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CERTIFIED PUBLIC ACCOUNTANT

FOUNDATION LEVEL 1 EXAMINATION

F1.4: BUSINESS MANAGEMENT, ETHICS AND ENTREPRENEURSHIP

DATE: MONDAY 21, AUGUST 2023

MARKING GUIDE & MODEL ANSWERS

QUESTION ONE

Marking guide

Qn Description

Marks

- a) Award 1 Mark for each correct factor enabling e-commerce stated. 5
- b) Award 1 Mark for each correct challenge stated and 1 Mark for each challenge clearly explained. 10
At least 5 challenges should be stated and explained
- c) Award 1 Mark for each correct advice provided. 5
At least 5 advices should be given.

General guide: Markers are advised to consider other valid points provided by candidates that are not necessarily given in the model answers.

Total Marks: 20

Model answers

a) Factors enabling e-commerce in Rwanda

- Government commitment towards digitizing the economy
- Government adoption of different laws protecting users of e-commerce like data security law and law for protection of intellectual property
- Government investment in infrastructure like internet access
- High 4G coverage in Rwanda through expansion of 4G Lines and fiber optic installation
- Mobile phone penetration is high
- Advancement of online payment methods like Momo Pay
- Social media marketing is becoming popular in Rwanda
- Digital skills are increasing in Rwanda

b) Challenges of e-commerce in Rwanda

Lack of full information

Users on e-commerce sometimes don't check all the information displayed before clicking on an e-commerce platform. There is limited or no will to have information around governing laws and regulations and eventually e-commerce requires skilled user which limits the update of e-commerce.

Risk of smuggling of prohibited/restricted goods

The supply chain of e-commerce can involve wrongdoers who want to order banned goods.

Challenges related to taxation/customs clearance

Most of the times, users on e-commerce ignore tax implications of their orders online. People are attracted by low process on e-commerce platforms without factoring in tax implications.

Challenges related to transport and logistics

Supply chains logistics are still an issue especially when the postal services are not traceable. The disruption throughout the way especially in the oceans if transported by water. Express couriers are very expensive especially if it will involve air cargo.

Lack of trust

There is an issue of lack of trust for purchasing goods online just seeing a picture on the screen. The traditional physical touch for goods being ordered will still leave a component of trust missing on e-commerce. This goes with experience throughout digitalization.

Online fraud

Sometimes, hackers penetrate in the system and fraud the money of the e-commerce user. It is advised to have strong password while login and log out immediately if you are not using the system.

Bank transfers charges and foreign currency losses

Still bank charges for international transfers accrue to the business ordering goods online. Sometimes the customers will incur foreign currency losses if the goods being ordered and priced in hard currencies like USD.

Lack of local payment processing system

Rwanda does not have its own local payment processing system and hence buyers on e-commerce have to pass through global online payments systems like Paypal.

c) Advice to boost e-commerce uptake in Rwanda

The government and its partners should consider increasing digital ambassadors who will teach or coach citizens how to use digital channels including e-commerce platforms. The ambassadors are also there to support in awareness of e-commerce efforts and related laws and regulations.

Local e-commerce platforms should consider expanding to international scene starting from regional market like east African community.

The government of Rwanda should continue expanding 4G internet access across the country and gradually upgrade this into 5G to enhance internet speed.

The government of Rwanda and its partners should consider subsidizing phones especially smart phones less expensive for low-income earners.

The government of Rwanda should continue creating a trusted legal framework to digital firms to operate e-commerce in Rwanda. This goes with updating laws and regulations to reflect today's digitalized world.

To boost trust, the government should reinforce the law and punish cybercrimes doers. This include cross-border crimes. When some users lose their money on online platforms, they lose confidence on the use of e-commerce.

QUESTION TWO

Marking guide

Qn	Description	Marks
a)	Award 1 Mark for each correct strength, weakness, opportunity and threat identified. At least 10 points should be identified in strengths, weaknesses, opportunities, and threats.	10
b)	Award 0.5 Mark for each correct risk identified, award 0.5 Mark for each correct level of risk assessment done and 1 Mark for each correct risk mitigation identified.	10

General guide: Markers are advised to consider other points provided by candidates but are not given in the model answers, which may also be correct.

Total Marks: 20

Model answers

2.a) SWOT Analysis

Strengths

- Well capitalized company with all cash invested by share holders
- Shareholders retain their earnings into the company for growth and expansion
- The suitable location
- The business seems to be improving
- Well experienced management and board of directors
- Supplies are well available in the market
- Reputable clients and suppliers
- Speedy and reliable customer service

Weaknesses

- No up-to-date system for handling inventory
- No experience of accounting for site technician
- No experience of accounting for top management/directors

Opportunities

- The market potential for growth is significant
- Untapped market for small scale clients
- Availability of strong commercial banks to execute foreign currency contracts
- Availability of workforce

Threats

- Potential risk for commercial construction sector.
- Competition, there is no assessment of competition threats.

Sector concentration, the company is involved in construction sector which may be affected by economy downturns and hence U-Build maybe affected heavily.

Customer concentration, the company depends on one client over 30% of sales.

Importing supplies from abroad, international supply chains are prone to risks.

2.b) Main risk of U-Build, their levels and mitigation measures

#	Risk	Level	Mitigation measure
1	Market risk	Partially mitigated	Assessment of competitive threat is needed.
2	Social and ethics risk	No evidence	The company need to assess the social risk and start involving is societal activities around its environment
3	Financial risk	Partially mitigated	The company needs to negotiate for fewer days for receivables to clear their invoices. The debtor's collection period (90 days) is lower than payables payment period (30) which could affect cash flow.
4	Political risk	Fully mitigated	Rwanda is a politically and economically stable country.
5	Operational risk	Partially mitigated	The company need to diversify its clients. The majority of its sales are originated from one person. The company's sales are seasonal and attract seasonal recruitment. The company needs to look for recurring clients throughout the year.
6	Management risk	Fully mitigated	The company's management and board of directors are competent and experienced enough in construction company.
7	Human resources risk	Partially mitigated	The company depends on temporary workers. The company should minimize dependency on temporary workers.
8	Information technology risk	Partially mitigated	The company needs to upgrade its inventory management system. It has to put in place accounting system to support in financial reporting.
9	Fraud risk	Partially mitigated	The site technicians handle a couple of tasks including construction tasks and inventory and cash management tasks which are conflicting tasks. This can give a room for fraud.

The company should consider segregating tasks.

10 Foreign currency risk Fully mitigated The company uses FX contracts to minimize effect of foreign currency on its operations.

11 Legal and regulatory risk No evidence Company should consider strengthening its legal and compliance department to company with laws, regulations and rules.

QUESTION THREE

Qn **Marking guide**

Marks

a) Channels of communication

1st channel of communication stated (award 1 mark)

5

Award 2 Marks for 2 advantages well stated.

Award 2 Marks for 2 disadvantages well stated

2nd channel of communication stated (award 1 mark)

5

Award 2 Marks for 2 advantages well stated.

Award 2 Marks for 2 disadvantages well stated

b) Award 2 Marks for each challenges well identified and explained (at least 5

10

Challenges should be given and explained)

General guide: Markers are advised to consider other points provided by candidates but are not given in the model answers, which may also be correct.

Total Marks: 20

Model answers

Channels of communication

i) Face-to-face communication

Advantages of face-to-face communications

The face-to-face communication has the highest information richness because the communicator and audience can exchange ideas.

The face-to-face communication provides instant feedback. The communicator or audience can ask further questions to seek clarifications instantly.

The face-to-face communication takes advantage of using both verbal and nonverbal signals

The management by wandering around takes advantage of informal talks with employees

The face-to-face communication helps to emphasize key message with the tone of voice or repeating the message

Disadvantages of face-to-face communications

High costs if they are conducted physically. The costs involve transport costs of teams travelling from one place to meeting venue.

Delays, sometime face to face communications require to travel from one place to another and hence causing some delays of some team members due to challenges in transport

Some team members can shout or bring stress in the conversations

Conflicts among team members can interfere the communication

ii) Video calls/video conference

Advantages of video conference

Video conference reduces transport costs and time

Video conference also provides instant feedback. The communicator or audience can ask further questions to seek clarifications instantly.

Video call also takes advantage of using both verbal and nonverbal signals

Important message can be emphasized with tone of voice or repeating the message over and over.

Video call can be recorded for future reference

Disadvantages of video conference

Can't make proper eye contact

Internet connection interruptions

Dependability on software and hardware

Noise arising from the background

Doing a call at home with other home affairs (like doing a call with no professional attire)

iii) Written communication

Advantages of written communication

Written communication is convenient for official communications like memo, circulars or office correspondences addressed to other stakeholders like regulators

Written communications are filed for future reference

Written communication can be used in court as an evidence

Disadvantages of written communication

Written communication is not suitable if the audience is not literate

Written communication has a lower richness than verbal form of communication

Written communication can be wrongly interpreted by the audience

iv) Email

Advantages of e-mail

Email correspondence is easy and convenient

Flexible response time. You can send or respond emails whenever you want

Email correspondence can send attachments

You can have mailing trail

Disadvantages of e-mail

Emails can be wrongly sent or with a wrong destination or attachment

Spam

It is hard to know the exact tone of the message

3.b) Challenges of shifting from physical meetings to online meetings

i) Fear of change

The emergence of online meetings has brought up fear to adopters especially old work age. The fear of change comes with fear of technology.

ii) Failure to communicate

Failure to disseminate information on the change is key problem on the driver to people's mentality to accept the change.

iii) Resistance to change

The resistance to change comes in because of attachments to traditional way of presentations. Physical meeting presentation absorbs the benefits of direct communication.

iv) Failure to train staff

The online meetings require digital skills of which many of the users do not have. Failure to upskills employees on current trends on online meetings remain a challenge to many institutions to embrace these changes.

v) Lack of resources

Online meetings presentations require hardware and software resources. The resources require financial investment and if one side, say hardware is not working the whole meeting is affected.

vi) Leadership not aligned

There is a challenge of top leaders who don't understand how online presentations can still yield the same results as physical meeting results. If leadership is not aligned, the whole transition process will be challenged.

vii) Unclear vision

If there is determined vision for digitalized way of communication, it going to have effect on the adoption of online meetings presentation. The purpose of the shift made should be clear and well explained to employees or other stakeholders

QUESTION FOUR

Qn Marking guide

Marks

a) Award 1 Mark for each correct driver of amalgamation identified and 1 Mark for correct explanations given (5 maximum drivers) **10**

b) 1st form of amalgamation

Award 1 Mark for each correct form of amalgamation stated **5**

Award 2 Marks for 2 advantages well stated

Award 2 Mark for 2 disadvantages well stated

2nd form of amalgamation

Award 1 Mark for each correct form of amalgamation stated

5

Award 2 Marks for 2 advantages well stated

Award 2 Mark for 2 disadvantages well stated

General guide: Markers are advised to consider other points provided by candidates but are not given in the model answers, which may also be correct.

Total Marks 20

Model answers

Q4.a) Drivers of amalgamations

Drivers

1 To access financial and other resources

2 To eliminate competition

3 Tax savings

4 Economies of large-scale operations

5 Increase in shareholders' value

6 Diversification

7 Managerial effectiveness

8 Growth and profitability

9 Market entry strategy

10 Cost minimization

11 Eliminate number of companies in group

Explanations

Amalgamations can be used by a company to merge or acquire or integrate with another company to leverage on financial and other resources achieved.

Amalgamations help to eliminate unhealthy competitions.

Suppose companies serving a particular segment of consumers may merge to form one company to serve better those clients.

Amalgamations help to set operations in tax jurisdictions that tax free or less tax burden and hence can be used as a form of tax planning strategy.

Amalgamations help to leverage on heavy brands. For example, on franchise, a business may acquire franchise license to absorb benefits already owned by the franchiser.

Amalgamations help to increase shareholders value through acquiring a company that will increase the value of their shares.

A company may diversify its business and use amalgamation as a strategy to enter new products and/or markets.

Amalgamation can happen to absorb management expertise of another company.

Amalgamation increases high potential for profitability and growth.

Amalgamation can be used as an entry strategy which is very hard to tap into in sectors with heavy barriers to entry. Through merger, acquisition or franchise, the acquirer/franchiser can involve a company of their interest.

Amalgamations help to minimize costs since employees of one company can still run the 2 companies combined at the same efficiency or effectiveness.

Through amalgamation, a group company may combine subsidiaries in the same stage of production to minimize number of group's subsidiaries.

Q4.b) Forms of amalgamations

i) Franchise

Franchise is a form of amalgamation whereby the franchiser licenses the rights to its name operating procedures, designs and business expertise to another business called franchisees.

Advantages of franchise

No industry experience is required

With franchise you can operate business without or with limited experience in the industry.

Less risky

With a franchise you operate a business that is already existing and it is less risky than starting up a new business.

High profitability

Through franchise, there is high chance of maximizing profits since a business is already existing.

Leveraging on franchiser's brand awareness and client base

Franchise brings about brand awareness to the clients who are already linked to a certain client base.

Franchisors provide support

A franchisor provides support to the franchisee to run the business. This helps the franchisee to leverage on the technicalities accrued at franchisor.

Disadvantages of franchise

Franchise is expensive

Franchisor always charges a franchise fee which can be relatively expensive due to heavy brands.

Franchise rights maybe stopped

Franchise contract can be stopped any time and hence disturbing your business.

Franchise limits creativity and innovation

Franchise contract hinders business to innovate existing products. The franchisor only has the sole and ultimate right to innovate existing products.

Lack of privacy of franchisee

The franchisee is requested to share financial information to the franchisor. Sometimes the franchise fees are calculated based on the level of economic activity of the company and hence shares information to the franchisor.

ii) Mergers

Mergers is when two companies or more companies join. It involves the total absorption of a target firm by the acquirer. As a result, one firm ceases to exist and only the new firm (acquirer) remains.

Advantages of mergers

Increases market share

Merging one company to another helps to merge clients of the companies and hence increasing the market share the new company will be serving.

Reduced operational costs

Merger helps to reduce costs in a way that one team of the merging company can still run the new company merged. This means that it will help the company to minimize the costs.

Eliminates unnecessary competition

Some companies are serving same category of clients or produce same products. Merging helps to avoid duplication of those companies and hence merging forces to serve same clients.

Taping into a new geographic area

Through merger once company can be able to serve clients in another location or geographic area.

Prevent closure of unprofitable businesses

Unprofitable venture can be merged with profitable venture to make the business profitable.

Disadvantages of mergers

Unemployment

When a merger occurs, some employees may be laid off and hence causing unemployment

Cost of merging maybe high

Merger procedures involve some lawyers' fees which are sometimes expensive.

Monopoly

Merger can lead to monopoly of which if not well regulated can lead to exploitation of consumers.

Elimination of healthy competition

Merger can lead to elimination of competition. Lack of competition constrains innovation and creativity in the market.

iii) Acquisitions

Acquisition refers to the takeover of one entity by another. An acquisition involves one firm buying only a portion of another firm. The acquisition may happen to acquire assets or a business segment of the other firm.

Advantages of acquisitions

Reduced barrier to market entry

Through acquisition, a company may acquire some shares or assets of another to enter a market without starting up a fresh new company in that market.

Market power

Through acquisition a company can increase its market share and hence increasing its customers base which will eventually lead to increased profitability.

Tax planning

Acquisition of a certain business can be a form of shifting tax liabilities to another jurisdiction and hence reducing tax burden of the acquirer.

Disadvantages of acquisitions

Duplication of staff efforts

In acquisition transactions you can find employees of the acquirer and acquiree doing the same tasks and hence leading to duplication.

Damaged brand

Sometimes a company may purchase a company which has bad reputation and then affects event the acquirers' strong brand. It requires significant amount of time to revive a brand.

Fraud

The company being acquired may mislead information to inflate the purchase consideration.

Poorly matched businesses

Acquirer may acquire a wrong business which does not fit the purpose of the acquisition.

QUESTION FIVE

Qn Marking guide

Marks

- a) Award 2 Marks for each level of social responsibility stated and explained. 8
There are 4 levels of social responsibility. 8
Award 0.5 Mark for a correct example of activity given in each level. 2
- b) Award 2 Marks for each correct threat identified and discussed. 10
(Max. 5 threats should be given and discussed)
- General guide:** Markers are advised to consider other points provided by candidates but are not given in the model answers, which may also be correct.

Total Marks: 20

Model answers

5. a)

Levels of social responsibility

1 Philanthropic responsibility

The philanthropic responsibility can include things such as funding education programs, supporting health initiatives and supporting the poor.

Philanthropic activities include

Sponsoring community libraries in rural areas

Giving scholarships to poor children

Sponsoring medical insurance to poor families

2 Economic responsibility

The economic responsibility initiatives involve improving the firms' business operation while participating in sustainable practices.

Partnership with NGOs to alleviate poverty

To develop some products dedicated to alleviating poverty in rural areas

3 Ethical responsibility

The ethical responsibility encompasses running the business with initiatives that involve providing fair labour practices and fair trade practices.

Ethical spending

Recycling old construction materials

t Having initiative to save climate

Environmental conservation initiative like clean water

4 Legal responsibility

The legal responsibility abides by all laws and government regulations.

Company's commitment to compliance with laws and regulations

Company's commitment to following its policies

5.b)

Threats facing accountants continuing engagements with clients

i) Self-interest Threat

The threat that a financial or other interest will inappropriately influence the professional accountant's judgment or behaviour.

For example: the improper use of corporate assets or where an accountancy firm has an undue dependence on one client's fees or enters into a joint venture.

ii) Self-review threat

The threat that a professional accountant will not appropriately evaluate the results of a previous judgment made or service performed by the professional accountant, or by another individual within the professional accountant's firm or employing organization, on which the accountant will rely when forming a judgment as part of providing a current service.

For example: providing a service for a client that relies on previous results that the individual, firm or another professional carried out – if this situation arises such results should be double checked before proceeding.

iii) Advocacy threat

The threat that a professional accountant will promote a client's or employer's position to the point that the professional accountant's objectivity is compromised.

For example: When a professional accountant promotes organizations position with misleading and factually incorrect statements, or where you inappropriately promote shares of a client that you are auditing.

iv) Familiarity threat

The threat that due to a long or close relationship with a client or employer, a professional accountant will be too sympathetic to their interests or too accepting of their work.

For example: becoming too sympathetic to the client's needs and losing objectivity.

v) Intimidation Threat

The threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the professional accountant.

For example: Where an individual or firm is placed under pressure to act in a certain way or feels threatened by a client, employer or third party if they do not produce the results they expect.

QUESTION SIX

Qn	Marking guide	Marks
a)	Award 1 Mark for each correct personal quality identified Award 1 Mark for each correct personal quality explained. (At least 5 personal traits should be identified and explained)	10
b)	Award 2 Marks for each correct step of market selection identified and well described.	10

General guide: Markers are advised to consider other points provided by candidates but are not given in the model answers, which may also be correct.

Total Marks: 20

Model answers

6.a) Personal traits/qualities for self-employment

i) Willingness to take risks

Anyone willing to start their own business should understand that no business is risk free. The entrepreneur should be well prepared to bear consequences that may arise once a business is set up.

ii) Acceptance of uncertainty

Jules should possess a mind of accepting uncertainty. He should be optimistic about the future despite ups and downs in entrepreneurial journey.

iii) Social and networking

A successful entrepreneur should be a people's person. The social and networking qualities associate the entrepreneur with many stakeholders especially customers who are the Kings to the success of the business.

iv) Self-discipline

Jules should be self-disciplined enough to invest much time and efforts while starting up its business.

v) Hardworking

Jules should be a hardworking person to elevate his start up consultancy firm. Hard working is needed especially at starting phase when there is not team to support the entrepreneur.

vi) Passion

Jules should have passion to work for himself. He should love it and dedicate all his will and zeal to achieve his business objectives.

vii) Energy

A successful entrepreneur should be energetic. Zeal and commitment of the entrepreneur ensure that the entrepreneur never gives up when things go wrong.

viii) Creativity

A successful entrepreneur should provide creative products. The uniqueness of the products are the ones determining if the business will be sustainable. In the contemporary world of technology, creativity is product design and delivery shape the competitiveness of businesses.

ix) Teamwork

The entrepreneurial journey requires teamwork. Communication skills support in teamwork. Jules should be able to work with other team players in the new start up or effective communication with other stakeholders of the business

x) Listening

Jules should be a listener person. Clients should be understood because they kings of the business. A successful entrepreneur does not follow his own feeling instead following clients' feedback on the delivered products or anticipated demands from clients.

xi) perseverance and persistence

A successful entrepreneur requires a never give up person. Despite challenges and turbulences, Jules should be able to bear the costs and move on meeting his business objectives and goals.

xii) Honesty and integrity

A successful self-employer should be honest to himself and to others. He should do right wherever he or she is.

xiii) Self-confidence

Jules should be self-confident that the journey took towards entrepreneurship is right. The entrepreneur should have confidence in himself/herself so that others will have confidants in deliverables from his or her business.

6.b) Steps for market selection process

i) Determine the objectives or goals of market selection

The first step entails identifying objectives or goals of the business you want to tap into. The objectives will help to identity type of market segment to focus more. The objectives of your business should clear enough to avoid any confusion or ambiguity in selecting the market.

ii) Determine the parameters to be used for market selection

The second step is to lay down parameters to be used when choosing a market to serve. The parameters may include size of the market, barriers to enter that market, benefits and challenges of entering in such a market segment, matching market requirements with company resources, the profitability of the market, and the competition in that market.

iii) Do a preliminary screening of the market

Third step involve screening project identified. Model investigation should be conducted to understand the pros and cons of the market identified. Different tools should be used here to screen markets. Commonly used tools are Strengths, Weaknesses, opportunities and Threats (SWOT), Political, Economic, Social, Technological, Environmental and Legal (PESTEL), etc.

iv) Do a short list of the best fit

The fourth step is shortlisting of the best fits on the identified markets. The short listing will involve listing down market that match entrepreneurs' passion, zeal, and resources.

v) Evaluate the shortlisted markets and select one or two

The last step is about selection one or two market that the entrepreneur will tap into. At this stage preparatory activities should be undertaken after consulting different stakeholders like lawyers if the entrepreneur needs so. Sometimes, it is better to consult lawyers before tapping into a new market.

QUESTION SEVEN

Qn Marking guide

Marks

- a) Award 2 Marks for each task well posted in the work plan. 10
- b) Award 1 Mark for each opportunity stated. 5
- Award 1 Mark for each challenge stated. 5

Total Marks :20

Model answers

7.a) Work plan for F&A Team members

#	Task	Timeline	Resources	Team responsible	Strategy
Finance & Accounts officer					
7	Keeping accurate records	Daily	Assistance from F&A Assistant, Consultation to F& Manager, computer, internet	F&A Manager	Preparation of journals Posting journals Checking supporting documents Filing
	Preparing bank reconciliations	Monthly	Assistance from F&A Assistant, Consultation to F& Manager, computer, internet, bank statements, trial balance	F&A Manager	Checking trial balance against bank balance. Checking ledgers against bank statements.
	Preparation of journals	Daily	Assistance from F&A Assistant, Consultation to F& Manager, computer, internet,	F&A Manager	Preparation of journals Posting journals Checking supporting documents Filing
	Preparation of taxes and submission to tax authority	Monthly	Assistance from F&A Assistant, Consultation to F& Manager, computer, internet,	F&A Manager	Checking trial balance against bank balance. Checking ledgers against bank statements.
	Updating asset register	Daily	Assistance from F&A Assistant, Consultation to F& Manager, computer, internet,	F&A Manager	Checking ledgers against asset register Updating asset details in the asset register

7.b) Opportunities of artificial intelligence for finance and accounting professional

i) Opportunities

- **Helps in data analytics:** Artificial intelligence is able to grab a lot of data, process them and provide insights out that for decision make. Artificial intelligence can do this with accuracy and quickly.
- **Helps in decision making:** Artificial intelligence is able to provide alternative solutions to a given scenario depending on the data input. The work of finance and accounting professional will be on interpretation side of data analytics after artificial intelligence work.
- **Helps in cost savings:** Artificial intelligence can handle big amount of tasks with accuracy in short time. This addresses the issue of cost reduction and hence leading the company in efficiency and effectiveness. Eventually, this will maximize company's profitability.
- **Reduce human errors:** Currently, artificial intelligence is accurate. When correct data and assumption are input in the software, the outcomes are accurate.
- **Helps in automation of repetitive tasks:** Artificial intelligence assist in automating routine tasks. This will give ample time for professionals to focus on other tasks adding value to the organisations.
- **Helps in detection of fraud:** with advanced data analytics aspects of artificial intelligence, the system is able to identify which transactions are fraudulent and provides alerts to management for action.
- **Helps in prevention of fraud:** Artificial intelligence follow rules embedded in the systems. As long as the internal control system is well set in the software, the artificial intelligent cannot deviate from pre-set controls. This will assist in preventing fraud.
- **24/7 Service:** with artificial intelligence, finance professionals can automate some tasks that could run even during nights. Let's say, the system can run reconciliations overnight and tomorrow morning the accountant may look at the outcome from the system and proceed with further action.

Challenges of artificial intelligence in finance professionals

- **Limited skills for data analytics:** the current world of artificial intelligence requires high level of data analytics skills to understand the patterns in the data. The current work force is not equipped to explore the opportunities brought by artificial intelligence.
- **Traditional skills will not fit new work environment:** The artificial intelligence will affect the work of finance professionals since most of finance and accounting professionals are not equipped with the current trends of skills needed in digitalized world.
- **Data quality:** if artificial intelligence software is loaded with wrong data, it will get out wrong decisions.
- **Lack of human flexibility/touch:** not every task can be automated. Some tasks require human interaction to relate it to the environment.
- **Resistance and fear to change:** The majority of finance skills have traditional finance skills and the leaders in finance don't set a tone in adopting artificial intelligence solutions. Some finance and accounting professionals fear that artificial intelligence will overtake their jobs.
- **Data privacy:** Data privacy is challenge in artificial intelligence software. Most of artificial intelligence software are acquired from outsiders, the data may be used by the owners of the

system. There have been some cases whereby some companies sold out data to outsiders without users' acceptance. This will impact the work of finance and accounting professionals

END OF MARKING GUIDE AND MODEL ANSWERS