



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

DATE: MONDAY, 28 NOVEMBER 2022

INSTRUCTIONS:

- 1. Time Allowed: 3 hours 15 minutes (15 minutes reading and 3 hours writing).**
- 2. This examination has seven questions and only Five questions should be attempted.**
- 3. Marks allocated to each question are shown at the end of the question.**
- 4. The question paper should not be taken out of the examination room.**

QUESTION ONE

Most leaders often have difficulties in decentralizing responsibilities and prefer to do the task themselves to make sure the job gets done right. Although this method can be more expedient, it can also breed apathy among the non-involved, unmotivated members eventually resulting in the loss of confidence in the organization. Decentralization of authority can be the greatest single motivator in retaining members and strengthening the organization.

Required:

- a) **Identify any 5 advantages and disadvantages of delegation/decentralization of authority in an organization** (10 Marks)
 - b) **Using a table, show any 5 differences between leadership and management in the organization** (10 Marks)
- (Total: 20 Marks)**

QUESTION TWO

- a) **Explain Maslow's hierarchy of needs and Herzberg's Two Factor motivation theory in the organization** (10 Marks)
 - b) **Explain any 5 drivers of good communication in the organization** (10 Marks)
- (Total: 20 Marks)**

QUESTION THREE

Inshuti Supermarket Ltd

Inshuti Supermarket Ltd is a large supermarket in the capital city of Rwanda. The name is popularly known and has more market share than any of its competitors because of good reputation. They have different stores and if someone asks for a particular brand name item not available in their store, the product is ordered immediately.

If a particular product is ordered frequently by enough customers, it is added to the regular stock items. Additionally, they provide free delivery of groceries for senior citizens, check-cashing privileges for its regular customers, and extend credit to those who have filled out the necessary application after verifying their credit history.

Business expansion proposals

The owner of the supermarket is Charles Gatama, who possesses the capacity and ability to run a business venture. Over the past years, the customers approached Inshuti supermarket requesting them if they can make private stock offering. Charles is convinced that he can get many customers for private stock offering. Though one of the most difficult problems they have, was financing gap of FRW 15 million to expand the business.

Source of finance-to-finance expansion

With a successful start, the business provided him the opportunity to grow further. As the business grows, changes come in, and managing change was often a complex task especially in a dynamic and volatile business environment and this requires Charles to design strategies for managing growth.

Charles Gatama is considering all the available sources of financing, be it internal or external sources to finance business expansion.

Charles Gatama feels that the possible sources of finance to expand his business are equity, debt financing or raise funds through a venture capital company. However, he started thinking that it would be difficult to work with new investors. He is also suggesting to sell unused assets to get desired funds. While discussing this with her wife, Diane Kamaliza, advised him that internal sources of finance is the best option than looking for finance outside there.

Required:

(a) Identify and explain any 3 factors that may affect Inshuti Supermarket Business growth. (6 Marks)

(b) Examine any 3 strategies entrepreneurs may use to manage growth under the current changing environment. (6 Marks)

(c) Based on the proposed expansion, analyse and explain any 4 possible sources of finance available to Inshuti Supermarket Ltd (8 Marks)

(Total: 20 Marks)

QUESTION FOUR

Agasaro Ltd is a new company that wants to start its manufacturing activities in Rwandan market with new wine products. Agasaro wine products are made from local beetroots, banana, white and black grapes fermented. The first products have been rated 3rd among the others during the wine tasting event officially launched on Friday 10 February 2021 at Kigali Convention Center. The 24 wines company from Rwanda, France, China and Italy attended the event. These were tabled for clients including different dignitaries from different companies. The competitors of Agasaro Ltd are mostly importers of wines from South Africa, France, Italy, and Spain at a higher price. The products in Agasaro Ltd are low priced, anyone can afford to buy at least a wine of Agasaro Ltd, this enables them to target market at large.

The recent reports of regulators proved that cases related to smuggling alcohol wines increased. though they are banned by the government, rising concern over their qualities and price competitions as smuggled wines aren't taxed making them cheaper.

Guest of honor's speech from the Ministry of Trade and Export Promotion, Peter Kubaho said 'Marketing involves interacting with the society that the business serves. The product that the customer purchases is made available based on four processes known as marketing mix 'he added'. In addition to that, he pointed out that the government is supporting the initiatives of 'Made in Rwanda promotion', which aims to recapture parts of the Rwandan market from imports while improving the competitiveness of Rwandan exports globally.

The country is supporting private businesses and the manufacturing sector by reducing operational costs and helping small businesses, like Agasaro Ltd, acquire finance from the government or commercial banks. During the preliminary market research, it was found that 80% of people interviewed who drink alcohol, prefer good quality wines compared to other alcoholic drinks since they are safer than other products on the market. Again, while analysing the total number of respondents, 50% were willing to buy Agasaro products since they are locally made compared to other beers and liquors from abroad whose safety is difficult to predict.

In the country, the sale of alcohol generates revenue of over FRW 100 million per year which is worth the investment of Agasaro Ltd and it is expected to grow by 7% every year due to the growing tourism and hospitality sector that brings tourists from all corners of the world who are among the major consumers of the wines.

Agasaro Ltd wants to increase its share on the wines market. The company is expecting to develop a good marketing mix as it launches its new products on the Rwandan market whilst considering organizing well its marketing activities to achieve its business endeavors.

Required:

- (a) Examine the necessary combination of the marketing mix elements at Agasaro Ltd** (8 Marks)
 - (b) Explain any four ethical issues that may arise when a firm is marketing its products** (8 Marks)
 - (c) Explain any 2 reasons that motivate companies to act ethically in marketing.** (4 Marks)
- (Total: 20 Marks)**

QUESTION FIVE

Robert Mahoro is the corporate and strategic Manager of Rwanda Plastics Limited (RPL). The company specializes in the production and exportation of plastics products such as chairs, cups, plates, jericans, jags, among others. RPL has a special arrangement under which all imported products are branded with the company's logo and therefore sold as 'Made in Rwanda'.

In the meeting held with managers from different departments, it was observed that the organization is not meeting its targets. Several customers do not buy RPL products from supermarkets, but from hardware shops and general retail shops.

In his statement, Robert announced that careful design of a control system is needed to ensure that all employees, work teams and functional departments meet RPL objectives and targets. In such a situation the standards may need to be revised as they are based on historical data that is no longer appropriate in the current business environment.

Required:

(a) Identify and explain any 5 challenges faced by firms arising from the contemporary environment (10 Marks)

(b) Explain the role of a controlling function in an organization like RPL (10 Marks)

(Total: 20 Marks)

QUESTION SIX

At the age of 65, many people would fold their arms and wait for handouts perhaps from their children for survival as ‘Urukwavu rukuze rwonka abana barwo’ a Rwandan proverb. This is not the case for Gatabazi from Bugesera District. When he retired from formal employment in the year 2015, Gatabazi resorted to commercial fruit farming using the meager income he had received as a retirement package. Initially, two main challenges threaten his business, those are; lack of capacity to market the fruits and the farm was hit by weather changes.

Following the remarkable progress in the business, Gatabazi plans to establish a juice factory to add value to his fruits but lacked knowledge of distribution. During the general meeting, one employee advised him to outsource the distribution of the juice to the established distributors, but Gatabazi was not convinced. Fortunately, his dream of adding value to the produce coincided with the government plan to support farmers in value addition in its program ‘Made in Rwanda’ as a strategy to fight poverty. However, to benefit from the government grant, Gatabazi is required to submit a good business plan showing business prospectus.

Required:

(a) Identify and explain to Mr Gatabazi the main components to include in the marketing section of a business plan. (12Marks)

(b) Risk is neither good nor bad. It just exists, and depending on how it is managed, the outcome becomes either a hindrance or benefit. Eliminating certain risks at all costs probably creates more complications than if the risk had been managed properly in the first place.

Required:

i) Identify and explain any 4 potential risks Gatabazi business may face. (4 Marks)

ii) Propose to Mr Gatabazi any 4 mitigation measures to those risks. (4 Marks)

(Total:20 Marks)

QUESTION SEVEN

Christopher Mupenzi is a Salesperson in Rwanda Fortune Company Ltd. He has a bachelor's degree in Marketing and he is one of the company's best salesperson. It is likely that Christopher will one day become the Sales Manager if he stays with the company. But this is doubtful as his dream is to start his own business. Seven years ago, since he was hired, Christopher has managed to build a nest egg of FRW 6 million. He is now looking for a business that would require no more than FRW 10 million to get started. The rest would be used for operating expenses and to keep him going until the company becomes profitable. In the past few years, Christopher has gathered ideas by reading magazines such as entrepreneur's magazine, which reports new types of emerging businesses in Rwanda.

Required:

- (a) Identify and explain to Cristopher any 4 characteristics of business opportunities.** (8 Ma rks)
 - (b) Explain to Christopher any 6 sources of business idea for an entrepreneur.** (6 Marks)
 - (c) Examine the challenges entrepreneurs face in generating and implementing business ideas.** (6 Marks)
- (Total: 20 Marks)**

End of question paper.