



**CERTIFIED PUBLIC ACCOUNTANT
ADVANCED LEVEL 2 EXAMINATION
A2.2: STRATEGIC PERFORMANCE MANAGEMENT**

**DATE: THURSDAY 29, FEBRUARY 2024
MARKING GUIDE AND MODEL ANSWERS**

SECTION A

Marking guide QUESTION ONE

Marking guide		Marks
	Calculation of a correct	
(a)	Material price variance	2
	Material yield variance	2
	Material mix variance	2
	Overhead efficiency variance	2
	Overhead capacity variance	2
	Overhead expenditure variance	2
	Activity usage variance	2
	Activity expenditure variance	2
	Subtotal	16
(b)	Calculation of the correct controllable profit	2
	Calculation of the correct Net assets	2
	Calculation of the correct ROI	2
	Calculation of correct RI	2
	Correct discussion of RI	2
	Correct discussion of Roi	2
	Subtotal	12
(c)	Calculation of contribution of the units to be transferred in division A	1
	Calculation of contribution of the units produced from the transferred units to division B	2
	Detailed explanation of any two transfer pricing approaches-cost based,dual,market based or any	4
	Subtotal	7
(d)	Identification of any three principles of corporate governance	3
	Letter format	2
	Sub total	5
(e)	Calculation of any three profitability ratios	3
	Calculation of any three liquidity ratios	3
	Calculation of any two gearing ratios	2
	Explanation on Firtgeralds and Moons building block model	1
	Explanation on performance prism	1
	Subtotal	10
	Total	50

(a) **GISHUGI Ltd**

VARIANCE INVESTIGATION REPORT FOR NOVEMBER 2022

I wish to convey the variance investigation report for November 2022. Members of the board, as you can see from the report, the firm is not doing all bad. Total material price variance, yield variance, Material mix variance for material N and activity usage variance for dispatches to customers are all adverse, the rest of the variances are favorable. Attached are the computations of the required variances.

	Model answers			
(a)	Material price variances for material N,D and F (SP-AP)AQ $8,600 \times 2,000 + 12,100 \times 6000 + 28400 \times 4000 - 203,800,000 =$		400,000	A
	Material yield variance (Standard yield-Actual yield)Standard cost per unit Standard cost per kg of Nexh in FRW $4000 \times 0.60 + 6000 \times 0.35 + 2000 \times 0.15 =$		4,800	
	If 1.1 kg of input= 1kg of output Therefore 49,100kg = ? (49,100 * 1kg)/1.1kgs =		44,636.36	
	MYV = (42,000 - 44,636.36) 4800		12,654,528	A
	Material mix variance MMV = (Revised std mix - Actual mix)Standard price Material F, D and N MMV F = $(0.65/1.1 \times 49,100 - 28,400)4000 =$		2,454,545.45	F
	MMV D = $(0.35/1.1 \times 49,100 - 12,100)6000 =$		21,136,363.64	F
	MMV N = $(0.15/1.1 \times 49,100 - 8,600)2000 =$		3,809,090.91	A
	Total MMV		19,781,818.18	F
	Overhead expenditure variance(OEV) OEV = Budgeted overhead - Actual overhead spent $(80,000,000 + 120,000,000) - (78,000,000 + 48,000,000)$		74,000,000	F
	Overhead capacity variance OCV = (Budgeted input of D - Actual input of D)Std overhead absorption rate per Kg of D Calculating budgeted input of material D 1Kg of Nexh = 0.35 Kg of D 40,000 kgs of Nexh = ? $40,000 \times 0.35/1 =$		14,000	KGS
	Overhead absorption rate(OAR) OAR = Budgeted OH/Budgeted activity level OAR = $200,000,000/14,000$		14,285.71	FRW PER KG
	OCV = $(14,000 - 12,100) 14,285.71$		27,142,849	F
	Overhead efficiency variance (Budgeted input of D for the production level achieved - Actual input of D) Standard OH absorption rate Input of D for production level achieved = $42,000 \times 0.35$ Oev = $(14,700 - 12,100) 14,285.71$		14,700	KGS
			37,142,846	F
	Activity usage variances (Standard number of deliveries for the production level achieved - Actual deliveries)Std cost per delivery Calculating standard input quantity of materials 1Kg of Nexh = 1.1kgs of input of materials 40,000 kgs of Nexh = ? $40,000 \times 1.1/1$		44,000	KGS
	Standard number of deliveries $44,000/440$		100	DELIVERIES
	Standard cost per delivery $120,000,000/100$	FRW	1,200,000	PER DELIVERY
	Dispatches to customers $40,000/100$		400	DISPATCHES
	Standard cost per dispatch $80,000,000/400$	FRW	200,000	PER DISPATCH
	Standard number of deliveries for the production level achieved If 40,000kgs = 100 Therefore 42,000kg = ? $42,000 \times 100/40,000$			105 DELIVERIES
	Number of dispatches for the production level achieved If 40,000kgs = 400 dispatches Therefore 42,000kg = ? $42,000 \times 400/40,000$			420 DISPATCHES
	Activity usage variances(Deliveries) AUV (Deliveries) = (Standard deliveries for production achieved - Actual deliveries)Standard cost per delivery $(105 - 102)1,200,000$	FRW	3,600,000	F
	Activity usage variance(Dispatches) AUV (Dispatches) = (Standard dispatches for production achieved - Actual dispatches)Standard cost per dispatch $(420 - 450)200,000$		6,000,000	A

1 (b)	Calculation of correct ROI for Division B with new investment	
	Sales= 850 +850*12.5%	956.25
	Less controllable costs	
	Industrial average (Normal) 450*25%*90%	101.25
	Additional variable production cots =2,000,000/10*1500	300
	Controllable profits	555
	Net Assets=1850+480	2330
	ROI=Controllable profits/Net assets	23.82%
	Calculation of the correct RI for Division B with new investment	
	RI=Controllable profits-Imputed interest charge	
	Controllable profit	555
	Imputed interest charge	
	2330*15%	349.5
	Residual income	205.5
	Calculation of ROI for Divison B without new investment	
	Sales	850
	Controllable costs 450*25%*90%	101.25
	Controllable profit	748.75
	Net ssets	1850
	ROI	40.5%
	calculation of RI for Divison B without new investment	
	Sales	850
	Imputed interest charge 1850*15%	277.7
	Residual income	572.3

Return on investment

It measures in percentage the profits earned relative to the capital employed or net assets. For a firm to be perceived profitable, ROI must be greater than the company's cost of capital. Currently the cost of capital is 15% for Gishugi Ltd. With the new investment, the ROI is 23.8%. The rate is far much higher than the cost of capital. Most firms want to add value for the shareholders. In this case, the board should proceed with the new investment.

Further analysis indicates that the ROI without new investment is 40.5% This further complicates the decision to be made. The board has a discretion on the decision to make.

ROI can lead to suboptimal(dysfunctional) decision.

Residual income

This is an absolute measure that can enable one to make a decision of investing in a project that maximizes shareholder's wealth. Finance charge is deducted. This is the amount that belongs to the owners of capital. With the new investment, an RI of FRW 205.5 million is realized. Currently the RI is FRW 572.3 million. This is a wide reduction.

The board of directors should think otherwise.

1 (c)	Turnover if 1000 units of Mexh are sold externally 1000*2800	FRW	2,800,000
	Less variable costs	FRW	2,000,000
	Contribution out sales of 1000 units of Mexh externally		800,000
	Turnover if 1000 units of Mexh are transferred to division B to make Nexh which will later be sold		
	Turnover $1000/2=500*6500$		3,250,000
	Less costs		
	Transfer costs		2,000,000
	Additional cost $500*1500$		750,000
	Contribution out of sales of 500 units of Nexh		500,000
	Internal transfer will cause a reduction of Gishugi Ltd overall profit by 800,000-500,000		300,000
	Its therefore important not do do internal transfers.Mexh should be sold externally.		
	The problem will be the consequences of dealing with irrate customers who have already trusted Nexh .Its upon the firm to look for a cheaper way of producing Nexh.Alternatively,they can s		
	ubcontract the production of Nexh.		

Transfer pricing approaches

Cost based transfer pricing

Goods and services are transferred from one division to the other either by using variable cost, full cost or variable/full cost-plus transfer price. The plus denotes a small increment in costs that acts as a gain to the transferring division.

Market based transfer pricing

Divisional managers transfer goods and services from each other based on the current market prices of such goods or similar goods as charged in the external market.

Negotiated transfer pricing

Allows the management of the divisions to negotiate to agree of which approach of transfer pricing to be adopted by both of them.

Dual based transfer pricing

Two divisions may agree to apply two different transfer prices for the goods being transferred. One division may use market-based transfer pricing while another may use cost-based transfer pricing.

1 (c)

Student name.....

Physical address.....

Arline Mujawayezu
Gishugi Ltd -Masoro
Date.....

Dear madam director

Re corporate governance and corporate governance principles

Corporate governance is the manner corporations are managed. This was introduced in order to avoid concentration of power in the hands of only one individual. Corporations are managed through a board. Board members are elected by shareholders for a specified term period. Management and administration is made through majority support in board meeting. Board members should meet quite often to discuss the happening in the firm. Members of the board are required to join any of the four main committees established by the board. The members of the board are required to elect one of them to be the chairperson of the board. The board should recruit a legal expert to be the secretary of the board. Board members should run the firm for the best interest of the shareholders. They are not expected to compete with the firm. They are also required to file statutory returns on an annual basis without fail.

Board members are required to be ethical and uphold the following;

Transparency

The board members should disclose information on finances, performance, ownership and governance structure in a timely manner.

Accountability

The board must at any given time explain the purpose of its activities and explain its conduct. It must report issues of importance to the shareholders.

Fairness

The board must treat employees, shareholders, vendors and other investors with impartiality
Any other relevant principles like risk management, accountability etc.

Yours faithfully.....

Sign.....

1 (e)		2019	2020	2021	2022	2023
	Calculating any three profitability ratios					
	Gross profit margin	310	290	350	482	410
	Turnover	700	780	890	1002	750
	Gross profit margin ratio	44.29%	37.18%	39.33%	48.10%	54.67%
	Profit after tax	75.6	79.8	80.5	110.6	117.6
	Turnover	700	780	890	1002	750
	Net profit margin ratio	10.80%	10.23%	9.04%	11.04%	15.68%
	Profit after tax	75.6	79.8	80.5	110.6	117.6
	Equity	2000	2000	2000	2000	2000
	Return on equity	3.78%	3.99%	4.03%	5.53%	5.88%
	Calculating any three liquidity ratios					
	Current assets	545	825	655	530	424
	Current liabilities	295	190	190	115	175
	Current ratio	1.85	4.34	3.45	4.61	2.42
	Current assets	545	825	655	530	424
	Less inventory	350	400	280	340	150
		195	425	375	190	274
	Current liabilities	295	190	190	115	175
	Quick ratio	0.66	2.24	1.97	1.65	1.57
	Cash	45	25	15	70	24
	Current liabilities	295	190	190	115	175
	Cash ratio	15.25%	13.16%	7.89%	60.87%	13.71%
	Loan	500	500	500	500	500
	12% loan note	50	50	50	50	50
	Total debt	550	550	550	550	550
	Equity	2000	2000	2000	2000	2000
	Total debt+Equity	2550	2550	2550	2550	2550
	Total assets	2955	2915	2880	2835	2790
	Debt to Equity ratio	28%	28%	28%	28%	28%
	Debt to capital ratio	22%	22%	22%	22%	22%
	Debt to asset ratio	19%	19%	19%	19%	20%

Comments

The firm performed poorly in terms of profitability in the year 2020. The best performance was reported in the year 2023.

Returns on equity have progressively increased from year 2019 to 2023.

Current ratio is more than one in all the year, implying the firm's ability to settle short term liabilities quickly.

Debt to equity, capital and asset ratios are below 30%. This firm is not highly geared thus saves a lot on finance costs.

The number of warranty claims are reducing year by year implying that the firm has invested heavily on better customer care and quality products.

The number of customer complaints are on an upward trend. This may in the long run affect performance.

Fitzgerald's and Moons building block model

This evolved from the balanced score card to address the needs of service industry. It links the firm's strategy and objectives to employees targets and motivation. It looks at three areas of performance: dimensions-results and determinants, standards and rewards. This model connects a firm's strategic objective to a range of forward looking, non-financial performance measures like customer service levels, rate of innovations, customer complaints, rate of repeat works, rate of claim of warranties etc. It aligns individual performance targets to corporate objectives.

Performance prism

This a second-generation balanced score card focused on meeting stakeholder needs. It has five facets.

Stakeholder satisfaction, stakeholder contribution, strategies, processes and capabilities.

SECTION B

QUESTION TWO

Marking guide		Marks								
(a)	Determination of the correct discounted price for Luxembourg market	1								
	Determination of the correct discounted price for Belgium market	1								
	Determination of the correct profit for Luxembourg market	1								
	Determination of the correct profit for Belgium market	1								
	Determination EV with PI	2								
	Determination of EV without PI	2								
	Stating that laplace rule uses equally likely probability	2								
	Subtotal	10								
	(b)	Apportionment of rent	2							
		Apportionment of machine set up cost	2							
Apportionment of material handling costs		2								
Calculating correct profit of Luxembourg using ABC		1								
Calculating correct loss of Belgium using ABC		1								
Explaining Activity based costing		2								
Subtotal		10								
(c)	Identifying maximum payoff	1								
	Identifying minimum payoff	1								
	Making a decision under maximax	1								
	Making a decision under maximin	1								
	Stating the steps towards maximax	1								
	Stating the steps towards maximin	1								
	Subtotal	5								
Total marks		25								
2 (a)		Luxembourg HPX - EV	Belgium HPY-EV							
	Units sold	500	800							
	Prices in FRW	30,000,000	32,000,000							
	Discount rate	8%	12.50%							
	Discount in FRW	2400000	4000000							
	Discounted price	27,600,000	28,000,000							
	Less specific costs									
	Ordering cost	250,000	400,000							
	Distribution cost	500,000	500,000							
	Direct material cost	16,000,000	16,400,000							
	Profit	10,850,000	10,700,000							
					States of nature					
	Decision alternatives	Strong	Moderate	Weak	Total	Divide by 3				
	Large plant	500	450	250	1200	3	400	* Ev with PI		
	Medium plant	300	-400	150	50	3	16.66667			
Small plant	200	300	100	600	3	200				
Highets value	500	450	250	1200	3	400	EV without PI			
2 (b)	Activity based costing	Luxembourg HPX - EV	Belgium HPY-EV							
	Units sold	500	800							
	Prices in FRW	30000000	32000000							
	Discount rate	8%	13%							
	Discount in FRW	2400000	4000000							
	Discounted price	27600000	28000000							
	Less specific costs									
	Direct material cost	16000000	16400000							
	Ordering cost	250000	400000							
	Distribution cost	500000	500000							
	overheads									
	Rent	400,000	1,600,000	2,000,000	Based on Factory space					
	Machine set up cost	3,000,000	5,000,000	8,000,000	Number of set ups					
	Material handling	4,800,000	7,200,000	12,000,000	Quantity of orders-Materials					
	Profit	2,650,000	-3,100,000							
2 (c)	Decision based on Maximax and Minimax									
		Decision alternatives	Strong	Moderate	Weak	Maximum	Minimum			
		Large plant	500	450	250	500*	250			
		Medium plant	300	-400	150	300	(400)*			
		Small plant	200	300	100	300	100			
		Highets value	500	450	250	450	250			
		Based on maximax build a large plant- the highest listed outcomes								
		Based on maximin build a medium plant-Least worst outcome								

Customer profitability analysis

Customer profitability analysis (CPA) provides important information which allows an organization to determine both which classes of customers it should concentrate on and the prices it should charge for customer services. Its use ensures that those customers contributing sizeable to the profitability of the organization receive a comparable amount of attention from the organization.

Customer profitability analysis (CPA) is ‘the analysis of the revenue streams and service costs associated with specific customers or customer groups’.

As per the analysis of the two markets, Luxembourg and Belgium, Luxembourg is the most profitable. It generates the highest profit of FRW 10,800,000.

Activity based costing

This is a method of allocating overheads and indirect costs to products and services using the activities that consume them. It involves three steps

1. Identify all activities required to create the products or services
2. Divide the activities into cost pools
3. Calculate the total overhead of each cost pool
4. Calculate OAR
5. Absorb the overhead into the products or services using the calculated OAR.

Value of perfect information

EV with PI-EV without PI

FRW400 million-FRW 400million=0

PI=Perfect information

QUESTION THREE.

3	Marking guide	Marks
(a)	Detailed definition of benchmarking	2
	Well explained challenges of benchmarking	5
	Subtotal	7
(b)	Two well explained remuneration schemes each award 2.5 marks	5
	Subtotal	5
(c)	Formulation of objective function	1
	Formulation of the six inequalities each award 0.5 marks	3
	Calculation of coordinates of the four equations except the non negativity	4
	Scaling and identifying the right scale	1
	Plotting the graph	1
	Identifying the correct four corner point ,each award 0.5 marks	2
	Calculating the maximum contribution and units to produce	1
	Subtotal	13
	Total	25

(a) Benchmarking is comparison of a firm's business processes and performance with another firm that represents best practice. Benchmarking can be internal, external or competitive. The following are the challenging of putting benchmarking into use;

Most of the firms that represent best practice are reluctant to share the required data and information out of fear of retribution or they do not want to violate confidentiality or privacy concerns.

It's difficult for firms to identify the right benchmark-A firm that has desired features or data that can be used in comparison.

Benchmarking is backward looking and not forward looking. Past outdated data is utilized in benchmarking. This will not give a clear picture of future performance.

Benchmarking may lead to dysfunctional behavior. Managers may take action to improve their measured scores without improving overall firm's performance.

Benchmarking can be used as a tool to defend rather than improve poor performance. Managers will justify their company poor performance citing how their company is different from its peers.

(b) Workers put a lot of efforts in production or service delivery. In return, the firm reciprocate by remunerating them. It's important for a firm to elect to use an incentive scheme which is motivating. A firm may elect to rollout any of the following scheme;

Piece work scheme

In this case the employees a remunerated based on the units produced at a specified rate. This scheme can be improved into differential piece work system. A scenario where a graduated scale of production and rates per unit are developed and utilized as a basis of remunerating workers.

The challenge with this is that it may lead to production of substandard goods,

Time based scheme

Workers are remunerated based on hours worked subjected to an agreed upon rate per hour. The challenge with this scheme is that it requires detailed time sheet records that will provide data to be used in calculating the correct pay. Further, workers can report to work but they don't work and still get paid for pretending to be busy.

Bonus scheme

In this case workers are given some normal pay but promised to get a bonus in case they increase production or improve on the quality of products made or service offered.

Profit sharing scheme

In this scheme the workers are given a share of the firm`s profit because of working hard to help increase firm`s profit.

(c) Linear programming

Objective function is to maximize contribution.

Let X be the units of Xeroh produced

Let Y be the units of Yetts produced.

Let Z be the total contribution from sales of X and Y units

Contribution of Xeroh =180,000- 150,000= 30,000

Contribution of Yetts =200,000- 160,000=40,000

$Z= 30,000X + 40,000Y$

Subject to the following constraints

1. Material

$$3X+4Y \leq 15,000$$

2. Labor

$$4X +5Y \leq 16,000$$

3. Storage space

$$3X +5Y \geq 6000$$

4. Non negativity constraint

$$5. X \geq 0$$

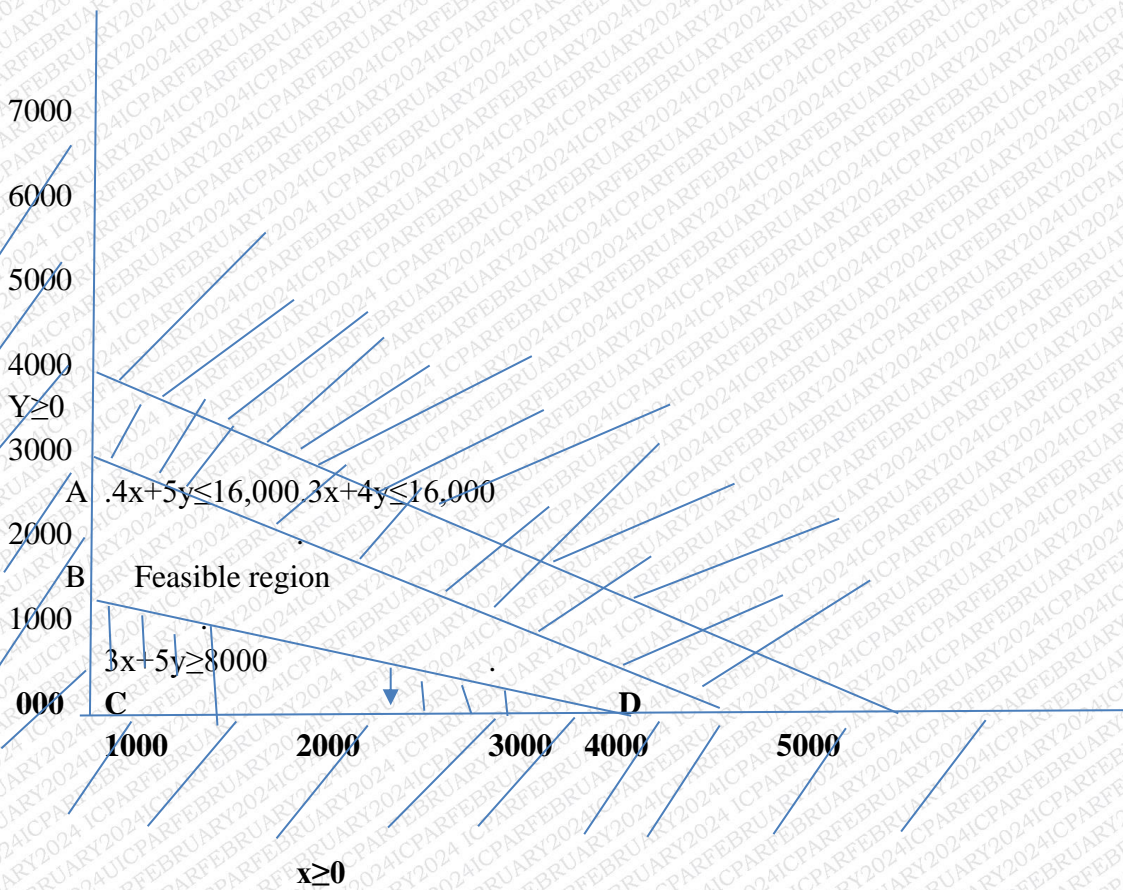
$$6. Y \geq 0$$

Coordinates

$$\begin{aligned}
 3x + 5y &= 15,000 \\
 \text{When } X &= 1000 & X &= 2000 \\
 Y &= 3000 & Y &= 2250 \\
 4X + 5Y &= 16,000 \\
 \text{When } X &= 2000 & X &= 4000 \\
 Y &= 2500 & Y &= 1000 \\
 3X + 4Y &= 8000 \\
 \text{When } X &= 1000 & X &= 2000 \\
 Y &= 1000 & Y &= 400
 \end{aligned}$$

Graph of Xeroh against Yetts

Scale X-axis 1 big square represents 1000 units
 Y-Axis 1 big square represents 1000 units



Corner point	Possible maximum contribution = 30,000X + 40,000Y
A (0,3000)	120,000,000
B (0,1250)	50,000,000
C (3000,0)	90,000,000
D (4,000,0)	120,000,000

Conclusion, either produce 3000 units of Yetts or 4000 units of Xeroh to maximize contribution.

QUESTION FOUR

Marking Guide

2 a (i)	Description	Marks	Total
	Description and uses traditional use of budgets		
	Planning	0.5	
	Controlling	0.5	
	Evaluation	0.5	
	Motivation	0.5	
	Criticism of current budgets maximum of Max of		
	Time wasting	0.5	
	Stifling	0.5	
	Protect expenditure	0.5	
	Expensive	0.5	
	Spending approval	0.5	
	No value to shareholder	0.5	
	Total		5
b	Calculation of profit in quarters	2	
	Calculation of variable cost	2	
	Comment on its picture it gives	2	
			6
c	Description of ZBB	2	
	Justification	0.5	
	Discretionary cost	0.5	
	Application in the case of Remera limited	1	
	Total		4
d	description	2	
	Current situation - internal control, separation of duties	2	
	Committees	2	
	Function of committees	3	
	Relevance to Remera	1	
	Total		10
	Total		25

Model answers

(a) Relevance of budgets

1. A budget is simply planned activity for the coming period in monetary form, it's as been argued traditionally that budget helps in achieving organization objectives and compels the management to plan. Otherwise, there would be noting to guide the management
2. Budgets are seen as a way of communicating ideas and
3. Plans to different sectors or the organization and
4. helps in coordination activities and
5. provides a means of establishing a performance evaluation
6. Budgets may also be used as a motivator to employees

Irrelevance of budgets

Those beyond budgeting argue that traditional budgeting ties management to a predetermined action. Managers are no longer innovative and adaptive. Proactive rather than reactive is what a manager needs

Traditional budgets are best suited to for centralized companies

Following reason why traditional budgeting should be rejected

1. Traditional budgeting is time consuming and expensive and distracts management from focusing on more important issues but spend a lot of time in looking at data that will not add value, it is also expensive in terms of data collection as in ZBB type of budgeting
2. Budgets are short term in nature
3. Budgets do not add value to shareholders, they are made on incremental basis rater ten on value adding activities
4. Budgets are rigid and does not conform to the current fast paced word were decisions need to be taken instantly
5. Budgets protect and do not reduce cost in that budget owners will spend after authorization
6. Budgets does not allow innovation since majority of the managers are working in a budget plan

(b) Rolling budget

Rollin budget	Q1	Q2	Q3	Q4
	FRW'million	FRW'million	FRW'million	FRW'million
Revenue	31,200	34,050	35,100	35,900
Cost of sales	17,160	18,728	19,305	19,745
Gross profit	14,040	15,323	15,795	16,155
Distribution cost	5,200	5,789	5,967	6,103

Administration cost	4,800	4,800	4,800	4,800
Operating profit	4,040	4,734	5,028	5,252

Workings: Revenue for Qtr 2 = (32,100 x 95%), Q3 = (Q2 x 95%), Q3 = (Q2 x 95%) etc

Cost of sales = 55% of revenue - Q2 = (30,195 x 55%)

Distribution is variable and relates to directly to sales revenue, at quarter 1, it's at 16% of sales and is expected to remain so for the planning period

Distribution for Q2 = (16% * 30,495)

Comments

The budget gives a more realistic picture as compared to incremental budget model, However, rolling budget will require more resource and is time, collecting relevant information to make a quarterly budget, it may consume management's time thus distracting them from more core duties

(c) Uses of ZBB to Remera limited

1. ZBB is mainly concerned with justification of every expenditure line, before management may allocate recourse to a particular activity, the person responsible for the activity must justify it with reason why the activity is necessary and present alternative ways of performance
2. After justification, resources can be allocated
3. ZBB is most appropriate where cost or expenditure is discretionary in nature and would need to be controlled
4. Remera limited may use ZBB to eliminate costs which are unnecessary, for example, they can decide if they want to stimulate sales, by offering discounts or through advertisements. Do they do their own distribution/transportation or outsource, wasteful activities will be eliminated or alternative ways of performing activities will be identified
5. Will therefore help in cost reduction

(d) Corporate governance

Corporate governance is the system by which organizations are directed and controlled, a sound system of corporate governance is capable of reducing corporate failures such as one facing Remera.

Good corporate governance would have advocated for the following at Remera;

1. Internal control

If the company had good overnice in place, they could have instituted proper internal control system that would have been able to identify any risks facing the company

2. Separation of CEO and chairman positions

Nomination committee could have advised on the accepted practice that no one person should hold both post of CEO and chairman, this absolute power makes the individual to abuse the organization just like in the case of Remera

3. NEDs with expertise and not friends

Good overnice would have supported the appointment of people with experience and who can bring fresh ideas to the organization and advice the BOD and evaluate the executive

4. Committees

Committees such as risk, remuneration, and audit should be constituted. A company is managed by the subcommittees to BOD these committees include remuneration, Audit, risk and nominate, they will cover such activities as risk management, succession plans, proper external reporting and ensuring a sound internal control system are in place

END OF MARKIG GUIDE AND MODEL ANSWERS