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**CERTIFIED PUBLIC ACCOUNTANTS  
ADVANCED LEVEL 1 EXAMINATIONS**

**A1.1: STRATEGY AND LEADERSHIP**

**DATE: MONDAY 26, AUGUST 2024**

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**INSTRUCTIONS:**

1. **Time Allowed: 3 hours 45 minutes** (15 minutes reading and 3 hours 30 minutes writing).
2. This examination has **two** sections: **A & B**.
3. Section **A** has **one Compulsory Question** while section **B** has **three optional questions** to choose any **two**.
4. In summary attempt **three questions**.
5. Marks allocated to each question are shown at the end of the question.
6. The question paper should not be taken out of the examination room

## **SECTION A**

### **QUESTION ONE**

#### **Gasabo Investments Ltd (GIL):**

Gasabo Investments Ltd (GIL) is a manufacturer of cement in Rwanda with capacity of approximately 500,000 tonnes per year. GIL produces four types of cement; namely 1. *UBAKA*, a premium cement meant for heavy construction projects 2. *RWUBAKE*, an all-purpose cement ideal for concrete, mortar, plaster and brick joinery 3. *IBUYE*, a custom-made cement meant for road construction and 4. *FUNDA*, a masonry cement specifically designed for plastering and brick joinery.

#### **Raw Materials and Capital Requirements**

GIL's raw materials include limestone, shells, and chalk or marl combined with shale, clay, slate, blast furnace slag, silica sand, and iron ore. These items are mostly high bulk and involve a relatively high cost of transportation to GIL's factories. For every tonne of cement produced, GIL's transports approximately 1.8 tonnes of raw materials.

GIL's main factory is located in Karongi district where most of the raw materials are extracted. Karongi is relatively far from Kigali where most of GIL's market is located. The cement industry in Rwanda is comprised of five players. Two of these companies – including GIL – share a 60% market share. This is mainly because establishing a cement factory requires huge start-up capital and this tend to deter new companies from entering the industry. It costs a minimum of Frw 200 Billions to set up a new cement production company. Further, the industry has a long gestation period.

#### **Customers and Substitution**

The majority of the customers for the cement in Rwanda are bulk buyers. These mainly include large construction companies, big corporate companies who wish to build their massive offices, and government through its Public Private Partnerships in the infrastructure sector. Although there is imported cement on the market, it is usually expensive due to importation costs. There are no known products that can effectively replace cement in the construction industry in Rwanda.

#### **Supply Chain Management**

In GIL's cement production, raw materials form a very large part of the process. Lack or shortage of any of the raw materials negatively affects the cement production process because it is impossible to continue production without the raw material. However, almost all of the GIL's raw materials are natural resources, which are controlled by the government of Rwanda. All cement production companies must buy rights from the government to set up a cement production plant.

## **The Competition**

Although there are relatively few cement production companies in Rwanda, these companies race against each other so closely. The high capital requirements often make it hard for companies to exit the industry, hence leading to aggressive competition between existing companies. This is also because the types of cements produced by all players are not largely different from each other.

## **Sustainability Challenges**

Like any cement manufacturer, GIL faces several ethical challenges in the face of increased focus on the sustainability of a company's operations. Cement is the main glue of the construction industry. Most commonly used as mortar and as the base for concrete, it is crucial to holding buildings together. Despite the ubiquity of cement, the labour-intensive production process raises many ethical issues.

In the recent environmental protection conference held in Kigali, experts questioned how cement manufacturing companies manage their environmental footprint, including air and water pollution, land degradation, and biodiversity impacts. There were also questions around the protection and safeguarding of staff during the production process since this often involves hazardous materials and processes that can pose risks to workers' health and safety.

The residents of Karongi where GIL is located have also complained about noise, dust, traffic, and changes in local water and air quality, pointing to operations of GIL as the main culprit. These residents question whether GIL respects health and safety laws and regulations and they have requested local leaders to investigate the matters. The leadership of GIL is currently exploring various ideas to adopt robust policies, engage stakeholders transparently, comply with regulations, and continuously improve its practices to minimize negative impacts and uphold ethical standards in its operations.

## **GIL's senior management team**

GIL has a top management team of 10 members, with experience from a wide range of areas. They have been advised by the board of directors (BoD) to hire a strategic management consultant to train them on Strategic Leadership. The BoD believes that for GIL to succeed and overcome some of the highlighted challenges, the company top management needs to firmly understand what effective strategic leaders and top management teams should focus on to contribute to the performance of the organisation. Your email should be sent on 30<sup>th</sup> August 2024.

### **Required:**

- a) Using Michael Porter's Five Forces Model, **analyse the nature of competition faced by GIL in the cement production industry.** (14 Marks)
- b) Use sustainability related information and answer the following questions:
  - i) **Critically analyse the ethical challenges faced by GIL as a cement production company.** (10 Marks)

- ii) Recommend strategies to appropriately manage the challenges in (i) above.** (8 Marks)
- c) Draft an email to GIL's Chief Executive Officer (CEO) containing training content covering the following leadership aspects:
- i) Recommend key Strategic Leadership actions that GIL's top management should focus on to contribute to the performance of the organisation.** (10 Marks)
- ii) Propose what the CEO should do to set a strategic direction for GIL.** (8 Marks)
- (Total: 50 Marks)**

## **SECTION B**

### **QUESTION TWO**

#### **Ihema Corporation Ltd (ICL):**

Ihema Corporation Ltd (ICL) is a Rwandan distinguished manufacturer specializing in non-alcoholic beverages known for their commitment to innovation and quality. With a legacy spanning over three decades, ICL continuously introduces new products to meet evolving consumer preferences. Presently, ICL boasts a diverse product lineup strategically positioned across various stages of the Product Life Cycle (PLC) to optimize market potential.

#### **Product Portfolio Overview:**

**Gotomera Fusion:** Gotomera Fusion is a product, which combines bold citrus fruits with herbal extracts, creating a distinctive flavor profile that resonates with adventurous millennials and urban professionals. Enjoying increased market penetration and growing consumer loyalty, Gotomera Fusion has expanded its distribution channels and gained traction in mainstream markets. Its rapid sales growth positions it as a key revenue driver for ICL, with ongoing efforts focused on sustaining and capitalizing on its market success.

**Soma Berry Sparkle:** Soma Berry Sparkle represents a recent addition to ICL's product range. It offers consumers a refreshing blend of exotic berries infused with sparkling water, crafted to appeal to health-conscious individuals seeking natural flavors. Positioned as a premium product in select markets, Soma Berry Sparkle targets early adopters and trendsetters interested in unique and healthy beverage choices. Initial market reception has shown promising sales growth among the targeted demographics, indicating a positive trajectory into the growth stage. However, this product is not yet profitable due to high expenses.

**Ruhuka Splash:** Ruhuka Splash is a herbal-infused relaxation drink initially targeted at niche wellness markets. Despite its innovative formulation aimed at promoting calmness and well-being, Ruhuka Splash has faced declining sales attributed to evolving consumer preferences and limited market appeal beyond its niche audience. As ICL navigates this product's decline, strategic focus is on managing inventory, minimizing costs, and redirecting resources towards new product innovations that align with current market trends.

**Ryoherwa Quench:** Ryoherwa Quench is a staple in ICL's portfolio. This beverage features a classic blend of tropical fruits and electrolytes, catering primarily to active individuals and health-conscious families seeking hydration solutions. Established as a market leader in its segment, Ryoherwa Quench benefits from strong brand recognition and customer loyalty. Despite stable sales volumes, ICL faces competition from other companies, which have introduced counter measures. ICL is currently using advertising and promotion campaigns to remind consumers and reward loyalty for use of this drink.

## **Strategy formulation**

ICL's senior management are considering the analysis of both the internal strengths and weaknesses of the company and the external opportunities and threats as well as identifying the strategic options that can be taken by ICL. The Chief Strategy Officer (CSO) has proposed two methods of strategy formulation to be considered by senior management: Deliberate strategy development and Emergent strategy development. Management is undecided on which method offers the best chances of establishing a successful strategy.

### **Required:**

- a) Based on the information provided in the case study about ICL's product portfolio, **analyse the stage of the Product Life Cycle (PLC) for each of the following products and recommend appropriate strategies for ICL to maximize the lifecycle potential of each product** (15 Marks)
  - b) **Compare and contrast Deliberate strategy development and Emergent strategy development as two methods of strategy formulation currently considered by the senior management of ICL.** (10 Marks)
- (Total: 25 Marks)**

## **QUESTION THREE**

### **Rambuka Investments Ltd (RIL):**

Rambuka Investments Ltd (RIL) is a prominent Rwandan multinational conglomerate headquartered in Kiyovu, Kigali. As a holding company, RIL strategically invests in diverse sectors, targeting companies with high potential for success and growth. RIL's portfolio includes investments in telecommunications, renewable energy, financial services, and hospitality, among others. The corporate center of RIL plays a pivotal role in managing these investments, overseeing strategic direction, resource allocation, and performance monitoring across its subsidiaries.

### **RIL's Business Units**

Recently, there was debate during a board of directors (BoD) meeting as to whether RIL is creating value to business units as a corporate parent or not. Some BoD members suggest the corporate is instead destroying value in some of the company's business units. Two of the subsidiaries of RIL were particularly discussed during the BoD meeting:

The first subsidiary is EcoPower Rwanda, a renewable energy company. Under RIL's strategic guidance and financial support, EcoPower Rwanda has successfully expanded its operations, increased its renewable energy capacity, and contributed significantly to Rwanda's sustainable development goals. RIL's expertise in the energy sector and its strategic investments have enabled EcoPower Rwanda to innovate, grow market share, and achieve profitability while promoting environmental sustainability.

The second subsidiary is TechCom Solutions, a telecommunications company. Despite initial success in the local market, TechCom Solutions has faced challenges in adapting to rapid technological advancements and changing consumer preferences. RIL's delayed response to market shifts and inadequate investment in upgrading infrastructure and services have led to declining customer satisfaction and market share erosion. One of the market analysts was recently quoted saying that 'RIL has struggled to enhance value for TechCom Solutions by managing synergies across all of its business units'.

### **EcoPower Rwanda Expansion Project**

RIL employs management annually conducts an evaluation of the effectiveness and impact of its strategic initiatives across its diverse portfolio of subsidiaries. This year, the Chief Investment Officer (CIO) has been requested by the senior management to examine the effectiveness of EcoPower Rwanda Expansion Project, one of the signature projects of RIL. The overarching goal of the EcoPower Rwanda Expansion Project was to contribute to Rwanda's energy security by providing reliable and sustainable renewable energy solutions, thereby fostering economic development and environmental conservation.

RIL allocated Frw 200 million and expertise in renewable energy technology to EcoPower Rwanda. Upon approval of the project last year, EcoPower Rwanda immediately started expanding solar panel installations, upgrading infrastructure, and enhancing operational efficiency to increase renewable energy production capacity. One year later, it is reported by the project manager that the project has increased megawatts of solar energy generated by 50%, expanded customer base through new installations by 20%. It is still to be seen if this project will improve operational processes in energy distribution. As a result, EcoPower Rwanda achieved outcomes such as reduced reliance on fossil fuels by 30% against the 40% target, improved access to clean energy in rural areas, and enhanced environmental sustainability through reduced carbon emissions.

#### **Required:**

- a) Based on the information provided in the case study about RIL's business units, **analyse the role of RIL in creating or potentially destroying value for the organization.** *Hint: Discuss specific examples of value creation with EcoPower Rwanda and potential value-destroying activities with TechCom Solutions.* (12 Marks)
- b) Using the Results Chain method of post strategy evaluation, **evaluate how successful the EcoPower Rwanda Expansion Project has been in achieving its desired impact.** (13 Marks)

**(Total: 25 Marks)**

## QUESTION FOUR

### Rwanyonga Company Ltd (RCL):

Rwanyonga Company Ltd (RCL) is a leading Rwandan company headquartered in Kimihurura, Kigali. RCL was established with a focus on diversification and market specialisation. RCL has three divisions namely: AgroPro Division, TechSolutions Division, and EcoBuild Division. Each division has autonomy to make decisions about its products in relation to market and product dynamics. RCL has a single shared corporate services division, which as services such as finance, internal audit, procurement, IT, and other shared support services. Table 1 below demonstrates RCL's three divisions and products in each division.

**Table 1: RCL's three divisions**

SN	Division	Description	Products
1	AgroPro Division	The AgroPro Division at RCL focuses on agricultural inputs, offering a range of fertilizers, crop protection chemicals, and high-quality seeds to farmers across Rwanda. This division plays a crucial role in supporting the agricultural sector, enhancing crop yields, and promoting sustainable farming practices.	<ul style="list-style-type: none"><li>• AgroPro Fertilizers</li><li>• AgroPro Crop Protection Chemicals</li><li>• AgroPro Seeds</li></ul>
2	TechSolutions Division	The TechSolutions Division specializes in providing comprehensive IT services, innovative software solutions, and state-of-the-art networking equipment to businesses and organizations in Rwanda. This division leverages technology to drive efficiency, connectivity, and digital transformation across various sectors.	<ul style="list-style-type: none"><li>• TechSolutions IT Services</li><li>• TechSolutions Software Solutions</li><li>• TechSolutions Networking Equipment</li></ul>
3	EcoBuild Division	The EcoBuild Division focuses on sustainable building materials, renewable energy solutions, and environmental consulting services. This division is committed to promoting eco-friendly practices and supporting green initiatives in Rwanda's construction and energy sectors.	<ul style="list-style-type: none"><li>• EcoBuild Construction Materials</li><li>• EcoBuild Renewable Energy Solutions</li><li>• EcoBuild Environmental Consulting Services</li></ul>



### **EcoBuild's Construction Project:**

RCL is planning to undertake a construction project for one of its key clients. RCL has promised the client that the project will be completed in 35 weeks. Table 2 below demonstrates key activities to be undertaken by RCL in completing this project.

**Table 2: EcoBuild's Construction Project Main Activities**

<b>Task Identifier</b>	<b>Task Description</b>	<b>Predecessor Task(s)</b>	<b>Expected Time (Weeks)</b>
A	Site Preparation and Excavation	-	5
B	Foundation Construction	-	16
C	Structural Framing	-	4
D	Enclosure	A	8
E	Mechanical, Electrical, and Plumbing (MEP) Installation	C	5
F	Interior Finishes	B, D, E	8
G	Exterior Finishes and Landscaping	C	15

### **Required:**

- a) Based on the information provided in the case study about RCL's structure, answer the following:
- i) **Use a diagram to identify and illustrate RCL's organizational structure.** (5 Marks)
  - ii) **Evaluate the potential benefits and challenges associated with the organizational structure in (i) in achieving overall corporate goals and maintaining competitiveness in Rwanda's dynamic business environment.** (10 Marks)
- b) Using the EcoBuild's Construction Project information:
- i) **Construct a fully labelled critical path network.** (7 Marks)
  - ii) **Which activities form the project critical path?** (1 Mark)
  - iii) **Advise if the RCL will complete the project in 35 weeks or not. Explain your answer.** (2 Marks)
- (Total: 25 Marks)**

**End of Question Paper**

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