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**CERTIFIED PUBLIC ACCOUNTANT
ADVANCED LEVEL 1 EXAMINATIONS
A1.1: STRATEGY AND LEADERSHIP**

DATE: MONDAY 26, MAY 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

Twika Bank Limited (TBL) is a commercial bank headquartered at Remera Financial Services Center (RFSC), a financial services hub established by the government. TBL offers numerous services to its customers which include accepting deposits, advancing loans, cheque payments, handling remittances, collection and payment of credit instructions, foreign exchange, and bank guarantees among others. TBL's customers include retail customers, small to mid-sized businesses, and large corporations.

The impact of high fuel prices

High volatility in the world prices of petroleum has been a characteristic feature of the global economy in 2022. The Rwandan economy is one of the many countries that have been affected by these increasing prices of fuel.

Many of the TBL's customers have had to draw on their savings to manage high costs of living and cut back on their spending on some essential items. This has affected TBL's in various ways: reduced deposits to loan out; increased risk of default by loanees; and retrenchment of some of the bank's geographical locations. High transport costs as well as COVID-19 have meant that many customers now prefer to transact using digital alternative channels such as mobile and internet banking and nearby installed Automated Teller Machines (ATMs). TBL has had to invest in more sophisticated and secure platforms to be able to respond to this shift in customer preferences. The bank now mostly communicates with its customers via the internet and Short Message Service (SMS).

Due to a significant increase in imported gasoline costs and the poor harvest due to adverse weather and increased prices of imported agricultural inputs, the government, through the central bank, raised its lending rate by 100 basis points from 5% to 6% in August this year. As a result, TBL's loan department has reported less appetite from customers. The bank has a recorded a decline of 20% in its lending since the government's interest rate announcement.

Despite the impacts posed by the increasing fuel prices, the government has assured the public that given the various laws and policies place, the financial sector is still robust. The government spokesperson was recently quoted saying 'the government through the central bank has strict regulations to control the bank business and make the banking system less risky.'

Adapting to the millennial era

TBL is serving a market of mainly youth and a recent study reported that approximately 80% of the youth in Rwanda are literate. However, the same study reveals that most of the youth in Rwanda remain unbanked. In fact, the study suggests that about 36% of the adults in Rwanda are banked or are using banking services. Nevertheless, the enrolment to the banking sector is rapidly growing.

Having studied these trends, TBL's strategy appears to be focused on millennials and students, who prefer to carry their debit and credit cards conduct most of their transactions online. TBL anticipates that this will not only help it cut costs, but it also believes the future belongs to millennials. As most of them graduate, they will take loans to invest in businesses, finance their housing and or further studies.

Safety and climate consciousness

Due to the establishment of the Kigali International Financial Centre, a financial centre that will transform Rwanda into an international financial destination for investors seeking opportunities across the African continent, the government has gazetted a series of laws that are aimed –at ensuring the public’s money’s safety.- Although TBL collects customer information and their details, it is tied to privacy and consumer laws, which prevent it from sharing any such personal data to third parties unless it is required by law. TBL faces serious financial and legal consequences if it fails to comply with these laws.

TBL, like all banks in Remera, is required to keep tabs on its carbon footprint with help of advanced technology. TBL is encouraged to embed sustainable practices to its banking activities such as focusing on mobile banking and mobile wallets; use of credit cards and debit cards in place of paper currency notes; and use of renewable energy sources such as use of solar ATMs with rechargeable lithium-polymer batteries. The company has been further encouraged to reduce usage of harmful chemicals on machines and as cleaning agents and participate in monthly Umuganda to clean its neighborhood.

Remera Financial Services Centre (RFSC)

The government established the RFSC in 2019 with the aim of providing low transaction costs, easy access to the capital, qualified labour force, and a dynamic business eco-system to major financial institutions such as TBL. Companies that set up their headquarters in RFSC enjoy a wide range of benefits such as no Forex exchange control, no restrictions on foreign ownership or assets, 100% repatriation of profits and tax incentives for investors structuring their investments through RFSC.

Further, investors under the RFSC are granted a preferential corporate income rate and exemption from withholding tax on dividends, interest, and royalty payments. The board of TBL had been opposed to setting up its headquarters in RFSC but management convinced them in 2021. TBL’s 50% of shareholders are foreign investors.

The new product development process

In January 2022, TBL’s board of directors launched marketing research to better understand the challenges that the public has in increasing and using banking services in Rwanda. The findings revealed that small and medium-sized businesses (SMEs) struggle to access loans because of the lengthy process it takes as well as collateral securities requested by banks. TBL’s management has decided to introduce a new product branded ‘EasyLoan’ specifically for SMEs where it would take a maximum of three days to apply and secure a small loan of up to RWF 50 million. The applicant would not have to present a collateral security and there would be less paperwork to fill in addition.

However, TBL’s management on the other hand is concerned about –SMS’s adoption of –these new products -. Based on previous products launches-, some customers readily accept change while -others are more hesitant.

Required:

- a) Using the PESTEL framework, analyse TBL's macro-environment (15 Marks)
- b) Discuss the process to be followed by TBL to develop its new product to the point where it would become commercially viable (14 Marks)
- c) Using the Everett Rogers innovation adoption curve, advise TBL's management on the five groups of people when it comes to readiness to adopt a new product and their characteristics. (13 Marks)
- d) With reference to RFSC in the case study above, explain to - TBL's Board of Directors how joining the Remera Financial Services Centre is likely to benefit TBL in the long run. (8 Marks)

(Total: 50 Marks)

SECTION B

QUESTION TWO

KAMPIRE Ltd

KAMPIRE Ltd is a Rwandan software development company specializing in building custom enterprise solutions, mobile applications, and cloud-based systems. The company has positioned itself as an innovative player in the tech industry, serving businesses across finance, healthcare, and logistics sectors. While KAMPIRE Ltd has seen impressive growth, internal challenges related to team dynamics, communication breakdowns, and project management inefficiencies have impacted overall productivity and execution.

Team Dynamics: Phiona Kaneza's Team

Phiona Kaneza leads a dynamic software development team responsible for executing high-priority client projects. Her team consists of software engineers, UX designers, quality assurance testers, and project coordinators. However, the team has experienced challenges progressing smoothly through team development stages. Initially, there was enthusiasm among members, but conflicts over coding standards and project ownership soon emerged. These were mainly between junior and senior developers. Some team members became disengaged, and productivity suffered. Phiona implemented weekly check-ins and skill-based task assignments to foster collaboration, and over time, the team demonstrated better cohesion and problem-solving abilities. However, tensions occasionally resurface during high-pressure deadlines, requiring intervention to maintain team harmony. The team prepares for reassignment as their initial project nears completion.

A new payroll management system

KAMPIRE Ltd is currently developing a new payroll management system for a major financial institution. The project has been structured into the following tasks in table 4.1:

Table 4.1: Project tasks and related information

Task	Task Description	Predecessor Task(s)	Time (Days)
A	Requirement Gathering	None	1
B	System Design	A	3
C	Database Development	B	3
D	Backend Development	C	2
E	Frontend Development	C	3
F	System Integration	D, E	2
G	Testing and debugging	F	3
H	Deployment & Training	G	1

The project is set to start on 1st June 2025, and tasks will be implemented continuously, including weekends. Management is keen on understanding the expected project completion date and ensuring proper planning for future projects.

Required:

- Using Bruce Tuckman's Stages of Team Development, **analyse Phiona Kaneza's team dynamics and identify Phiona's strategies at each stage.** (12 Marks)
- Based on the provided project plan, **illustrate a GANTT chart, determine the total project duration, and advise management on the final project completion date.** (13 Marks)

(Total: 25 Marks)

QUESTION THREE

Keza and Sons Ltd

Keza and Sons Ltd is a privately owned company that was established in 2021 and it is located in the eastern province in Nyagatare district. The company deals in the manufacturing of powdered milk. From the time it was established it has never made any profits, its website is dull, sales are growing slowly, and the 40 staff the company employs appear demotivated as they have never attended any training nor have, they ever been appraised. Mrs Diane Uwera, Managing Director, is concerned with the performance of Keza and Sons Ltd and has requested the Mr Alex Nkusi, Chief Financial Officer (CFO), to monitor the present performance bidding at ensuring that it gets better in the years ahead. The CFO explained that the poor performance is influenced by several factors. 'Though we are now looking at the bottom line, it is important that we look back and figure out what has influenced this including the unhappy customers that we currently serve', the CFO highlighted. The CFO continued to explain that probably if staff are trained, it could dictate the ability to better manage the internal processes such as faster delivery and improved quality; thereby contributing to satisfying customers who have continued to blame Keza and Sons Ltd of poor-quality products yet pricing its products highly, with increased late deliveries, among other complaints. The combined benefit of this low cost/higher customer engagement will eventually contribute to increased profit and a better financial return. While reviewing and monitoring the performance of the company, the CFO realised that the Human Resource (HR) Department had not conducted any staff performance appraisal. The CFO having been an experienced HR expert some years back, he went to see Mrs Annet Linda, HR Director, to explain to her why an appraisal was important for Keza and Sons Ltd. He started by explaining the process that it requires a review of the continuous assessment against predetermined strategic objectives. He further explained that a performance appraisal is not only beneficial to the staff alone, but it also offers benefits to herself as a manager and to the company as a whole. 'For example, if an appraisal had been carried out before, staff would have been more motivated, you could easily measure changes in staff work performance, employees could have learnt a lot about themselves, as well as goals and priorities could be reinforced' he emphasized. To the employees themselves, they can be able to discuss career aspirations, identify training needs whilst receiving feedback on their performance. The HR was very surprised and vowed to immediately arrange for a performance appraisal as she also appreciated that it was beneficial to Keza and Sons Ltd too.

Required:

- Evaluate the activities (goals and measures) that Keza and Sons Ltd should focus on to improve its competitive position by use of a Balanced Scorecard Methodology. (12 Marks)**
 - Explain to Mrs Diane Uwera, Managing Director, the benefits of using a Balanced Scorecard Framework at Keza and Sons Ltd. (3 Marks)**
 - Critically analyse the benefits of conducting a performance appraisal at Keza and Sons Ltd. (10 Marks)**
- (Total: 25 Marks)**

QUESTION FOUR

NZOVU Ltd

NZOVU Ltd is a commercial bank in Rwanda, offering a range of financial services, including retail and corporate banking, digital banking solutions, loans, savings, and investment products. Established a decade ago, NZOVU has grown into a strong competitor in the Rwandan banking sector. Despite its strong customer service and innovative digital offerings, NZOVU struggles to expand its market share against dominant industry players. The bank aims to develop strategies that will help it challenge the market leaders effectively while improving its leadership approach to enhance internal performance and employee engagement.

Competition in the Banking Sector in Rwanda

The Rwandan banking sector is highly competitive, with a few large market leaders dominating the industry. These leading banks have extensive branch networks, strong brand recognition, and access to significant financial resources, allowing them to offer competitive interest rates, advanced digital services, and large-scale marketing campaigns.

NZOVU Ltd, as a mid-sized player, faces several challenges in competing with these established giants. One key issue is customer retention, as clients often prefer banks with a long-standing reputation and extensive service offerings. Additionally, market leaders frequently introduce aggressive pricing strategies and promotional incentives, making it difficult for NZOVU to attract new customers without significantly cutting profit margins. Another challenge is technological investment—while NZOVU has made strides in digital banking, its rivals continuously enhance their fintech capabilities, leaving NZOVU struggling to keep up.

Despite these hurdles, NZOVU has unique strengths, including personalized customer service, niche banking products, and a growing base of loyal customers. To strengthen its market position, the bank must carefully select an attack strategy that enables it to compete effectively with the larger players.

Leadership at NZOVU Ltd

NZOVU Ltd's leadership is characterized by a results-driven culture, emphasizing performance metrics and competitive growth. The senior management team consists of experienced banking professionals who prioritize efficiency, cost control, and revenue generation. The bank's leadership is highly focused on financial targets and operational excellence, often placing high expectations on employees to meet performance quotas. Decision-making is primarily centralized, with top executives dictating strategic directions while middle managers implement these directives with limited autonomy.

Employee relations within the organization are influenced by a structured hierarchy, where communication flows mainly from top to bottom. While NZOVU has a skilled workforce, the leadership style sometimes leads to high-pressure work environments, with employees feeling constrained in terms of innovation and decision-making. Training and development programs exist, but career advancement opportunities are often tied strictly to performance outcomes. Although customer service is a priority, internal dynamics sometimes result in a focus on short-term gains rather than long-term employee engagement and development.

The bank's leadership recognizes the need for strategic change, both in how it competes in the market and how it leads its workforce. There is growing awareness of the need to adopt a more balanced leadership approach that fosters both productivity and employee satisfaction.

Required:

- a) Evaluate FIVE major market-challenger attack strategies that could be used by NZOVU Ltd to achieve competitive advantage over market leaders. (13 Marks)
 - b) Recommend the most suitable strategy for NZOVU and justify your choice. (2 Marks)
 - c) Using the Leadership Grid by Robert R. Blake and Anne Adams McCanse, identify and examine the leadership style applied by NZOVU Ltd's management. Suggest improvements that could enhance both performance and employee engagement. (10 Marks)
- (Total: 25 Marks)**

End of Question Paper