

i) Keep employment information confidential

First is the requirement to keep data and information about your current or former employer or former job confidential unless otherwise required by the law of the land. Acting otherwise is in breach of professional conducts of an accountant.

ii) Do not use for personal gain

Secondly, do not use data and information accessed in due course of professional work to your personal gainful interests without expressing it to the relevant supervising officer, a manager or even the CEO. This applies to using accessed information to cause special advantage to a third party.

iii)Do not disclose in public space

Thirdly, disclosure of professional information in public or social spaces is not allowable. Limiting such practices comes with failure to master management of information flow. Unintended consequences may arise from such unintentional disclosure.

iv)Extend scope of confidentiality

Fourth, the principle of confidentiality still remains with the accountant even after termination of services with the employer. For instance, the new accountant shall keep information about GONE International confidential, even after expiry and termination of her duties and responsibilities with the organization.

v) Transfer skills and knowledge to relevant personnel

Transfer of skills and knowledge relating to ethical code of conducts to the personnel under his/her supervision to prevent or reduce risks associated with disclosure of confidential information. Such endeavor may take a form of meetings and workshops.

vi)Manage possible access points

Six, reduce potential sources of risks such as reckless exposure of confidential files. Offices of the accountants should be managed in a way that highly confidential information is locked in cabinets whose access is well defined and restricted.

QUESTION FIVE

Marking guide

Qn	Description	Marks
a)	**Definition of a Business Plan**	**1**
b)	**Description of benefits (importance) of business plan**	
	It provides a logical thought process of one's business	1
	Business Plan becomes the spokesperson of the business owner	1
	Business Plan acts as a practical tool for operationalization of the business	1
	Each explained point weigh 1 mark (any 3 points *1 marks = 3 marks maximum. **Note:** Marker should consider any other valid benefit of business plan and award 1 mark to each valid point with a maximum of 3 marks in total)	**3**
c)	**Integral elements of the marketing section of a good Business Plan**	
	Product or service	2
	Price	2
	Promotion	2
	Place	
	Each stated and explained point weigh **2** marks (any **3** points *2 marks = **6** marks maximum. Poorly explained points are awarded **1** mark **Note:** Marker should consider any other valid component of the marketing section of business plan and award 2 marks to each valid point well explained with a maximum of 6 marks in total)	**6**
d)	**Steps of managing risks to traditionalists**	
	Communication and consultation	2
	Operating context	2
	Risk identification	2
	Risk analysis	2
	Risk evaluation	2
	Risk treating	
	Monitor and review risk	
	Each stated and explained point weigh **2** marks (any **5** points *2 marks = **10** marks maximum. Poorly explained points are awarded **1** mark	**10**
	Total marks	**20**

Model answer

a) Definition of a business plan:

- A document with envisioned operational and financial objectives and benefits of a business with its integral budgets and timeline.
- A road map of one's business and how it will be operationalized and managed;

b) Descriptions of benefits (importance) of business plan (at least three)

First, it provides a logical thought process of one's business and how it will be actualized—qualitatively and quantitatively. In other words, a business plan becomes a roadmap for the business.

Secondly, the business plan becomes the spokesperson of the business owner. It markets the business to potential investors (business viability). In most operative context, a business plan is solicited by potential investors and financiers.

Thirdly, the business plan acts as a practical tool for operationalization of the business (business feasibility). However, it does substitute the owner's responsibility.

c) Integral elements of the marketing section of a good Business Plan.

i) Product or service

The marketing section of the Business Plan should contain the product/service. What will you be selling? The product/service should indicate its value proposition to customers? What need or gap is the product or service coming to fill/serve? Through market research, the business plan responds to such market needs with effectiveness. Mismatch between market need and services/products causes business failure. The marketing section of the business plan should respond to such identified gap to create business value.

ii) Price

The prices of the products: What are the prices of the product/services? How different are they from the existing ones? Is there value for money? A good price strategy can separate a winning business from a stalled or completely a failing one. This applies mostly to retail businesses serving customers in lower economic strata.

iii)Promotion

Promotion: How will you reach the customers? Will the chosen promotional tools create an impact in terms of awareness and visibility of the product/services? Promotion impact can also be determined through reach – did the customers get reached by the packaged information?
Are the chosen tools persuasive and giving complete information?

iv) Place

Place/location: The place where the products/services will be got. Is the place reachable? Will you distribute the products yourself? Is the place consistent with customer expectations? Is the place corresponding with customer's actual or perceived status? Failure to match the choice of location with product quality and customer's actual or perceived status can lead to failed marketing.

d) Steps of managing risks to traditionalists

i) Communication and consultation

This first step is more concerned with clarifying who will be participating in the risk assessment—identification, analysis, and evaluation of risks. Individuals should have requisite skills in treatment, monitoring and risk reviews. Risk review is vital for effective risk detection and prevention or reduction.

ii) Operating context

The second step is establishing the operating context: internal, external, risk management context, develop risk criteria and define the structure for risk analysis.

iii) Risk identification

Risk identification is the third step that defines the limits, objectives, and scope of activities.

iv) Risk analysis

The fourth step is risk analysis. At this step, risk levels are defined, weighed for understanding acceptable risks and unacceptable ones separately to guide decision-making.

v) Risk evaluation

Evaluation of risk is the fifth step. At this step, a detailed and more accurate identification of significant risks is done. The chosen structure for risk analysis will depend upon the type of activity or issue, its complexity, and the context of the risks.

vi) Risk treating

Treating the risk is the sixth step. It entails identification of options/alternatives for treating or controlling risks in order to either reduce or eliminate the negative consequences of risks.

vii) Monitor and review risk

Monitor and review is an essential and integral step in the risk management process. A business owner must monitor risks and review the effectiveness of the treatment plan, strategies and management system that have been set up to effectively manage risk.

QUESTION SIX.

Marking guide

Qn	Description	Marks
a)	**Five elements of good Corporate Governance**	
	Corporate practices;	2
	Control environment set and functional;	2
	Transparent disclosure enabled;	2
	Well defined shareholder rights and responsibilities;	2
	Board commitment to translating vision into actionable deliverables.	2
	Each stated and explained point weigh **2** marks (any 5 points *2 marks = **10** marks maximum). Poorly explained points are awarded **1** mark **Note:** Marker should award marks for any valid element of good corporate governance not provided in the model answer below)	**10**
b)	**Definition of Corporate Disclosure and its importance to the Board**	
	Definition of corporate disclosure	**2**
	Importance of corporate disclosure to the board	
	Decision making Guide	2
	Detection of economic and financial malfeasance	2
	Promoter of corporate effectiveness and efficiency.	2
	Risk and Crisis mitigation	2
	Quality Enhancement	
	Better corporate governance.	
	Each stated and explained point weigh **2** marks (any **4** points *__2__ marks = **8** marks maximum. Poorly explained points are awarded **1** mark **Note:** Marker should award marks for any valid importance of corporate disclosure not provided in the model answer below)	**8**
	Total marks	**20**

Model answer

a) Five elements of good Corporate Governance

i) Corporate practices;

Good corporate governance practices are usually informed by good corporate principles such as transparency, fairness and integrity. Practices rooted in such organizational values and principles makes delivery of responsibilities of Board Member more effectively.

ii) Control environment set and functional;

Standard Operating procedures and control systems should be created to ensure effective exercise of oversight and accountability by Board Members. Failure to set up control environment stifles the culture of corporate responsibility.

iii)Transparent disclosure enabled;

Corporate transparency mechanisms should be created through proper and professional auditing services. Auditors and company secretary should be independent to ensure smooth flow of information relating to corporate performances.

iv)Well defined shareholder rights and responsibilities;

Clarity of shareholder rights and responsibilities fosters reduces tensions, conflict of interests and promotes smooth flow of shareholders and other actors. Members should exercise responsibilities on the strength of knowledge rather than ignorance. Well defined shareholder rights and responsibilities promote shareholder value while poorly defined rights may limit quality participation and reduces good corporate governance.

v) Board commitment to translating vision into actionable deliverables.

Another element of corporate governance is a clear commitment towards the translation of corporate's strategic vision and plans into deliverables and holding the Executive Management to account for failures. Such to happen, members of the Board should have all guiding documents; the Strategic Plan and others.

b) Definition of Corporate Disclosure and its importance to the Board;

- The communication of information by people inside the public firms towards people outside;
- A well-intentioned release of information about the organization to the outside stakeholders for actions and decisions beyond the routine formal interactions.

Importance of corporate disclosure to the Board;

i) Decision making Guide

First, corporate disclosure acts as a decision and action guiding tool to the Board of Directors. Board members may use the disclosed information to guide the management team how to manage a complex managerial challenge. Information accessed through corporate disclosure might be used in confirming or disapproving assumptions, perspectives or a course of action pursued by the management.

ii) Detection of economic and financial malfeasance

Economic and financial malfeasance in the organization and it affects performance could be detected and responded to through corporate disclosure process and requirements. Without such arrangement, corporate concealments of information can lead to complete corporate closure. Therefore, corporate disclosure averts closure;

iii)Promoter of corporate effectiveness and efficiency.

Effective corporate disclosure policies and practices make financial reporting more accurate. Failure to handle financial related matters well tends to attract interests of staff who find corporate disclosure as the safest route to the board. Corporate effectiveness and efficiency increase shareholder value.

iv) Risk and Crisis mitigation

The fourth importance enables the Board to get a complete picture of the business and provide requisite oversight, risk detection and crisis management. Through corporate disclosure, risks are detectable and crisis can be effectively managed. It is can be noted, corporate disclosure has ushered in market discipline in many corporate organizations.

v) Quality Enhancement

Corporate disclosure fosters the climate of continuous improvement as integral principle of total quality management (TQM). Commitment to quality has corresponding positive effects to customer satisfactions. Customer satisfaction leads may result into improved employee welfare, increased productivity and profitability.

vi) Better corporate governance.

There is ample evidence linking corporate disclosure and better corporate governance. Effective information flow between internal team to the board reduces abuses and exploitation of all sorts by the executive management. It enhances organizational credibility and integrity. Corporate organizations with good reputation invariably gain from returns on reputations through intangible and tangible benefits.

QUESTION SEVEN

Marking guide

Qn	Description	Marks
a)	**Five importance of innovation in Rwanda**	
	Problem solving	2
	Generation of new ideas and services	2
	Access to global markets and information	2
	Stimulates Economic growth	2
	Realize customer satisfaction	2
	Each stated and explained point weighs **2** marks (any **5** points *2 marks = **10** marks maximum. Poorly explained points are awarded **1** mark	**10**
b)	**Five stages aspiring innovators will go through.**	
	Idea generation	2
	Advocacy and screening	2
	Experimentation	2
	Commercialization	2
	Diffusion and implementation	2
	Each stated and explained point weighs **2** marks (any **5** points *2 marks = **10** marks maximum. Poorly explained points are awarded **1** mark	**10**
	Total marks	**20**

Model answer

a) Five importance of innovation in Rwanda

i) Problem solving:
The hallmark of innovation is problem-solving. Innovators are solution providers. In Rwanda, there are still some gaps in customer management, product development, quality management and many other business frontiers. As such, innovators can provide multiple challenges to societies.

ii) Generation of new ideas and services
Innovators are known for generating new ideas, new products and services. Innovation relates to novelty and originality in business performances. A critical mass of Rwandans are gain knowledge and insights from highly innovative persons. Multiplication and replication of innovative services spreads improvements hence creation of wealth and wellbeing.

iii)Access to global markets and information
Through innovation, citizens of Rwanda are connected to global markets; accessing quality information and knowledge products such as e-books, online learning materials, and so forth. Participation in the connected global markets enable unlearning, learning and relearning.

Rwandans are getting skilled, reskilled and more knowledgeable through exposure to innovative ways of doing things. Outsourcing for instance has picked up in Rwanda through exposure visits and knowledge sharing opportunities.

iv) Stimulates Economic growth

Innovative companies have reinvented themselves to keep functioning and afloat. Companies that have remained functional because of innovation have contributed to Rwanda's economic growth. However, there are instances where companies failed to cope with the changing environment through innovation and got into obsolescence.

v) Realize customer satisfaction

Customer satisfaction and effective response to customer needs, expectations and interests are continually getting realized through innovations. Quality customer service through innovative solutions such as Queue Management software has reduced Turn Around Time (TAT) in some financial institutions.

b) Five stages aspiring innovators will go through.

i) Idea generation

New ideas are generated out of necessity: survival or desire for achievement. Business existential threats require them to support the generation of new ideas to remain relevant and functional. Idea generation is followed by mobilization to the new person to support the realization of the idea.

ii) Advocacy and screening

The second stage is advocacy and screening. It involves analyzing the feasibility and the idea's failure risks. Advocacy and screening have to take place at the same time to weed out ideas that lack potential without allowing stakeholders to reject ideas impulsively solely on the basis of their novelty.

iii) Experimentation

The third stage is experimentation. The innovative idea is tested for sustainability within and in a particular environment. Some ideas can succeed within a certain time while others may flourish in the future. Experimentation serves to test the feasibility of the idea.

iv) Commercialization

Commercialization is the fourth stage of innovation. Customers provide feedback to the innovator whether the service/product solves an existing problem. This is where the costs and benefits of innovation are analyzed.

v) Diffusion and implementation

Diffusion is purposeful spreading of the innovative services/products to gauge customer acceptance. It is accompanied by setting up structures, strategies and resources needed to produce it (implementation). The two are mutually supportive for the success of the innovative idea.

END OF MARKING GUIDE AND MODEL ANSWERS