



CERTIFIED PUBLIC ACCOUNTANT

ADVANCED LEVEL 1 EXAMINATIONS

A1.1: STRATEGY AND LEADERSHIP

DATE: FEBRUARY 2025

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.

SECTION A

QUESTION ONE

The National Museum

Introduction

The National Museum (NM) was established in 1857 to house collections of art, textiles and metal ware for the nation of Rwanda. It remains in its original building which is itself of architectural importance. Unfortunately, the passage of time has meant that the condition of the building has deteriorated and so it requires continual repair and maintenance. Alterations have also been made to ensure that the building complies with the disability access and health and safety laws of the country. However, these alterations have been criticized as being unsympathetic and out of character with the rest of the building. The building is in a previously affluent area of the capital city. However, what were once large middle-class family houses have now become multi-occupied apartments and the socio-economic structure of the area has radically changed. The area also suffers from an increasing crime rate. A visitor to the museum was recently assaulted whilst waiting for a bus to take her home. The assault was reported in both local and national newspapers.

Thirty years ago, the government identified museums that held significant Heritage Collections. These are collections that are deemed to be very significant to the country. Three Heritage Collections were identified at the NM, a figure that has risen to seven in the intervening years as the museum has acquired new items.

Funding and structure

The NM is currently 90% funded by direct grants from government. The rest of its income comes from a nominal admission charge and from private sponsorship of exhibitions. The direct funding from the government is based on a number of factors, but the number of Heritage Collections held by the museum is a significant funding influence. The Board of Trustees of the NM divide the museum's income between departments roughly on the basis of the previous year's budget plus an inflation percentage. The division of money between departments is heavily influenced by the Heritage Collections. Departments with Heritage Collections tend to be allocated a larger budget. The budgets for 2022 and 2023 are shown in Table 1.

Table 1: Section budget, 2022 and 2023

Collection section	Number of Heritage Collections	Budget FRW (million) 2022	Budget (FRW(Million) 2023
Architecture	2	120.00	125.00
Art	2	135.00	140.00
Metal work	1	37.00	39.00
Glass		23.00	24.00

Collection section	Number of Heritage Collections	Budget FRW (million) 2022	Budget (FRW(Million) 2023
Textile	1	45.00	47.50
Ceramics		35.00	36.00
Furniture		30.00	31.50
Print & Books		35.00	36.50
Photography		15.00	15.50
Fashion		10.00	10.50
Jewellery	1	50.00	52.50
Sculpture		25.00	26.00
Administration		60.50	63.00
Total		621.00	647.00

The head of each collection section is an important position and enjoys many privileges, including office, a special section heads' dining room and a dedicated personal assistant (PA). The heads of sections which have 'Heritage Collections' also hold the title of professor from the National University.

The departmental structure of the NM is largely built around the twelve main sections of the collection. These sections are grouped into three departments, each of which has a Director. The Board of Directors is made up of the three directors of these departments, together with the Director of Administration and the Director General. The museum is a charity run by a Board of Trustees. There are currently eight trustees, two of whom have been recently appointed by the government. The other six trustees are people well-known and respected in academic fields relevant to the museum's collections.

Government change

One year ago, a new national government was elected. The newly appointed Minister for Culture implemented the government's election manifesto commitment to make museums more self-funding. The minister has declared that in five years' time the museum must cover 60% of its own costs and only 40% will be directly funded by government. This change in funding will gradually be phased in over the next five years. The 40% government grant will be linked to the museum achieving specified targets for disability access, social inclusion and electronic commerce and access. The government is committed to increasing museum attendance by lower socio-economic classes and younger people so that they are more aware of their heritage. Furthermore, it also wishes to give increasing access to museum exhibits to disabled people who cannot physically visit the museum site. The government have asked all museums to produce a strategy document showing how they intend to meet these financial, accessibility and technological objectives. The government's opposition has, since the election, also agreed that the reliance of museums on government funding should be reduced.

Traditionally, the NM has provided administrative support for sections and departments, grouped

together beneath a Director of Administration. The role of the Director General has been a part-time post. However, the funding changes introduced by the government and the need to produce a strategy document, has spurred the Board of Trustees to appoint a full-time Director General from the private sector. The trustees felt they needed private industry expertise to develop and implement a strategy to achieve the government's objectives. The new Director General was previously the CEO of a major chain of supermarkets.

Director General's proposal

The new Director General has produced a strategic planning document showing how the NM intends to meet the government's objectives. Proposals in this document include:

1. Allocating budgets (from 2025) to sections based on visitor popularity. The most visited collections will receive the most money. The idea is to stimulate sections to come up with innovative ideas that will attract more visitors to the museum. Visitor numbers have been declining (see Table 2) since 2017.

Table 2: Visitor Numbers

Visitor Numbers (000s)	2020	2019	2018	2017
Age 17 or less	10	12	15	15
Age 18-22	5	8	12	10
Age 23-30	10	15	20	20
Age 31-45	20	20	18	25
Age 46-59	35	35	30	30
Age 60 or more	40	35	35	30
Total 120	125	130	130	130

2. Increasing entrance charges to increase income, but to make entry free to pensioners, students, children and people receiving government benefit payments.
3. Removing the head of sections' dining room and turning this into a restaurant for visitors. An increase in income from catering is also proposed in the document.
4. Removing the head of sections' personal assistants and introducing a support staff pool to reduce administrative costs.
5. Increasing the display of exhibits. Only 10% of the museum's collection is open to the public. The rest is held in storage.
6. Increasing commercial income from selling posters, postcards and other souvenirs.

The director general has also suggested a major re-structuring of the organization.

Reaction to the proposals

Employees have reacted furiously to the Director General's suggestions. The idea of linking budgets to visitor numbers has been greeted with dismay by the Director of Art and Architecture.

‘This is a dreadful idea and confuses popularity with historical significance. As previous governments have realised, what is important is the value of the collection. Heritage Collections recognise this significance by putting the nation’s interests before those of an undiscerning public. As far as I am concerned, if they want to see fashion, they can look in the high street shops. Unlike fashion, great art and architecture remains.’ The Director of Art and Architecture and the two professors who hold the Head of Architecture and Head of Art posts have also lobbied individual members of the Board of Trustees with their concerns about the Director General’s proposals.

The Director of Industrial Arts and the Director of Media and Contemporary Art have contacted powerful figures in both television and the press and as a result a number of articles and letters critical of the Director General’s proposals have appeared. A recent television programme called ‘Strife at the NM’ also featured interviews with various heads of collections criticising the proposed changes. They were particularly critical of the lack of consultation; ‘these proposals have been produced with no input from museum staff. They have been handed down from on high by an ex-grocer’, said one anonymous contributor.

Eventually, the criticism of staff and their lack of cooperation prompted the Director General to ask the Board of Trustees to publicly back him. However, only the two trustees appointed by the government were prepared to do so. Consequently, the Director General resigned. This has prompted an angry response from the government which has now threatened to cut the museum’s funding dramatically next year and to change the composition of the Board of Trustees so that the majority of trustees are appointed directly by the government. The Minister of Culture has asked the museum to develop and recommend a new strategy within one month.

Required:

- a) **Analyse the macro-environment of the National Museum using the PESTEL model.**
(20 Marks)
 - b) The failure of the Director General’s strategy has been explained by one of the trustees as ‘a failure to understand our organisational culture; the way we do things around here’.
Use the Cultural Web to assess the underlying organisational cultural issues that would explain the failure of the Director General’s strategy at the National Museum.
(10 Marks)
 - c) You have been approached by the new Minister of culture to recommend ways of segmenting the market in an effort to develop a working strategy. **Critically Analyse FOUR ways of segmenting the market so as to inform the marketing strategy to be adopted.**
(20 Marks)
- (Total: 50 Marks)**

SECTION B

QUESTION TWO

Ten years ago Emmanuel Byiza formed the Academic Recycling Company (ARC) to offer a specialized waste recycling service to schools and colleges in Kigali. The company has been very successful and has expanded rapidly. To cope with this expansion, Byiza has implemented a tight administrative process for operating and monitoring contracts. This administrative procedure is undertaken by the Contracts Office, who track that collections have been made by the field recycling teams. Byiza has sole responsibility for obtaining and establishing recycling contracts, but he leaves the day-to-day responsibility for administering and monitoring the contracts to the Contracts Office. He has closely defined what needs to be done for each contract and how this should be monitored. 'I needed to do this', he said, 'because some workers in this country are lazy and lack initiative. I have found that if you don't tell them exactly what to do and how to do it, then it won't get done properly.' Most of the employees working in the Contracts Office like and respect Byiza for his business success and ability to take instant decisions when they refer a problem to him. Some of ARC's employees have complained about his autocratic style of leadership, but most of these have now left the company to work for other organizations.

A few months ago, conscious that he was a self-taught manager, Byiza enrolled himself on a week's course with Gap Minding, a training consultancy which actively advocates and promotes a democratic style of management. The course caused Byiza to question his previous approach to leadership. It was also the first time, for three years, that Byiza had been out of the office during working hours for a prolonged period of time. However, each night, while he was attending the course, he had to deal with emails from the Contracts Office listing problems with contracts and asking him what action they should take. He became exasperated by his employees' inability to take actions to resolve these issues. He discussed this problem with his course tutors. They suggested that his employees would be more effective and motivated if their jobs were enriched and that they were empowered to make decisions themselves.

On his return from the course, Byiza called a staff meeting with the Contracts Office where he announced that, from now on, employees would have responsibility for taking control actions themselves, rather than referring the problem to him. Byiza, in turn, was to focus on gaining more contracts and setting them up.

However, problems with the new arrangements arose very quickly. Fearful of making mistakes and unsure about what they were doing led to employees discussing issues amongst themselves at length before coming to a tentative decision. The operational (field) recycling teams were particularly critical of the new approach. One commented that 'before, we got a clear decision very quickly. Now decisions can take several days and appear to lack authority.' The new approach also caused tensions and stress within the Contracts Office and absenteeism increased. At the next staff meeting, employees in the Contracts Office asked Byiza to return to his old management style and job responsibilities. 'We prefer the old Emmanuel Byiza', they said, 'the training course has spoilt you.'

Reluctantly, Byiza agreed to their requests and so all problems are again referred up to him. However, he is unhappy with this return to the previous way of working. He is working long hours and is concerned about his health. Also, he realises that he has little time for obtaining and planning contracts and this is severely restricting the capacity of the company to expand.

Required:

a) Analyse Emmanuel Byiza’s leadership style before and immediately after the training course and explain why the change of leadership style at ARC was unsuccessful.

(13 Marks)

b) Based on the facts from the case, Emmanuel Byiza’s team was going to resist the action and as a consultant, you have been approached to advise Byiza on how this can be avoided or overcome. Describe THREE ways of overcoming resistance to change and evaluate its potential application in the Contracts Office at ARC.

(12 Marks)

(Total: 25 Marks)

QUESTION THREE

Bihendutse Online Supermarket (BOS):

Bihendutse Online Supermarket (BOS) opened its first two stores in the outskirts of Kigali in 2022, selling competitively priced basic household goods and groceries. Today, BOS has over 20 branches and 2 wholesale hypermarkets; it has diversified its product lines from basic household goods and groceries to food, confectionery, toys, clothes, shoes, electronics and hardware items.

Bihendutse online supermarket (BOS) is perceived as the best to buy local items at affordable prices. The supermarket aims to become the country’s leading hypermarket. It is challenging the large foreign players in the market. BOS’ slogan “why pay more?” has struck accord with the country’s consumers from different economic backgrounds. The supermarket chain is also confident that consumers would rather support local supermarkets as opposed to the international retailers.

In order to convince the customers that the competitively priced goods are of low quality, BOS has ensured that it has maintained its appearance at the highest standards, its shelves are well stocked and labeled, supermarket aisles are well labelled, its hypermarkets and supermarkets are always clean with neat and friendly staff members.

Like other retailers who accomplish economies of scale, the supermarket purchases in bulk in order to maintain price without affecting profits. It is thus able to compete favorably with the international retailers. BOS also sources merchandise from small and medium enterprises locally and from other countries in Africa.

The supermarket supports these local and medium enterprises through its pricing arrangements and partnership contracts. BOS has thus successfully incorporated this a part of its corporate social responsibility (CSR) in the strategic plan. The CSR initiative have enhanced both internal and external organizational functions and strategic development especially in key areas such as stakeholders, corporate governance and community relations.

The supermarket has spread its wings far and wide having opened the first outlet in rural towns where competition was next to nil and operating costs were very low. Currently, it has opened stores in areas that are easily accessible to consumers such as residential areas, town centers, and the industrial area where the people who work in the industries can access, easy and affordable shopping during their lunch breaks or on their way home. The store is also placed up in market residential areas and low-income residential areas where various items have varying prices depending on the location of the supermarket.

In order to compete effectively across the country, BOS is in the process of opening seven new hypermarkets and twelve supermarkets in different locations around the country. It has also introduced a healthy foods section. Bihendutse Online Supermarket Foods (BOSF), which offers a wide range of mostly traditional meals that are ready to eat. BOSF is quickly gaining popularity especially in the urban areas where many people are becoming conscious of the healthy benefits of eating traditional foods as opposed to fast foods. Plans to introduce the BOSF in all its supermarkets and hypermarkets are under way. BOS supermarket also intends to open branches in various countries in the region.

Required:

- a) Based on the scenario, **critically assess FOUR ways you could use to market Bihendutse Online Supermarket online** (13 Marks)
 - b) **Analyse THREE strategies that BOS has used to grow and retain its market share.** (12 Marks)
- (Total: 25 Marks)**

QUESTION FOUR

JAYNNETTE Company Limited (JCL):

JAYNNETTE Company Limited specializes in the production of bespoke sofas and chairs. Its products are advertised in most quality lifestyle magazines. The company was started 10 years ago. It grew out of a desire to provide customers with the chance to specify their bespoke furniture at a cost that compared favorably with standard products available with standard products available from high street retailers. It sells furniture directly to the end customer. Its website allows customers to select the style of furniture, the wood it is to be made from, the type of upholstery used in textile pattern which can be selected by the customer. Once the customer has finished specifying the kind of furniture they want, a price is given. If this process is acceptable to the customer, then an order is placed and an estimated delivery date is given. Most dates are ten weeks after the order has been placed. This relatively long delivery times are unacceptable to some customers and so they cancel the order immediately, citing the quoted long delivery times as their reason for cancellation.

Jaynnette Company Limited (JCL) orders wood, upholstery and textiles from long-established

suppliers. About 95% of its wood is currently supplied by three timber suppliers, all of whom supplied the company in its first year of operations.

Purchase orders with suppliers are placed by the procurement section. Until last year, they faxed the purchase orders through to suppliers. They now email these orders. Recently, an expected order was not delivered because the supplier claimed that the email was not received. This caused production delays. Although suppliers like working with Jaynnette Company Limited, they are often critical of payment processing. On a number of occasions, the accounts section at Jaynnette Company Limited has been unable to match supplier invoices with purchase orders, leading to long delays in the payment of suppliers.

The sofas and chairs are built in JCL's factory. Relatively high inventory levels and relaxed production process means that production is rarely interrupted. Despite this, the company is unable to meet 45% of the estimated delivery dates given when the order was placed, due to the required goods not being finished in time. Consequently, a member of the sales team has to telephone the customer and discuss an alternative delivery dates.

Telephoning the customer to change the delivery date presents a number of problems. Firstly, contacting the customer by telephone can be difficult and costly. Secondly, many customers are disappointed that the original promised delivery dates are not met. Lastly, customers often have to agree a delivery date much later than the new delivery date suggested by JCL. This is because customers often get less than one week's notice of the new date and so they have to defer delivery to much later. This means that the goods have to remain in the warehouse for longer.

Separate delivery problem arises because of the bulky and high value nature of the product. Jaynnette Company Limited (JCL) requires someone to be available at the delivery address to sign for its safe receipt and to put the goods somewhere secure and dry. About 30% of the intended deliveries do not take place because there is no one at the address to accept delivery. Consequently, furniture has to be returned and be stored in the factory. A member of the sales staff will subsequently telephone the customer and negotiate a new delivery date but, again, contacting the customer by telephone can be difficult and costly.

Delivery of furniture is made using the company's own vans. Each of these vans follows a defined route each day of the week, irrespective of the demand.

The company's original growth was primarily due to the innovative business idea specifying competitively priced bespoke furniture. However, established rivals are now offering a similar service. In the face of this competition the managing director of Jaynnette Company Limited (JCL) has urged a thorough review of the supply chain. She feels that the costs and inventory are too high and that the time taken from order to delivery is too long. Furthermore, in a recent customer satisfaction survey there was a major criticism about the lack of information about the progress of the order after it was placed. One commented that 'as soon as JCL got my order and my money they seemed to forget about me. For ten weeks, I heard nothing. Then, just three days before my estimated delivery dates, I received a phone call telling me that my order has been delayed and that the estimated delivery dates was now 17 June. I had already taken a day off from work for 10 June, my original delivery date. I could not re-arrange this day off and so I had to agree a delivery date of 24 June when my mother would be here to receive it.'

People were also critical about after-sales service. One commented ‘I accidentally stained my sofa. Nobody at JCL could tell me how to clean it or how to order replacement fabrics for my sofa’. Another said ‘organizing the return of a faulty chair was very difficult’.

When the managing director of JCL saw the results of the survey, she understood ‘why our customer service retention rate is so low’.

Required:

- a) **Analyse the existing value chain, using it to highlight areas of weakness at Jaynnette Company Limited.** (12 Marks)
 - b) **Based on the challenges and opportunities outlined in the case study, you have been approached to advise on the options available for better streamlining of the supply chain. Evaluate how technology could be used in both the upstream and downstream supply chain to address the problems identified at Jaynnette Company Limited.** (13 Marks)
- (Total: 25 Marks)**

End of Question Paper