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

**DATE: MONDAY 21, AUGUST 2023**

**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

Read the passage below and answer the questions that follow;

Rwanda, a country of thousand hills has approximately 13 million populations and approximately 7 million have access to internet. Internet access and speed are improving driven by the rollout of a national 4G network and fiber optic lines.

The government of Rwanda is committed to developing e-commerce and has taken a number of measures to boost the security of users of online services by adopting proprietary information security laws, payment systems and data security standards. The government of Rwanda has set standard and exemplar by providing some of its services to citizens and businesses online through Irembo including payment of taxes and fees. Irembo, the e-government portal was established in 2014 and has now registered more than 96 services on the platform with nine million subscribers and thousands of others who can access the online services through Irembo agents across the country. Despite the investment and commitment by Government, some citizens still use traditional ways of physical interaction and transactions in cash.

The internet access and phone penetration have not only facilitated the digitalization of government services but also other services like financial services (mobile money, mobile banking services) and health services (kasha platform). Kasha platform is a popular e-commerce platform in Rwanda that enables people especially women to access health and self-care products. On Kasha platform, a buyer chooses a product to purchase and place an order and then makes a payment through bank transfer, bank card, mobile money or cash on delivery. Then the customer specifies where he/she want the products are to be delivered to.

There are other emerging online platforms like sokomall, idukaonline, dubuy.com and vuba vuba to mention a few. The e-commerce platforms are also facilitating international trade especially on importations. Importers in Rwanda transact mainly with China and United Arab Emirates and orders their imports online using Alibaba and AliExpress. The orders are given through email, WhatsApp and phones. The payment is made through Western Union and moneyGram.

**Required:**

- State five factors enabling e-commerce in Rwanda. (5 Marks)
- Discuss five challenges of e-commerce in Rwanda. (10 Marks)
- Advise on how e-commerce uptake in Rwanda can be enhanced. (5 Marks)

**(Total: 20 Marks)**

## QUESTION TWO

U-Build Limited is a construction company incorporated in Rwanda since 2000. Rwanda has been recommended for business due to easy of doing business, political and economic stable environments. The company is owned by two (2) shareholders who started a business with a cash capital of FRW300 Million and the shareholders retain earnings in the business for future expansion. Kamana and Kalisa who own 60% and 40% respectively are both directors of the company. Before opening the company, Kamana was working in a well-known construction company in Rwanda since 1980 as marketing manager. He is fully qualified in marketing management. Kalisa was also working in the same company as manager in charge of operations for more than 15 years. They agreed to start a construction company when Kamana identified a market gap since their previous employer was mainly focused on large scale supply deals.

Mr. Kamana and Kalisa conducted market research and noted that there is a big demand of construction, construction materials, repairs and maintenance services of customers' building. There are also some small-scale clients who needed their house improvements and this was among market segments, U-Build Limited was willing to tap into.

### Business operations

The business has a broad customer base with more than 100 customers in construction, repairs and maintenance sectors. Most of their clients are reputable SMEs who clear their invoices within 90 days-standard industry debtors' collection period. One customer, Shema contributes to more than 30% of their sales as the client has a number of hotels within Rwanda in different districts and U-Build Limited is in charge of their repairs and maintenances. U-Build has a strong relationship with Shema and the company also constructs new hotels for Shema's expansion. The gross margin on sales is approximately 35% and the company obtain their supplies from reliable manufacturers, 25% of their suppliers come from abroad mainly from China, Italy, Germany and United Arab Emirates. U-Build has built a dependable relationship with its suppliers and has got a credit term of 30 days from its suppliers. The company uses foreign current contracts through one big bank in Kigali for international payments.

For the last 3 years, U-Build's sales and profitability were on a positive trend and the directors have undertaken the review of marketing strategy and have managed to bring new clients from whom they already secured some contracts. The company's construction contracts deals and activities are seasonal especially in summer and the company has to recruit more casual workers to cover up the demand. The company's inventory management system is obsolete and the company is looking for a suitable software to manage the inventory efficiently and effectively.

### Market overview

Kamana says that after his marketing strategy review, he is confident that the company will grow in the future. They have reputable clients and suppliers and have good market position. The building supplies market is prone to risks in changes in the market especially for clients operating in commercial construction.

The Directors believe that the market potential will increase significantly in the future and the company's sales and earnings will increase as well. The company has suitable location and has a reputation for reliable and speedy customer service.

### **Employment**

The company employs 5 engineers on a permanent basis and where is an increased demand the company recruits additional 7 engineers on a temporary basis. There are Site technicians for every site of whom 20% are on a permanent contract and the rest are on a temporary basis. The site technicians are responsible for petty cash and inventory management. The company employees 3 accountants at its head office-based Kigali, where the main warehouse is based. There is chief Accountant who report directly to directors, there is also assistant accountant and the rest is in charge of stock and petty cash management. The assistant accountant visits construction sites on a weekly basis and consolidate site reports from Technicians on a monthly basis.

### **Required:**

- a) Conduct a SWOT analysis of U-Build Limited (10 Marks)
- b) What the main risks U-Build Limited is facing and how can they be mitigated. (Hint: Possible assessments should be "fully mitigated", "partially mitigated" and "not mitigated", "no evidence") (10 Marks)

**(Total: 20 Marks)**

### QUESTION THREE

Communication channels are the means through which people in an organisation communicate. Different communication channels are used to convey different messages since inappropriate choice of channel can lead to negative consequences. The current workplace is evolving with different communication channels to fit different communication purposes. Consequently, many organisations have put in place an internal communication matrix which sets out when and why different communication channels should be used and which stakeholders should be targeted.

#### Required:

- a) Identify two channels of communication and state two advantages and two disadvantages of each channel. (10 Marks)
  - b) Discuss five challenges of shifting from physical meetings to online meetings in today's digitalised World. (10 Marks)
- (Total: 20 Marks)**

### QUESTION FOUR

Amalgamation is when two or more companies combine and continue as one company which may be one of the amalgamating companies or a completely new company. The amalgamation comes into effect after approval by the registrar of companies.

#### Required:

- a) Discuss any five drivers of amalgamations. (10 Marks)
  - b) Identify any two forms of business amalgamations and state two advantages and two disadvantages of each form. (10 Marks)
- (Total: 20 Marks)**

## QUESTION FIVE

Bank of Bugesera Plc is one of the leading commercial banks in Rwanda, and is committed to the progress of the sustainability journey of the country. The Bank's Corporate Social Responsibility (CSR) has been involved in different CSR activities ranging from education programs, development and environment. The Bank takes social responsibility seriously and has recently appointed a Social Performance Manager to deliver its social responsibility initiatives. The bank is fully committed to complying with the highest standards associated with banking and financial regulatory frameworks and policies. Bank of Bugesera Plc has had good relationship with its external auditors since they provide to the bank advices in relation to corporate social responsibilities. Their auditors have served 6 years since their initial engagement with the bank.

### Required:

- With an example, briefly explain four levels of social responsibility. (10 Marks)
  - Explain five ethical threats facing professional accountants when accepting or continuing with client engagements. (10 Marks)
- (Total: 20 Marks)

## QUESTION SIX

Jules has been a Certified Public Accountant since 2010. He currently works as a Tax Accountant in one of the leading commercial banks in Rwanda. Jules believes in self-employment and wishes to resign and start up an advisory firm that will provide a wide range of advisory services including, but not limited to, bookkeeping and tax advisory services.

### Required:

- Explain any five essential qualities that Jules should possess to embark on self-employment. (10 Marks)
  - Describe steps followed by entrepreneurs in the market selection process. (10 Marks)
- (Total: 20 Marks)

## QUESTION SEVEN

Read the passage below and answer the questions that follow;

ABC Ltd is a company dealing with production and selling of agricultural produce. The company is renowned for quality products and has a big market share in Rwanda. The company has different departments like Finance & Accounts, Legal, operations, Audit and sales and Distribution. The Finance and Accounts team is composed from top-down by Chief Financial Officer, Finance & Accounts Manager, Finance & Accounts Officer, and Finance & Accounts Assistant.

Each team member has a number of tasks to accomplish during a week and below summarises job descriptions of the Finance and Accounts Officer:

### Finance & Accounts Officer

- Keeping accurate records for all daily transactions
- Preparing monthly bank reconciliations
- Preparation of daily journals
- Preparation of monthly taxes and submission to tax authority
- Updating asset register on daily basis

The Chief Financial Officer has requested each team member to submit his or her work plan.

**Required:**

**a) Prepare work plan of at least 5 tasks for Finance & Accounts officer as requested by Chief Financial Officer.**

**Hint:** The work plan should be presented in tabular format as below:

S	Task	Timeline	Resources	Team responsible	Strategy
1					
2					

(10 Marks)

**b) List down any five opportunities and any five challenges of artificial intelligence on the work of finance and accounting professionals.**

(10 Marks)

(Total: 20 Marks)

**End of question paper.**

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