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CERTIFIED PUBLIC ACCOUNTANT
ADVANCED LEVEL 1 EXAMINATIONS
A1.1: STRATEGY AND LEADERSHIP
DATE: MONDAY 24, AUGUST 2026

INSTRUCTIONS:

1. Time Allowed: **3 hours 45 minutes** (15 minutes reading and 3 hours 30 minutes writing).
2. This examination consists of two sections: A and B.
3. Section A contains one compulsory question. Section B contains three optional questions; attempt any two.
4. In total, attempt three questions.
5. The marks allocated to each question are shown at the end of that question.
6. The question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

KAGARARA Ltd: Sustaining Growth in a Changing Food Processing Industry

Background

KAGARARA Ltd is a privately owned food processing company located in Kicukiro District, Kigali. The company was established in 2012 by three Rwandan entrepreneurs with the objective of adding value to locally produced agricultural products while creating reliable markets for smallholder farmers. Over the years, the company has expanded from processing dried fruits into a wider range of consumer products sold through supermarkets, wholesalers, schools, hotels and retail shops across Rwanda. It has also started exporting selected products to neighbouring countries through regional distributors.

The company currently operates three strategic business units. The first produces dried fruits, including pineapple, mango and banana products that have been on the market for several years. The products are widely recognised by consumers and enjoy strong relationships with major retailers. The business unit holds a strong relative market share and is regarded as one of the leading local suppliers. Sales have remained relatively stable over the last four years despite increasing competition and only modest growth in the dried fruit market.

The second business unit manufactures packaged fruit juices under the "Ishema" brand. Demand for packaged fruit juices has increased significantly because of changing consumer lifestyles, rising urbanisation and growing preference for healthier beverages. Although the market continues to expand, KAGARARA Ltd entered this segment only three years ago. The business unit has gained several distribution contracts, but its relative market share remains low and it continues to compete with well-established local and imported brands that dominate supermarket shelves. Management believes there is considerable room for expansion if the company can increase product availability and improve operational efficiency.

The third business unit produces premium organic fruit snacks targeting tourists, specialty stores and export markets. Although the products have received positive feedback for quality, demand has remained relatively low due to their premium pricing and limited customer awareness. The niche market is small and has shown little growth. Sales have declined slightly over the last two years despite continued investment in product development and marketing.

The Managing Director recently informed the Board that the company cannot continue allocating investment equally across all business units. Directors agreed that future investments should be prioritised according to the long-term contribution of each business unit to the company's growth and profitability.

Building an Efficient Business

KAGARARA Ltd purchases most of its fruits directly from farmer cooperatives in Eastern, Southern and Northern Provinces. The company has invested in long-term supply agreements with several cooperatives and regularly provides training on harvesting techniques and quality standards. This has improved the consistency of raw materials received throughout the year.

The production facility in Kicukiro uses modern processing equipment capable of handling large production volumes. However, management reports indicate that the equipment is not fully

utilised during several months of the year because production planning depends heavily on seasonal supply patterns. At the same time, machine downtime has reduced significantly after introducing preventive maintenance schedules.

To improve inventory management, the company recently implemented an integrated inventory management system linking procurement, production and warehouse operations. This has reduced stock losses and improved order fulfilment. However, transport costs continue to increase because products are distributed using several small deliveries instead of consolidated shipments.

The company's marketing activities mainly focus on participation in trade exhibitions, supermarket promotions and social media campaigns. While customer awareness has improved, management believes promotional expenditure is increasing faster than sales revenue in some product lines.

Customer service has become one of the company's strengths. The company responds quickly to customer complaints, replaces damaged products without lengthy procedures and maintains close relationships with major distributors. Repeat orders from existing customers account for approximately 70% of annual sales.

The Human Resource Manager reports that employee turnover remains low because staff receive regular technical training, performance-based bonuses and opportunities for career development. Employees are encouraged to suggest improvements in production processes through monthly innovation meetings, several of which have resulted in measurable reductions in waste.

Balancing Expectations

As KAGARARA Ltd has expanded, it has attracted increasing attention from different groups with varying expectations.

The company's shareholders expect continued growth in profitability while maintaining prudent investment decisions. During the last Annual General Meeting, some shareholders questioned whether management was spreading investment too widely across business units instead of concentrating resources where future returns appeared strongest.

Farmer cooperatives rely heavily on KAGARARA Ltd as a dependable buyer of fresh fruits. They have requested longer-term purchasing commitments because this would encourage farmers to invest more confidently in expanding production. Management recognises the importance of maintaining these relationships but is concerned about fluctuations in market demand.

Commercial banks have financed part of the company's factory expansion. Although loan repayments have remained up to date, the banks have recently requested stronger evidence that future investment projects will generate sustainable cash flows before extending additional credit facilities.

The Rwanda Food and Drugs Authority (RFDA) continues to strengthen food safety and product quality requirements. Compliance inspections have become more frequent, requiring additional investment in quality assurance systems, staff training and product traceability.

Large supermarket chains and wholesale distributors increasingly expect reliable product availability, competitive pricing and consistent product quality. Some retailers have indicated

that failure to supply products on time may result in shelf space being allocated to competing brands.

Preparing for the Next Phase

The Board recently held a strategic planning retreat to discuss the company's future direction. Directors agreed that competition in the processed food industry is expected to intensify as more domestic manufacturers expand production while imported products continue entering the Rwandan market.

Several Board members argued that future success would depend less on introducing premium products and more on improving operational efficiency throughout the business. They noted that many consumers remain highly price-sensitive despite growing demand for processed foods. Others observed that the company already possesses production capacity that is not fully utilised, experienced employees, established supplier relationships and efficient internal systems that could support higher production volumes without proportionate increases in operating costs.

Management is therefore reviewing alternative strategic options that will strengthen the company's competitive position while ensuring that limited financial resources are allocated to business units capable of creating sustainable value.

Required:

a) Using Porter's Value Chain model, **analyse the internal value chain of KAGARARA Ltd and evaluate how its activities contribute to the company's competitive advantage and recommend FOUR improvements that would strengthen its competitive position.** (20 Marks)

b) Using an appropriate stakeholder mapping model, **analyse the key stakeholders of KAGARARA Ltd and recommend appropriate management approaches for each stakeholder.** (13 Marks)

c) Using the BCG Matrix, **classify each of KAGARARA Ltd's three strategic business units and recommend and justify an appropriate corporate-level strategy for each business unit.** (9 Marks)

d) **Recommend and justify the most appropriate business-level competitive strategy that KAGARARA Ltd should pursue to strengthen the long-term competitiveness of its packaged fruit juice business unit.** *Hint: Use Michael Porter's Generic Strategies.* (8 Marks)

(Total 50 Marks)

SECTION B

QUESTION TWO

NIKITA Ltd: Leading Through Change in Rwanda's Tourism Industry

Responding to a Changing Environment

NIKITA Ltd is a privately owned eco-tourism and hospitality company located in Musanze District. Established in 2015, the company initially operated a small eco-lodge serving mainly international tourists visiting the Volcanoes National Park. Over time, it expanded its operations to include guided nature walks, cultural tourism experiences, conference facilities and transport services for visitors. The company works closely with local communities, tour operators and conservation agencies to promote sustainable tourism while contributing to local economic development.

In its early years, the company prepared detailed five-year strategic plans based on projected tourist arrivals and expected market growth. However, management soon realised that changes in customer preferences, government tourism initiatives and regional travel patterns were occurring more rapidly than anticipated. As a result, several planned projects were delayed or replaced by new initiatives that emerged from customer feedback, employee suggestions and opportunities identified during operations.

For example, after receiving repeated requests from visitors for authentic cultural experiences, NIKITA Ltd partnered with nearby communities to develop village tours, traditional cooking experiences and local craft exhibitions. These activities were not part of the company's original strategic plan but have become some of its most popular tourism products.

Similarly, when domestic tourism increased during periods of lower international arrivals, management introduced affordable weekend packages targeting Rwandan families and corporate team-building events. More recently, several visitors requested environmentally friendly accommodation and digital self-service facilities. Rather than waiting for the next strategic planning cycle, management gradually introduced solar-powered facilities, digital booking systems and paperless customer registration. Many of these initiatives began as small pilot projects before being expanded after receiving positive customer responses.

The Managing Director believes that the tourism industry changes too quickly for every decision to follow a detailed long-term plan. Consequently, departmental managers are encouraged to propose new ideas whenever they identify opportunities that improve customer experience or operational performance. Senior management evaluates these proposals regularly before deciding whether they should be expanded across the business.

Managing Organisational Growth

As NIKITA Ltd has grown, the number of employees has increased from 18 to more than 120. Staff now work in accommodation services, transport operations, tour guiding, catering, marketing and administration. While growth has created new opportunities, it has also introduced several management challenges.

Employees recruited from different backgrounds often apply different service standards, leading to variations in customer experience. Some experienced employees prefer established working methods and are hesitant to adopt recently introduced digital systems. Departmental managers

occasionally make decisions independently without adequately informing other departments, resulting in misunderstandings during customer bookings and event planning.

Customer expectations have also changed significantly. Visitors increasingly expect rapid responses to enquiries, personalised services and seamless digital interactions before and during their stay. Although customer satisfaction remains generally positive, online reviews occasionally highlight inconsistent service quality during busy tourist seasons.

The company has invested in environmentally sustainable operations, including waste management, renewable energy and responsible tourism practices. However, these initiatives require additional financial resources, and some managers question whether all proposed sustainability projects should be implemented immediately.

Innovation has become increasingly important as competitors introduce new tourism experiences and digital services. Although employees regularly suggest improvements, not all ideas receive timely evaluation, causing some staff to feel that their contributions are overlooked.

At the same time, the Finance Manager has expressed concern about rising operating costs associated with expansion into new tourism services. While revenues continue to grow, management recognises the importance of carefully balancing investment in innovation, employee development and environmental initiatives with the company's long-term financial sustainability.

The Board believes that the company's continued success will depend not only on identifying new business opportunities but also on providing leadership capable of aligning employees, resources and organisational priorities with the company's long-term direction.

Required:

a) Analyse the approach to strategy development adopted by the management of NIKITA Ltd. Justify your answer and discuss the advantages of using this approach in the context of the company. (11 Marks)

b) Evaluate the leadership challenges facing NIKITA Ltd and recommend how effective strategic leadership could address these challenges to support successful implementation of the company's strategy. (14 Marks)

(Total 25 Marks)

QUESTION THREE

HASO Ltd: Strengthening Internal Communication and Building Organisational Capability

Supporting Business Growth

HASO Ltd is a Rwandan-owned manufacturing company located in Nyagatare District. Established in 2016, the company manufactures paving blocks, concrete pipes, kerbstones and precast concrete products supplied to contractors, property developers and government infrastructure projects across Rwanda. Increased investment in housing and road construction has enabled the company to expand steadily, and it now employs over 180 employees working in production, procurement, sales, finance, logistics and administration.

As the company has grown, management has recognised that effective communication is becoming increasingly important. Delays in information sharing have occasionally affected production schedules, customer service and coordination between departments. During a recent management meeting, the Chief Executive Officer (CEO) requested each departmental head to review how information is communicated within the organisation to ensure that messages reach the right people through the most appropriate channels.

The Production Manager recently discovered that one of the concrete mixing machines had developed a fault that could interrupt production if not addressed immediately. The Maintenance Supervisor was working at another production site several kilometres away.

During the same week, the Procurement Manager completed negotiations with a new cement supplier that offered improved pricing and delivery terms. The agreement required formal approval from the Chief Executive Officer before implementation, and supporting documents needed to be retained for future reference.

The Human Resources Manager also planned to remind all employees about revised workplace health and safety procedures following the installation of new production equipment. The information was intended for every employee within the factory and administrative offices.

Meanwhile, the Finance Director requested a detailed analysis explaining why production costs had increased by 12% during the previous quarter despite relatively stable production volumes. The report would be presented during the next Board meeting to support future cost management decisions.

In another situation, a long-standing customer telephoned the Sales Manager to report that a delivery scheduled for earlier that morning had not arrived at the construction site. The customer explained that any further delay would interrupt construction activities and requested an immediate update on the delivery status. The customer is due to visit HASO Ltd the following day for a meeting with another department.

Management believes that selecting appropriate communication channels in these situations will improve operational efficiency, decision-making and relationships with both employees and customers.

Recruiting a New Accountant

HASO Ltd recently advertised the position of Accountant following the promotion of the previous position holder to Finance Manager. The successful candidate will support financial reporting, budgeting, statutory compliance, payroll processing and inventory accounting while working closely with production and procurement departments.

The Human Resources Department developed the following person specification for the position.

Selection Criterion	Minimum Requirement
Academic qualification	Bachelor's degree in Accounting, Finance or related field
Professional qualification	CPA Rwanda Intermediate Level, or an equivalent professional level, completed
Relevant experience	At least three years' accounting experience in a manufacturing or similar environment

Selection Criterion	Minimum Requirement
Technical skills	Good knowledge of accounting software, Microsoft Excel and inventory accounting
Personal attributes	Good communication skills, integrity, analytical ability and teamwork

Following interviews, four candidates were shortlisted.

Alice Mukamana holds a Bachelor's degree in Accounting and has completed CPA Rwanda Intermediate Level. She has four years' experience as an accountant in a manufacturing company producing plastic packaging materials. She is highly proficient in Microsoft Excel, Sage accounting software and inventory costing systems. Her previous employer described her as dependable, analytical and an effective team player.

Eric Habimana holds a Bachelor's degree in Finance and has completed ACCA Skills Level (middle level). He has six years' accounting experience working in a wholesale trading company. He demonstrates strong Excel skills and has worked with QuickBooks. His referees describe him as confident, hardworking and possessing good communication skills. However, he has limited exposure to manufacturing accounting.

Diane Uwase holds a Bachelor's degree in Accounting and is a fully qualified CPA Rwanda member. She has three years' experience working in a construction company where she prepared financial statements, managed payroll and monitored project costs. She is experienced in ERP accounting systems, Microsoft Excel and budgeting. Her previous supervisor describes her as highly ethical, innovative and capable of working independently while supporting colleagues.

Patrick Nshimiyimana holds a Bachelor's degree in Accounting and has completed CPA Rwanda Foundation/Technical Level. He has five years' accounting experience in a manufacturing company producing steel products. He has extensive experience using SAP, Microsoft Excel and inventory management systems. His previous employer commended his commitment, honesty and ability to work under pressure, although they noted that he sometimes required additional guidance when preparing complex financial reports.

The Chief Financial Officer (CFO) has requested the Human Resources Manager to evaluate the shortlisted candidates objectively before recommending one candidate for appointment.

Required:

a) For each of the FIVE communication situations described in the case, **recommend the most appropriate communication channel. Justify your recommendations with reference to the characteristics of each communication channel.** (13 Marks)

b) Using the person specification provided:

i) Prepare a suitable candidate assessment table by scoring each shortlisted candidate on a scale of 1 (lowest) to 5 (highest) against each selection criterion.

ii) Rank the candidates based on their total scores.

iii) Recommend the most suitable candidate for appointment with a clear justification.

iv) Draft an email from the Human Resources Manager to the Chief Financial Officer communicating your recommendation and the reasons for your choice. (12 Marks)

(Total 25 Marks)

QUESTION FOUR

NYANJA Ltd: Managing Strategic Growth and Project Implementation

Expanding Manufacturing Capacity

NYANJA Ltd is a Rwandan pharmaceutical manufacturing company located in Muhanga District. Established in 2018, the company manufactures a range of essential medicines supplied to hospitals, pharmacies, wholesalers and government health programmes across Rwanda. Demand for locally manufactured pharmaceutical products has increased steadily due to government efforts to strengthen domestic manufacturing and reduce dependence on imported medicines.

Following several years of growth, the Board approved the introduction of a new pharmaceutical packaging production line. The new line is expected to improve production capacity, reduce packaging costs and enhance compliance with international quality standards. Management considers the project critical because it will support future expansion into regional markets within the East African Community.

The Operations Director has prepared the following project activities.

Task	Task Description	Predecessor Task(s)	Duration (Days)
A	Prepare production area	None	4
B	Install packaging equipment	A	6
C	Configure and test equipment	B	3
D	Train production staff	C	2
E	Commission the production line	C and D	2

The project is scheduled to commence on Monday, 5 October 2026. Management expects the project to be completed as efficiently as possible without compromising quality or regulatory compliance. Project activities are undertaken seven days a week.

Preparing for Regional Expansion

In addition to increasing production capacity, NYANJA Ltd intends to launch a new range of pharmaceutical products in several East African Community countries over the next three years. The expansion will require compliance with different regulatory requirements, investment in additional manufacturing capacity, establishment of new distribution partnerships and closer collaboration between production, finance, marketing, quality assurance and regulatory affairs.

The Chief Executive Officer (CEO) recognises that the expansion will represent one of the most significant strategic changes in the company's history. Several senior managers have different views regarding the pace of expansion, priority markets and resource allocation. Some employees are enthusiastic about the opportunity, while others are concerned that rapid growth could increase workloads and disrupt existing operations.

The Board has also emphasised the importance of maintaining the company's reputation for quality, ethical conduct and regulatory compliance while entering new markets. External stakeholders, including regulators, healthcare providers, suppliers and development partners, are expected to take a keen interest in the company's expansion plans.

The CEO believes that the success of the strategy will depend not only on selecting appropriate strategic options but also on providing effective leadership throughout the strategy formulation and implementation process.

Required:

a) Using the information provided:

i) Briefly explain a Gantt chart and illustrate the project activities using an appropriate Gantt chart. (7 Marks)

ii) **Advise management on the total project duration and the expected project completion date.** (4 Marks)

b) Evaluate how the Chief Executive Officer should apply effective leadership during the formulation and implementation of NYANJA Ltd's regional expansion strategy. (14 Marks)

(Total 25 Marks)

End of Question Paper

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