



**CERTIFIED PUBLIC ACCOUNTANT
FOUNDATION LEVEL 1 EXAMINATIONS**

F1.4: BUSINESS MANAGEMENT, ETHICS AND ENTREPREURSHIP

DATE: MONDAY 26, AUGUST 2024

MARKING GUIDE AND MODEL ANSWERS

QUESTION ONE

Marking Guide:

Qn1	Description	Marks	Total Marks
a	The different levels of management and their managerial skills required at each level		
	Top-Level Management/senior management	1	
	Middle-Level Management	1	
	Lower-Level Management/Front-line management	1	
	Team Leader	1	
	<i>Any correct answer with the required skill (any 4* 1mark for each).</i>		
	Maximum Marks	4	
b	The main functions in the organization		
	Planning	2	
	Organizing	2	
	Leading	2	
	Controlling	2	
	<i>Any correct answers with correct explanation (any 4 *2Marks for each=8 marks)</i>		
	Maximum Marks	8	
c	The strategies to deal with resistance to change		
	Coalition and team building	2	
	Manipulation	2	
	Articulation of a shared vision	2	
	Participation and involvement	2	
	Rewards and incentives	2	
	Coercion	2	
	Support and facilitation	2	
	Education ,communication and training	2	
	Negotiation and agreement	2	
	<i>Any correct answers with explanation (any 4 *2Marks for each=8 marks)</i>		
	Maximum Marks	8	
	Total Marks		20
	<i>Note: Marker must consider other valid points identified by students not captured in the model answer</i>		

Model Answers

- a. The different levels of management and their managerial skills required at each level
- **Top-Level Management/senior management:** Senior management are concerned with strategic issues such as the mission and direction they will take into the future. They must make and implement strategic decisions and communicate these decisions to relevant parties such as the shareholders and customers. Here the senior management are CEO Sarah Keza, CTO Mark Rwema. Sarah Keza need to demonstrate strong conceptual skills, envisioning the company's future and making strategic decisions.
 - **Middle-Level Management:** IT Manager Toto Adams, Software Development Manager John Kirehe. Middle management operates at a tactical level, translating strategic direction and organizational goals into tangible achievable objectives for their division. Middle management acts as a link between the strategic level and the operational levels. Examples of middle managers include Plant and Operations managers involved in the day-to-day operations of the organization.
 - **Lower-Level Management: Team Leaders** Alice Byiza (IT Team), Michael Dushime (Development Team). This level of management, which is also referred to as “Supervisory Management” and “Operations Management”, is responsible for directly managing and supervising employees.
 - **Team Leaders:** Team leaders (Alex and Juliet) are responsible for facilitating team performance. Team leaders help their team members plan and schedule work, learn to solve problems and work effectively with each other. Team leaders act as a bridge between their own teams and other teams. Team leaders are also responsible for internal team relationships. The team leader possesses a combination of qualities such as communication skills, strong ethics , empathy, technical expertise and ability to inspire employees.
- b. **Identify and explain the main Functions of Management in the organization.**
- **Planning:** Planning is concerned with where the organization wants to be in the future and how it is going to get there. The planning function includes defining an organization’s goals, establishing an overall strategy for achieving those goals and developing a hierarchy of plans to co-ordinate all activities. For tech innovators inc.
 - **Organizing:** Organizing generally follows planning and it refers to deciding on an organizational structure, staffing it adequately and making sure the organization is running efficiently. Managers develop a framework of necessary tasks and available resources called an organizational structure. This structure sets out the groupings of staff organization. In simple terms organizing includes determining how tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom and where decisions are to be made.
 - **Leading:** Leadership involves motivating employees to achieve organizational goals. Leading entails creating a vision, communicating that vision and goals, and influencing

others to achieve high levels of performance. It also involves directing the activities of others and resolving conflicts among employees.

- **Controlling:** Activities within an organization don't always go as smoothly as planned. Controlling involves monitoring employee activities to determine whether or not they are achieving targets. It involves comparing actual performance against predetermined goals and taking corrective action if necessary.

c. The strategies that can be adopted to overcome resistance to change

- i. **Coalition building:** Providing advice and support from powerful individuals in the organization to those who may pose resistance.
- ii. **Negotiation and agreement:** Using bargaining and tradeoffs, including financial bargaining.
- iii. **Articulation of a shared vision:** Communicating a vision of the future can overcome a fear of the unknown.
- iv. **Education, communication and training:** Through effective communication, information and re-skilling, resistance can be lowered.
- v. **Participation and involvement:** Identifying potential resistors and involving them in the change process.
- vi. **Coercion:** involves the explicit use of power by issuing directives to employees about the changes being implemented. Managers or the change agent resort to coercion if all other methods have failed to reduce resistance to change.
- vii. **Manipulation** of the situation by the agent can make it easier to introduce change. For example, it has been established that crisis situations are more likely to motivate people to change. So organizations can attempt to exaggerate the extent of the situation facing the organization to make it appear as if the organization is in a crisis. This style is often used when resistance is caused by habit, re allocation, economic and group factors.
- viii. **Support and facilitation** - are appropriate management styles when employees are experiencing difficulty in coming to terms with the new changes. Support and facilitation help to overcome resistance arising from a fear of the unknown and the need for security
- ix. **Rewards and incentives**- increasing motivation using money and other incentives.

QUESTION TWO

Marking Guide:

Qn4	Description	Marks	Total Marks
a	The ways Kalisa Ltd could have implemented stronger internal controls		
	Regular and Thorough Audits	2	
	Conflict of Interest Declarations	2	
	Segregation of Duties	2	
	Continuous Training and Education	2	
	<i>(Any 4 correct answer is awarded 2marks for each).</i>		
	Maximum Marks	8	
b	The conflict resolution mechanism can establish within the organization		
	Clear Procedures		
	Conflict of Interest Declarations		
	Segregation of Duties		
	Continuous Training and Education		
	<i>Any correct answers wih explanation (any 3 *2Marks for each=6marks)</i>		
	Maximum Marks	6	
c	The roles of entrepreneurship in the economy of Rwanda		
	Job creation	2	
	Economic diversification	2	
	Innovation and competitiveness	2	
	Wealth creation	2	
	Social change	2	
	Regional development	2	
	Improved standards of living	2	
	Attracting investment	2	
	<i>(Any 4 correct answers are awarded 2 Marks for each).</i>		
	Maximum Marks	8	
	Total Marks		20
	<i>Note: Marker must consider other valid points identified by students not captured in the model answer</i>		

Model Answers

a. The ways Kalisa Ltd could have implemented stronger internal controls

- **Regular and Thorough Audits:** Conduct regular internal and external audits to detect any irregularities or potential conflicts of interest early on.
- **Conflict of Interest Declarations:** Implement mandatory conflict of interest declarations for all employees, requiring them to disclose any personal investments or relationships with clients.
- **Segregation of Duties:** Separate key financial responsibilities among different individuals to reduce the risk of any single employee having too much control over financial reporting and decision-making.
- **Continuous Training and Education:** Provide ongoing ethics and compliance training to ensure all employees understand the importance of integrity and the consequences of unethical behavior.
- **Develop written policies and procedures:** Policies and manual procedures should shoulder the burden of creating the company's culture.
- **Maintain adequate supporting documentation:** All expenses must be supported by clear, complete, and detailed documentation.

b. The conflict resolution mechanisms Kalisa can establish within the organization.

- **Clear Procedures:** Create and communicate clear procedures for conflict resolution, ensuring all employees understand the steps to follow when conflicts arise.
- **Mediation Services:** Offer mediation services to help resolve disputes amicably, involving neutral third parties when necessary.
- **Training Programs:** Provide regular training on conflict resolution skills to managers and employees, equipping them to handle conflicts effectively and constructively.
- **Open Communication Channels:** Maintain open lines of communication at all levels of the organization, allowing employees to voice concerns and seek guidance on resolving conflicts

c. Role of entrepreneurship in the economy of the country like Rwanda

- **Job Creation:** Entrepreneurs establish new businesses, which create employment opportunities for the local population. This is particularly important in Rwanda, where unemployment and underemployment are significant issues.
- **Economic Diversification:** Entrepreneurship fosters economic diversification by encouraging the development of various industries beyond traditional sectors such as agriculture. This diversification helps reduce economic dependency on a single sector and enhances economic stability.
- **Innovation and Competitiveness:** Entrepreneurs bring new ideas, technologies, and business models to the market. This innovation drives competition, leading to improved products and services, increased efficiency, and overall economic growth.

- **Wealth Creation:** Successful entrepreneurial ventures generate wealth for their owners and contribute to the overall economic development of the country.
- **Regional Development:** Entrepreneurship can stimulate economic activities in rural and underserved areas, promoting balanced regional development. In Rwanda, this is crucial for reducing urban-rural disparities and ensuring inclusive growth.
- **Improved Standards of Living:** By creating jobs and fostering economic growth, entrepreneurship can lead to higher incomes and improved standards of living for the population. Entrepreneurs often introduce products and services that enhance quality of life.
- **Attracting Investment:** A vibrant entrepreneurial ecosystem can attract both domestic and foreign investment, bringing in capital, expertise, and technology. This influx of resources can further stimulate economic growth and development.
- **Social Change:** Entrepreneurs often address social issues through their business ventures, contributing to social development. For instance, businesses focusing on education, healthcare, and clean energy can have a positive impact on society.

QUESTION THREE

Marking guide:

Q	Description	Marks	Total Marks
a	The factors affecting business growth		
	Customer Loyalty, smart adoption of technology, commitment to employee training, social responsibility, Leadership		
	Any correct answer with explanation awards marks (5*2 marks for each).		
	Maximum Marks	10	
b	Drivers of business amalgamation and its benefits		
(i)	Drivers of business amalgamations		
	Economy of scale, Market expansion, Synergies, Diversification, Financial benefits		
(ii)	Benefits of business amalgamations		
	Increased market share, Cost efficiency, Enhanced capabilities, Financial strength, and Risk diversification		
	Any relevant 5 drivers awards 1 mark each (5*1Mark=5Marks) , and any 5 correct advantages awards 1mark each (5*1Mark each=5Marks)		
	Maximum Marks	10	
	Total Marks		<u>20</u>
	<i>Note: Marker must consider other valid points identified by students not captured in the model answer</i>		

Model answers:

a. Factors Affecting Business Growth

- **Customer Loyalty:** When company leaders strategize about sales growth, the focus is often on how to bring in new customers. While it is important to increase brand awareness and expand your customer base, you must also work to increase sales potential with your current customers. Look for opportunities to grow your profits with the customers you already have through add-on sales, customer loyalty programs, and referral business.
- **Smart Adoption of Technology:** Technology is like fertilizer for the growth of your business. It can help you tackle tasks more efficiently, save on labor costs,

and streamline processes. The challenge comes with selecting the right technology tools for your specific business goals. Proper alignment with the various facets of your business strategy is key. Look at ROI from multiple angles when choosing technology partners.

- **Commitment to Employee Training:** Business growth doesn't occur in a vacuum. All your employees must have a standard baseline of knowledge from which they cultivate their own growth. This requires an online training platform that meets your needs today and can grow with you. By training online, you ensure consistent knowledge transfer to everyone and you can customize learning paths for each employee.
- **Social Responsibility:** You may not see the direct line between social responsibility and business growth, but think of it this way: you get back what you put out. When your company adopts policies of social responsibility, you're impacting your community – and therefore your customers – in a positive way. For example, April is Alcohol Awareness Month. If you are a business that sells alcohol, use this month to refresh your training on responsible selling. If you are a business outside of the industry, use a cause like this as a springboard to give back to your community in a meaningful way.
- **Leadership:** Just like what we see in nature during springtime, growth starts way below the surface. How your employees perceive you and your company mission determines their motivation to help you reach your goals. As a leader, you must pave the way to success for everyone.

b. The drivers of amalgamations and its advantages

(i) Drivers of Amalgamations

- *Economies of Scale:* Combining operations can reduce costs per unit due to increased production efficiency. Lower operational costs and increased bargaining power with suppliers.
- *Market Expansion:* Entering new geographic markets or expanding market share in existing markets. Access to new customer bases and increased revenue potential.
- *Synergies:* Combining complementary strengths and capabilities of the merging companies. Enhanced product offerings and improved innovation potential.
- *Diversification:* Reducing risk by diversifying products, services, or markets. Increased stability and reduced dependency on a single market or product line.
- *Financial Benefits:* Improving financial performance through cost savings, tax advantages, or better financing opportunities. It improves profitability and enhances shareholder value.

(ii) Advantages of amalgamations

- *Increased Market Share:* Combining companies can lead to a larger market share and stronger competitive position.

- *Cost Efficiency:* Shared resources and consolidated operations can reduce costs and improve efficiency.
- *Enhanced Capabilities:* Access to new technologies, expertise, and intellectual property can boost innovation and product development.
- *Financial Strength:* A larger combined entity may have better access to capital and improved financial stability.
- *Risk Diversification:* Spreading risk across different markets, products, or industries can enhance overall business stability.

QUESTION FOUR

Marking guide

Q N 4	Description	Marks	Total Marks
a	The potential Risks in food processing companies in Rwanda and propose any 4 mitigation measures		
	Supply Chain Disruptions (the mitigation measures are: diversification of suppliers, adequate inventory management)		
	Quality Control (<i>Mitigation measures: strict quality control,regular audits, employees' training</i>)		
	Market Competition (<i>Mitigation measures: Innovation, brand differntiation and marketing strategies</i>)		
	Regulatory Changes (<i>Mitigation measures: Regulatory Monitoring, Engagement with Authorities, Compliance Programs</i>)		
	Economic Instability (<i>Mitigation measures: Cost Management, Diversified Revenue Streams, Financial hedging</i>).		
	Technological Risks (Mitigation measures: Investment in Technology, Cybersecurity Measures, Disaster Recovery Plans)		
	Award 1mark for a correct risk and 1mark for a corresponding mitigation risk.		
	Maximum Marks	8	
b	The elements of marketing communication mix		
	Advertising, sales promotion, Public relations, Personal selling, direct marketing and Digital marketing		

	Any relevant 4 elements with a correct example award 2Marks for each (4*2 Marks).		
	Maximum Marks	8	
c	The importance of problem-solving skills and its impact on employee 's career advancement		
(i)	<i>Importance of problem-solving skills</i>		
	Addressing Challenges, Adaptability, Process Improvement		
(ii)	<i>Impact on employee 's advancement</i>		
	Leadership Potential, recognition and influence		
	Any relevant 2 importance award 1mark each (2*1Mark) and 2 impacts award 1 mark each (2*1Mark).		
	Maximum Marks	4	
	Total Marks		20
	<i>Note: Marker must consider other valid points identified by students not captured in the model answer</i>		

Model answers:

a. Potential Risks and Mitigation Measures in food processing Industries in Rwanda

- **Supply Chain Disruptions:** Disruptions in the supply chain, such as delays in the supply of raw materials or transportation issues, can affect production and product availability.

Mitigation Measures:

- Establish relationships with multiple suppliers to reduce dependence on a single source.
- Inventory Management: Maintain adequate inventory levels of raw materials to buffer against supply disruptions.
- **Quality Control Issues:** Contamination or inconsistency in product quality can lead to health risks for consumers and damage the company's reputation.

Mitigation Measures:

- **Strict Quality Control Procedures:** Implement rigorous quality control measures at every stage of production.
- **Regular Audits:** Conduct regular internal and external audits to ensure compliance with quality standards.
- **Employee Training:** Train employees on best practices in quality control and hygiene.

- **Market Competition:** Increased competition from local and international brands can erode market share and profitability.

Mitigation Measures:

- **Product /service Innovation:** Continuously innovate and diversify the product line to meet changing consumer preferences.
- **Brand Differentiation:** Emphasize unique selling propositions, such as local sourcing and high quality, to differentiate from competitors.
- **Marketing Strategies:** Invest in effective marketing campaigns to strengthen brand awareness and loyalty.
- **Regulatory Changes:** Changes in government regulations, such as new food safety standards or import/export restrictions, can impact operations.

-Mitigation Measures:

- **Regulatory Monitoring:** Keep abreast of regulatory changes and ensure compliance through continuous monitoring.
- **Engagement with Authorities:** Engage with regulatory authorities to understand upcoming changes and advocate for favorable policies.
- **Compliance Programs:** Develop and maintain robust compliance programs to adhere to regulatory requirements.
- **Economic Instability:** Economic downturns or fluctuations in currency exchange rates can affect consumer purchasing power and operational costs.

- Mitigation Measures:

- **Cost Management:** Implement cost-saving measures and operational efficiencies to maintain profitability during economic downturns.
- **Diversified Revenue Streams:** Expand into new markets and product segments to reduce dependence on a single market.
- **Financial Hedging:** Use financial instruments to hedge against currency exchange rate fluctuations.
- **Technological Risks:** Technological failures or cybersecurity threats can disrupt operations and compromise sensitive data.

- Mitigation Measures:

- **Investment in Technology:** Invest in reliable and up-to-date technology and infrastructure to minimize the risk of technological failures.
- **Cybersecurity Measures:** Implement strong cybersecurity protocols, including firewalls, encryption, and regular security audits.
- **Disaster Recovery Plans:** Develop and test disaster recovery and business continuity plans to ensure quick recovery from technological disruptions.

- **Reputation Risk:** Negative publicity, such as a product recall or environmental scandal, can harm the company's reputation and customer trust.

- Mitigation Measures:

- **Crisis Management Plan:** Develop a comprehensive crisis management plan to address potential public relations issues swiftly and effectively.

b. Elements of marketing communication mix Ukuri industries can effectively utilize to strengthen its market position and engage with consumers.

➤ **Advertising**

- **Television and Radio:** Ukuri can use TV and radio ads to reach a broad audience across Rwanda. These ads often highlight the quality and nutritional value of their products.
- **Print Media:** Advertisements in newspapers and magazines can be used to reach more specific audiences, such as business professionals and urban dwellers.

➤ **Sales Promotion**

- **Discounts and Offers:** Ukuri regularly can run promotions, such as discounts on bulk purchases and special offers during holidays. These promotions are advertised through various channels, including social media and in-store displays.
- **Sampling Campaigns:** The company conducts sampling campaigns in supermarkets and events to allow potential customers to taste their products, increasing product trial and adoption.

➤ **Public Relations**

- **Community Engagement:** Ukuri can actively engage in community support programs, such as sponsoring local events, supporting education, and participating in health campaigns. This involvement helps build a positive brand image.
- **Corporate Social Responsibility (CSR):** Ukuri's CSR initiatives, such as environmental sustainability projects and supporting local farmers, can be communicated through press releases and social media, enhancing their reputation as a responsible corporate citizen.

➤ **Personal Selling**

- **Sales Representatives:** Ukuri can employ sales representatives who visit retail outlets and supermarkets to build relationships with store owners and managers, ensuring their products are well-stocked and prominently displayed.
- **Training and Support:** The company can provide training to its sales team to improve their product knowledge and selling skills, ensuring effective communication with retailers and customers.

➤ **Direct Marketing**

- **Email Marketing:** Ukuri can use email newsletters to keep customers informed about new products, promotions, and company news. These emails are targeted to consumers who have opted in to receive updates.
- **SMS Campaigns:** The company also uses SMS campaigns to reach a broader audience with promotional messages and special offers.

➤ **Digital Marketing**

- **Social Media:** Ukuri can use social media platforms like Facebook, Instagram, and Twitter. They use these channels to engage with customers, share product information, and run interactive campaigns.
- **Website and Online Store:** ukuri 's website can serve as a hub for information about their products and company. The online store allows customers to purchase products directly, providing a convenient shopping option.

c. Advantages of problem Solving skills and its impact on employee's Career Advancement

➤ **Importance of problem solving skills**

- **Addressing Challenges:** Effective problem-solving skills allow employees to tackle challenges head-on, finding practical and efficient solutions.
- **Adaptability:** Problem solvers can adapt to new situations and think on their feet, essential traits in a fast-paced and ever-changing work environment.
- **Process Improvement:** By solving problems efficiently, employees can contribute to process improvements and increased productivity within their teams and organizations.

➤ **Impact on Career Advancement:**

- **Leadership Potential:** Problem-solving skills are closely tied to leadership potential. Leaders are often required to solve complex problems and guide their teams through challenging situations.
- **Recognition:** Employees who consistently solve problems effectively are more likely to be recognized and rewarded, paving the way for career growth.
- **Influence:** Problem solvers can influence positive change within their organizations, making them valuable assets and likely candidates for promotion.

QUESTION FIVE

Marking guide

Qn5	Marking guide	Marks
a)	The benefits of MBO (Award 1 Mark for each correct benefit identified. Maximum marks (5*1Mark= 5 Marks i.e At least 5 benefits skills should be enumerated)	5
b)	The consequences that organizations might face due to poorly managed change	
	Decreased Employee Morale, Increased Resistance to Change, Higher Turnover Rates, Loss of Productivity, Negative Impact on Customer Satisfaction, Increased Costs, Failure to Achieve Objectives	
	Any 5 correct consequences well explained awards 2 marks for each (5*2Marks). Any poorly explained consequence awards 1Mark.	
	Maximum Marks	10
c)	The circumstances where disclosure of confidential information is appropriate Disclosure permitted by law and is authorized by the client or employer , Evidence in legal proceedings, Public authorities of infringements of the law , Quality review of a member body or professional body , Respond to an inquiry or investigation by a member body or regulatory body, To protect the professional interests of a professional accountant in legal proceedings, To comply with technical standards and ethical requirements	
	<i>Any correct 5 identified circumstances awards 1 mark each (5*1Mark)</i>	
	Maximum Marks	5
	Total Marks	20

Model answers

a. The benefits of Management by Objectives (MBO)

- It encourages managers to employ a result focus to their planning.
- It can help identify deficiencies in the organizational structure as MBO forces managers to clarify organizational roles and structure.
- Can lead to improved moral and motivation among the managers and employees involved as they have input into the goals that are set.
- Can increase employee commitment to achieving the goals set for them.
- Supports the development of management control and performance measurement

b. The consequences of a poorly managed change program in the organization

- **Decreased Employee Morale:** When change is not managed well, employees may feel confused, anxious, and unsupported. This can lead to low morale, reduced job satisfaction, and increased stress.
- **Increased Resistance to Change:** Without proper communication and involvement, employees are more likely to resist change. This resistance can manifest as decreased cooperation, sabotage of new initiatives, and a lack of buy-in for new processes.
- **Higher Turnover Rates:** Poor change management can lead to increased employee turnover as dissatisfied employees leave the organization. This results in a loss of valuable talent and higher recruitment and training costs.
- **Loss of Productivity:** Unmanaged or poorly managed change can cause significant disruptions in daily operations, leading to confusion and a decline in productivity. Employees may struggle to adapt to new processes without adequate support and training.
- **Negative Impact on Customer Satisfaction:** If employees are disengaged and productivity drops, the quality of products or services may suffer. This can lead to dissatisfied customers, damage to the organization's reputation, and potential loss of business.
- **Increased Costs:** Poorly managed change initiatives often require additional resources to fix problems and address issues that arise. This can result in increased costs and budget overruns, reducing the overall return on investment.
- **Failure to Achieve Objectives:** Without proper planning and execution, change initiatives are less likely to achieve their intended outcomes. This can result in wasted time, effort, and resources, and the organization may miss out on potential benefits

c. The circumstances where disclosure of confidential information is appropriate

- Disclosure permitted by law and is authorized by the client or employer
- Evidence in legal proceedings
- Public authorities of infringements of the law
- Quality review of a member body or professional body
- Respond to an inquiry or investigation by a member body or regulatory body
- To protect the professional interests of a professional accountant in legal proceedings
- To comply with technical standards and ethical requirements

QUESTION SIX

Marking guide

Q n	Description	Marks	Total Marks
a	The five ethical threats that a professional accountant may face when accepting or continuing with client engagements		
	Self-Interest Threat, Self-Review Threat, Advocacy Threat, Familiarity Threat, Intimidation Threat		
	Any valid answer well explained is awarded 2 marks (any 5 * 2 Marks)		
	Maximum Marks	10	
B	The characteristics of a successful entrepreneur		
	Resilience, Innovativeness, Adaptability, Vision, Leadership		
	Any valid answer well explained is awarded 2 marks (any 5 * 2 Marks)		
	Maximum Marks	10	
	Total Marks		20
	<i>Note: Marker must consider other valid points identified by students not captured in the model answer</i>		

Model answers

- a. **The five ethical threats that a professional accountant may face when accepting or continuing with client engagements**
 - **Self-Interest Threat:** This occurs when an accountant has a financial or other personal interest that might inappropriately influence their judgment or behavior. Example: An accountant might own shares in a client's company. This financial interest could compromise their objectivity when auditing the company's financial statements. The accountant's decisions and actions might be biased in favor of increasing the value of their shares, rather than providing an honest and accurate assessment of the company's financial health.
 - **Self-Review Threat:** This threat arises when an accountant has to evaluate their own previous work or advice. An accountant who previously helped a client set up their financial systems is later tasked with auditing those same systems. The accountant may be less critical of their own work, leading to a potential lack of objectivity and thoroughness in the audit process.

- **Advocacy Threat:** This threat occurs when an accountant promotes a client's position or opinion to the point that their objectivity is compromised. Example: An accountant might be asked to represent a client in negotiations or legal disputes. By advocating for the client, the accountant could become too aligned with the client's interests, potentially leading to biased decision-making and a lack of impartiality.
- **Familiarity Threat:** This threat arises from having a close relationship with a client, their personnel, or their interests, which can impair an accountant's professional judgment. Example: An accountant who has worked with the same client for many years may develop a close relationship with the client's management team. Explanation: The accountant might become too sympathetic to the client's interests or too trusting of the information provided, potentially compromising the objectivity and integrity of their work.
- **Intimidation Threat:** This threat occurs when an accountant is deterred from acting objectively due to actual or perceived pressures, including attempts to exercise undue influence over the accountant. Example: A client threatens to replace the accountant or withdraw future business if the accountant does not agree with their preferred accounting treatment. The accountant may feel pressured to comply with the client's demands to avoid losing the engagement or future opportunities, leading to compromised objectivity and ethical standards.

b. The characteristics of a successful entrepreneur

- **Resilience:** Entrepreneurs often face setbacks and failures. Resilience allows them to recover quickly from difficulties and persist in the face of adversity. This trait is crucial for overcoming obstacles and maintaining focus on long-term goals.
- **Innovativeness:** Successful entrepreneurs are often innovative, constantly seeking new and better ways to solve problems. They are not afraid to think outside the box and take calculated risks to bring novel ideas to market.
- **Adaptability:** The business environment is constantly changing, and entrepreneurs must be able to adapt to new circumstances and pivot their strategies when necessary. Flexibility and the ability to adjust plans in response to market feedback are essential.
- **Vision:** A clear and compelling vision guides entrepreneurs in their endeavors. This vision helps them set goals, inspire their team, and stay motivated. It provides a sense of direction and purpose, driving the business forward.
- **Leadership:** Strong leadership skills enable entrepreneurs to build and manage effective teams. They need to communicate their vision, motivate employees, and create a positive and productive work culture. Good leaders also make informed decisions and delegate tasks appropriately.

- Creativity and Persuasiveness: There is a need to have the creative capacity for recognizing and pursuing the opportunities in a successful entrepreneur. The entrepreneur should possess great selling skills and be persistent.
- Risk Bearing: The entrepreneurship is the willingness to take risks. The individuals should arise out of the implementation and creation of the creative ideas. They should believe that new ideas take some time to offer results and their results may not be instantaneous.

QUESTION SEVEN

Marking guide

Q N	Description	Ma rks	Total Marks
a	Definition of Corporate Social Responsibility (CSR) (Any correct definition awards 2 marks)		
	Maximum Marks	2	
b	The levels of Corporate Social Responsibility in the commercial bank in Rwanda		
	Economic, Legal, Ethical and Philanthropic Responsibilities		
	Any valid answer with example well explained is awarded 2 marks (any 4 * 2 Marks)		
	Maximum Marks	8	
c	Importance of market research in commercial banks		
	Customer Insights and Needs Assessment, Competitive Analysis, Risk Management, Product Development and Innovation, Strategic Decision-Making.		
	Any valid answer well explained is awarded 2 marks (any 5 * 2 Marks)		
	Maximum Marks	10	
	Total Marks		20
	<i>Note: Marker must consider other valid points identified by students not captured in the model answer</i>		

Model answers

- a. **Definition of Corporate Social Responsibility (CSR):** Corporate social responsibility refers to the moral and ethical content of managerial and corporate decisions. i.e the values used in business decision making over and above the requirement of the law and market economy.
- b. **With examples, the following are the levels of Corporate Social Responsibility in a business organization**
 - **Economic Responsibility:** Example: The organization ensures its business operations are profitable and efficient, providing jobs and contributing to economic growth in Rwanda. Economic responsibility is the foundation of CSR, where the organization focuses on being financially viable and profitable, supporting the local economy through job creation and fair wages.
 - **Legal Responsibility:** Example: The organization complies with all business regulatory standards and policies. Legal responsibility entails adhering to laws and regulations. The organization ensures it operates within the legal framework, meeting all regulatory requirements to maintain trust and credibility.
 - **Ethical Responsibility:** Example: The organization engages in ethical practices and ensures fair treatment of all stakeholders, including customers, employees, and the community. Ethical responsibility involves doing what is right, just, and fair, even beyond legal requirements. The organization's dedication to high ethical standards in its operations exemplifies this level.
 - **Philanthropic Responsibility:** Example: organization's CSR initiatives in education, development, and environmental conservation. Philanthropic responsibility includes voluntary activities that contribute to the community's well-being. The organization's various programs aimed at societal development and environmental conservation demonstrate its commitment to giving back to the community.
- c. **Importance of market research in business organization**
 - **Customer Insights and Needs Assessment:** Market research helps an organization understand its customers' needs, preferences, and behaviors. By gathering data on customer demographics, business habits, and expectations, the organization can tailor its products and services to better meet these needs, enhancing customer satisfaction and loyalty.
 - **Competitive Analysis:** Conducting market research allows an organization to keep an eye on its competitors. By understanding what other businesses are offering, their pricing strategies, and their strengths and weaknesses, the organization can identify opportunities for differentiation and areas where it can improve its own offerings to stay competitive.

- **Risk Management:** Market research helps identify potential risks and challenges in the sector. By analyzing market trends, economic conditions, and regulatory changes, an organization can anticipate and mitigate risks that might affect its operations and financial stability.
- **Product Development and Innovation:** Market research provides insights into emerging trends and customer demands, which can inform the development of new products and services. By staying attuned to market needs, an organization can innovate and introduce offerings that attract new customers and retain existing ones.
- **Strategic Decision-Making:** Effective market research equips management with the data and insights needed to make informed strategic decisions. Whether it's entering new markets, launching new products, or adjusting marketing strategies, having a solid understanding of the market landscape ensures that decisions are based on evidence rather than intuition.

End of Marking Guide and Model Answers