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

**DATE: NOVEMBER 2025**  
**MODEL ANSWERS**

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## QUESTION ONE

### Marking guide

<b>Qn</b>	<b>Description</b>	<b>Marks</b>
a)	Managerial failures (award 0.5 Mark for each correct management failure/issue identified and award 0.5 Mark for each correct explanations given, Max. 5 Marks i.e at least five (5) management failures should be listed and discussed).	5
b)	Managerial contributions to the success (award 0.5 Mark for each correct contribution identified and award 0.5 Mark for each correct explanations given, Max. 5 Marks i.e at least five (5) arguments should be listed and discussed).	5
c)	Challenges to the organizational success (award 0.5 Mark for each correct challenges identified and award 0.5 Mark for each correct explanations given, Max. 5 Marks i.e at least five (5) challenges should be listed and discussed).	5
d)	Advice for the organizational success of INYANA LTD (award 0.5 Mark for each correct advice identified and award 0.5 Mark for each correct explanations given, Max. 5 Marks i.e at least five (5) advice should be listed and discussed).	5

**Total Marks 20**

### Detailed answers

#### a) Issues in management of INYANA Ltd

##### 1. Poor management of human resources

The company is facing a law suit from one of its employees which indicates that the management has failed to maintain legal requirements in dealing with its employees. Employees are the core stakeholders of the company and contribute to the success of the organisation. Secondly, it is noted that the company's retention ratio is poor since the staff turnover stood at 35%, this implies that experienced staff moved out with the necessary skills at the disadvantage of INYANA Ltd success.

##### 2. Poor management of financial resources

The company is facing liquidity issues due to wasteful spending. It is envisaged that the company has been fined FRW 200 Million due to noncompliance with tax laws. Furthermore, the management has not managed to secure other sources of finances to boost up liquidity. This forms

a serious risk, since the company may face a litigation issue from creditors, suppliers, and others whose invoices are due.

### **3. Financial and operational inefficiencies**

It is noted that the company's costs of sales had an increase of 40% while sales increased by 2% only. This means that the company is not efficient and productive. The principle is that management should increase revenues and minimize expenses which is contrary to INYANA Ltd. The company is importing expensive raw materials from Kenya and impressive marketing packages from Netherlands which worsened the financial performance due to foreign exchanges losses.

### **4. Noncompliance**

The management has demonstrated carelessness in handling compliance issues. It is clear that one of the staff has been terminated unlawfully and hence the increase in staff turnover. There is also noncompliance with quality standards which held the factory operational due to poor management. The company was noncompliant with tax laws and also incurred a wasteful expenditure of FRW 200 Million. Lastly, the company is facing a lawsuit by its customer due to substandard goods delivered to him.

### **5. Poor customer service and marketing strategies**

The company has provided poor customer service to its customers. One of its dealers went to court bidding at receiving back its rights. In actual sense, a customer should be treated with attention and care and in case of any concern, it should be attended to in due course. However, it has now reached the court level which seems management did not care much.

Having sales increase by 2% only, is a clear indication that the business of the company is questionable. This indicates that there is a poor marketing strategy in the company which is required to boost up its sales.

### **6. Weak internal control system/weak monitoring**

The internal control of the company is weak. There is no systematic way of identifying issues in INYANA Ltd and solve them in due course. The internal audit function of the company is not functioning well. It seems it is not flashing out issues for management attention or management does not care much about the implementation of raised issues.

### **7. Poor stakeholders' management**

The company has not properly managed its stakeholders. It is noted that in the case study customers are mistreated, regulators (tax authority, standards office) were also concerned about the practices in INYANA Ltd.

### **8. Lack of strategic planning**

Since 2010, the company has been loss making and no precise management decision was taken. The Board tasked the Managing Director to come up with an action plan which means that the

management had no idea of which plan to undertake. A strategic plan is needed here to act as road map to the organizational success of INYANA Ltd.

## **9. Lack of staff training and development**

The company faced a huge loss of FRW 200 emanating from the non-declaration and payment of customs duties as a result of employees' lack of skills of an accountant about custom taxes. The management should invest in its employees to sustain the company to perform better.

## **10. Poor quality management**

There is no consistent quality management within the organisation. The company operations were halted for 3 months while addressing quality issues identified by the Quality Standards Office. It is envisaged that an insufficient increase of 2% only in sales might be due to poor quality products that do not appeal to customers.

### **b) Contribution of management to the success of INYANA Ltd**

#### **1. The accomplishment of organizational goals**

Management achieves the organizational goals by properly planning organization. The success of any business organization depends on the extent of its effective and efficient attainment of the predetermined objectives or goals by properly utilizing its human and physical resources and facilities, and by copying well with its external stakeholders such as consumers, suppliers, competitors, etc.

#### **2. To run large-scale industry smoothly**

Business administration and management plays a big role in running successful a large scale enterprise by overcoming large problems face by large businesses with the help of business administration and management. Consequently, the business enterprise can carry out the production easily and can manage the proper distribution of goods and services.

#### **3. Proper running of the business**

Management successfully leads and motivates workers to perform their duties and responsibilities.

#### **4. Designing of good organizational structure**

People in an enterprise must be properly well constituted into purposeful groups in order to create cooperation and co-ordination to be able to contribute effectively and efficiently towards the achievement of group goals and ultimately the business subjective. In order to establish proper control positions and clear relationships between and amongst staff management should design the required structure and fill the created positions with right persons.

#### **5. Creation of proper organization climate**

The good working climate is a must for people to perform their tasks and responsibilities enthusiastically and economically. Managers create proper organizational climate by establishing an effective reward system.

## **6. Creating and maintaining co-coordinating**

Facilitates people in the organization to perform their linkages with one another. Such scattered activities and

efforts shall result in all futile exercises. Productivity will be hampered and the results shall be disappointing and more so objectives shall remain unattained. Hence proper integration of physical resources and people is a must for a successful business. Management acts as the force that integrates ideas and physics resources for creating and maintaining human and material resources towards the achievement of organizational objectives.

## **7. Reduces Costs**

It gets maximum results through minimum input by proper planning. Management uses physical, human and financial resources in such a manner that it results in the best combination. This helps in cost reduction.

## **8. Prosperity of Society**

Efficient management leads to better economic production which in turn is beneficial for the welfare of the people. Good management makes a difficult task easier by avoiding wastage of scarce resources. It improves the standard of living and also increases profits which is beneficial to business and society at large.

## **9. Optimum Utilization of Resources**

Management utilizes all the physical and human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use. It makes use of experts and professionals, their services and optimum use of their skills and knowledge, thus avoiding wastage of any kind. If employees and machines are producing to their maximum potential, there would not be under employment of any resource.

### **c) Challenges to organizational success in INYANA LTD**

#### **1) Lack of skills**

It is noted that the company is facing the challenge of lack of skills. Evidently, the company has suffered losses as a result of incompetent skills. It is envisaged that the company has imported some technical staff from India as a result of lack of necessary skills in the country. It seems the top management of the company is also incompetent since the Board pushed for an action plan for long lasting issues that needed immediate management action.

## **2) Staff turn over**

The company has faced a high staff turnover as a result of poor human resources management. Staff turnover means loss of experienced staff who are used to the operational model of the company and hence the company will incur recruitment costs for new staff alongside related training costs for integration.

## **3) Market competition**

The company is facing a competition threat, it has been loss making and hence losing competitiveness. The low productivity of INYANA Ltd is at the success of its competitors. The management has not built competitive advantage over its rivals.

## **4) Lack of raw materials**

The company lacks sufficient raw materials to operate at full capacity. It is importing raw materials and packaging materials abroad. This hinders the organizational success through inefficiencies.

## **5) Limited financial resources**

The company is facing liquidity issues. This implies that the company should source out adequate capital and borrowings for its expansion. The company has been loss making since 2010, which means that accumulated losses have depleted owner's share capital within the company.

## **6) Technological changes**

The company is operating in a technologically advanced environment. The automation of machineries could help the company to minimize the operational costs and lead it into profit making and sustainability.

## **7) Complex regulatory environment**

The company is involved in milk production and the quality standard audits have recommended some improvements in the quality management and the company has been non-operational for the last 3 months addressing quality issues. As a manufacturing company, Inyana Ltd is bound to comply with a number of laws and regulations. The company imports raw materials and labor and hence is bound to complex taxation issues that need keen consideration.

## **8) Economic pressures**

The company is facing difficult economic conditions whereby the currency is fluctuating against hard currencies and hence the company is incurring foreign currency losses on its imported materials and labor.

## **d) Course of actions that should be undertaken by INYANA Ltd management**

## **1) Training and development**

The management should have a clear plan on developing internal human resources. The accountants should be equipped with taxation and accounting skills needed to perform the company's operations. Instead of importing skills, the company should lay out a plan to develop local talents sustainably.

## **2) Sourcing raw materials locally**

INYANA Ltd should have a clear plan for mobilizing local raw materials in the countries to minimize imported inefficiencies. It is suggested that the company should partner with local farmers and bleeders to produce quality milk instead of importing from outside. The company should also work on reducing packaging costs by leveraging on quality milk produced rather than leveraging on quality/impressive packaging materials.

## **3) Compliance with laws and regulations**

As a manufacturing company operating in complex environment, it is highly recommended for the company to have a clear plan on compliance with underlying laws and regulation. The company should deploy a compliance officer to advise on a couple of laws and regulations in place for enhanced compliance. The internal audit is also needed for timely identification of weaknesses and timely response to the identified weaknesses.

## **4) Embracing customer service and marketing**

The company is facing a lawsuit from one of its dealers, this dictates that the management need a clear plan on improving customer service. Good marketing starts with addressing client's concerns in due course. Aggressive marketing tactics are needed to boost the company's sales.

## **5) Costs minimization and optimum utilization of resources**

INYANA Ltd is working through inefficiencies and experiencing underutilization of resources. This implies that management should work on minimizing unnecessary costs/spending. Expensive inputs should be replaced by affordable inputs. Expatriates should be replaced by trained local talents to minimize labour costs.

## **6) Innovation**

The company should invest in innovative technology that boosts effective and efficient productivity. Secondly innovation should match clients tastes and preferences. Having sales increase by 2% only indicates that the company's products are expensive and hence low sales.

## **7) Staff motivation**

The company should concentrate also on motivational programs towards retaining talents. Having 40% turnover ratio is a big issue that contributed to the loss of experienced staff hence declining

company's productivity. Staff motivation programs should include both monetary and nonmonetary motivation initiatives.

### **8) Strategic planning**

The management of INYANA Ltd should lay down a strategic plan for at least five (5) years on how to turnaround the company. This will set down a roadmap for management action.

## **QUESTION TWO**

<b>Qn</b>	<b>Marking guide</b>	<b>Marks</b>
a)	Advantages of outsourced marketing (Award 1 Mark for each correct identified benefits, Award 1 Mark for each correct explanations, max. 4 Marks i.e at least 2 advantages should be identified and explained ) Disadvantages of outsourced marketing (Award 1 Mark for each correct identified benefits, Award 1 Mark for each correct explanations, max. 4 Marks i.e at least 2 advantages should be identified and explained )	4
b)	Unethical marketing practices as per marking mix (Award 1 Mark for each correct marketing mix identified and explained, Award 1 Mark for each correct unethical marketing practice identified and Award 1 Mark for correct argument on the unethical act, max. 12 Marks i.e at least 4 Marketing mixes should have 1 unethical act with clear explanations of the practice indicating how it affects other stakeholders)	12
		<b>Total Marks 20</b>

### **Detailed answers**

#### **a) Advantages of outsourced marketing**

##### **1) Reduced costs and time saving**

Outsourcing marketing initiative brings about efficiency within an organisation. It saves time and money for recruiting internal marketing staff and other staff costs like salaries, transport, mission allowances and other related costs.

##### **2) Provides ample time to focus on operations**

Outsourced marketing provides sufficient time to management to focus more on the core mission of the company. The management will focus more on quality production or product development

instead of focusing more on marketing activities. It will provide peace of mind to the management and hence focus more on core production of ISHEMA manufacturers.

### **3) Leveraging on outsiders' competitive advantage**

Outside marketing agencies work with different companies and each team has differentiated skills. Giving them a contract to market the products will help the company to leverage on their competitiveness. Some marketing agents have built capacities or brand within their communities and hence outsourcing marketing to them will help in brand awareness of the products.

### **4) Prevention of legal risks**

Outsourced marketing is documented in a contract between ISHEMA Manufacturers and the marketing agent. Key provisions of the contract should be precise in the contract to protect the interests of the company. In case of unethical act, the agent might be responsible depending on the contract with him/her.

## **Disadvantages of outsourced marketing**

### **1) Confidentiality breach**

With outsourced marketing, the internal company information is availed to outsiders. The marketing agents will request some inside information related to the products and the company may expose its trade secrets to the outsiders.

### **2) Overdependence to outsiders**

Outsourcing marketing will lead to dependence over marketing agents. The success of the marketing will depend on how the marketing agents are working. If they are lazy or careless it will go slowly and hence affecting the organisational success of the company.

### **3) Outsourced marketing requires negotiation powers.**

The outside marketers sometimes are expensive, to earn benefits to the company requires company management to negotiate down the marketing agents so that the marketing costs are minimized.

### **4) Outsourced marketing may perform below expectations**

Outside marketing agents are independent and it is not easy to measure their contribution to the products awareness to the public. The company might be blinded with external expertise and competitiveness yet marketing agents are overwhelmed with other businesses.

**b) Unethical marketing practice**

Marketing mix	Description of marketing mix	Unethical marketing practice	Description of unethical act
PRODUCT	Designing products of a high quality and high perceived value-added is a vital part of any business. Marketers must communicate with consumers and constantly adapt the products to meet changing market demands.	Producing unhealthy products Lying on the ingredients of the product Lying on the functionalities of the product	Producing unhealthy products can cause issues for the company. It can cause loss of lives. It is advised to produce healthy products for customers. The ingredients of the products should be clear to the clients. Functionalities of a product should be clear and not deceptive.
PRICE	The main issues around price include how price can be used as a competitive tool, what are the determinants of price and what pricing methods can be used.	Bid rigging, Supra pricing Price fixing, Price skimming	Bid rigging is an illegal practice in which competing parties collude to determine the winner of a bidding process. Supra-competitive prices are rates that are higher than what would be found in the context of normal competition. Price fixing include competitors colluding to fix a high price at the disadvantage of clients. Price fixing should be avoided. This involves setting a higher price at the early stages of the product life cycle and later to reduce it gradually. It is unethical to charge exaggerated prices at initial stages to exploit clients.
PLACING (DISTRIBUTION)	A key aspect of the marketing process is the ability to	Distributing expired products	It is unethical and illegal to sell expired products; it can cause issue healthy issues.

	physically get the product from where it is produced to a place where the consumer can view, purchase or consume it most conveniently. This involves setting up the appropriate distribution channels.	Delaying to ship the products unwillingly.	Lying on the delivery timelines is unethical. Sometimes it can cause losses to the clients which would eventually lead to compensation of damages. In distribution, it is better to keep promises.
	Unfair competition to Distributors	Paying vendors to carry a firm's product rather than one of its competitors are also unethical.	
	Delivering products without legal documents especially in medical sphere.	Delivering medical products of heavy side effects without prescription from a qualified doctor are also unethical.	
	Products are moved in unsafe vehicles, are also unethical.	Some products require a specific means of transport. For example, food stuff, medical items, etc.	
<b>PROMOTION (ADVERTISING &amp;BRANDING)</b>	Promotion relates to all communications with markets and consumers, including promotional activities, selling and sales, and market research.	Puffery Advertising to Children Promoting Unhealthy Products Deceptive Advertising	Exaggerated adverts Like advertising betting games or alcoholic products to children below 18 years old. Praising unhealthy products to boost up their sales Promoting wrong product features to deceive the clients.

## QUESTION THREE

<b>Qn</b>	<b>Marking guide</b>	<b>Marks</b>
a)	Fundamental ethical principles (Award 0.5 Mark for fundamental principle, Award 1.5 Marks for each correct explanations, Max. 10 Marks i.e All the 5 principles should be enumerated and explained deeply)	10
b)	Importance of code of conduct (Award 1 Mark for each correct importance stated and explained briefly, Max. 5 Marks i.e at least 5 importance should be highlighted)	5
c)	Causes of conflicts within an organisation (Award 1 Mark for each correct cause stated and explained briefly, Max. 5 Marks i.e at least 5 causes should be highlighted)	5
		<b>Total Marks 20</b>

### Detailed answers

#### a)(a) Fundamental Ethical Principles in the Accounting Profession

According to the IFAC Code of Ethics, five fundamental principles guide accountants.

**1. Integrity:** Accountants must be honest and straightforward. James acted dishonestly by threatening Josiane with “negative consequences” after she refused a romantic date. This violates professional integrity.

**2. Objectivity:** Accountants must avoid bias, conflict of interest, or undue influence. James’s biased performance evaluation of Josiane (“incompetent... not ready for promotion”) stemmed from personal revenge, not performance evidence. This is a direct breach of objectivity.

**3. Professional Competence & Due Care:** Accountants must maintain professional knowledge and act diligently. James failed to exercise due care by letting personal feelings influence professional judgment.

**4. Confidentiality:** Members must not misuse information for personal gain. If James used his senior role to manipulate internal processes, he risks misusing confidential HR performance information.

**5. Professional Behaviour:** Accountants must comply with laws and avoid actions that discredit the profession. Sexual harassment, intimidation, and unethical performance evaluation discredit the accounting profession and violate workplace ethics.

#### b) Importance of code of conduct

Organisations should introduce codes of conduct for the following reasons:

- 1. Establishing the organisation's values:** Ethical codes form part of the organisation's underlying environment. They develop and promote values that are linked to the organisation's mission statement.
- 2. Promoting stakeholder responsibilities:** Codes also demonstrate who the organisation regards as important stakeholders. They show what action should be taken to maintain good stakeholder relationships. They can show external stakeholders that they are dealing with people who do business fairly. Drafting parts of the code to comply with customer wishes demonstrates that businesses are responsive to customers.
- 3. Controlling individuals' behaviour:** By promoting or prohibiting certain actions, ethical codes form part of the human resources mechanisms by which employee behaviour is controlled. All staff should be aware of the importance of the ethical code and it should be referred to when employee actions are questioned.
- 4. Promoting business objectives:** Codes can be an important element in a company's strategic positioning. Taking a strong stance on responsibility and ethics and earning a good ethical reputation can enhance appeal to consumers in the same way as producing the right products of good quality can.
- 5. Conveying values to stakeholders:** A code of conduct can be a communications device, not only acting to communicate between partners and staff, but also increasing the transparency of the organisation's dealings with its stakeholders.
- 6. Understanding company mission:** a code of conduct can be used by management to instill the company mission to its employees.
- 7. Helps in compliance with laws and regulation:** a code of conduct indicates expected behaviour that ensures full compliance with laws and regulations within an organisation.

### c) Causes of conflicts within an organisation

1. Differences in personality (e.g.: an outgoing person irritating a quiet, reflective person)
2. Differences in working style (e.g.: if one person likes to plan ahead and the other doesn't)
3. Differences in status (e.g.: if team members feel powerless or micro-managed by a powerful boss, or unable to raise problems because a manager is seen as 'unapproachable')
4. The interdependency of work (e.g.: if one person or team is frustrated by delays caused by another's missed deadline, or someone within the team isn't 'pulling their weight' and leaves others with more work to do)
5. Competition between groups or departments for limited resources (including office space, finance)
6. Unfair treatment (e.g.: a manager gives an unfairly harsh evaluation, or refuses legitimate requests)
7. Hurtful treatment (e.g.: a team member is bullying, offensive, sexist or racist)

## QUESTION FOUR

<b>Qn</b>	<b>Marking guide</b>	<b>Marks</b>
a)	Benefits of self-employment (Award 0.5 Mark for each correct benefit identified, Award 0.5 Marks for each correct explanations, Max. 10 Marks i.e At least 10 benefits should be enumerated and explained briefly)	10
b)	Innovation process (Award 1 Mark for each correct stage stated and award 1 Mark for each correct brief explanation, Max. 10 Marks i.e at least 5 steps should be explained)	10
<b>Total Marks 20</b>		

### a) Benefits of self-employment

#### 1. People create their own destiny

Through self-employment, entrepreneurs are able to define their destiny. They are able to create a life they enjoy living. For example, a person who enjoys agriculture finds it easier to be self-employed in the agricultural sector instead of being employed in another sector.

#### 2. People make a difference

Entrepreneurs make difference within the society through providing innovative products within an organisation. They contribute to the wellbeing of people.

### **3. They reach their full potential**

Entrepreneurs through being self-employed they live their dreams. For example, a talented musician who is self-employed in writing songs and signing. They exploit their talents/potentials.

### **4. They generate impressive profits**

Self-employment generate returns on investments. It helps the owner of the business to accumulate riches that boost up their standard of living.

### **5. Contribute to society and be recognized for their efforts**

Self-employment contributes positively to the wellbeing of the society in which they live . The surrounding communities are blessed with their innovative products. With excessive profits, entrepreneurs support the communities around through building needed infrastructure.

### **6. Do what they enjoy and have fun at it!**

Self-employed people are able to select what they enjoy doing. They invest their time and money in what they enjoy doing and fun at it. This motivates them and creates a vehicle carrying them to prosperity.

### **7. Contribute to the economic growth and development**

Self-employment contributes to the economic growth and development of the country. Taxes and other levies are paid by entrepreneurs that play a big role to the economic growth and development of a country.

### **8. Initiate change in the structure of business, trade, industry and society**

Entrepreneurs act as change agents. They change the society they live in. They shape how the economy works. For example, innovative works through the use of internet have completely changed the world especially the way we communicate to one another.

### **9. Income and employment generation**

Self-employment generates income and employment to the owner of the business and to its employees. Self-employment provides jobs to others and hence reduces unemployment.

### **10. Independence, control and freedom from routine**

Through self employment, an entrepreneur is able to control his or her timetable. He/she attains independence to allocate his or her to spheres of life he/she wishes to enjoy. She/he is not commanded by anyone, instead he/she controls her/his timetable.

## b) Stages for generating innovating product

### *Stage 1: Idea Generation and Mobilization*

The generation stage is the starting line for new ideas. Successful idea generation should be fueled both by the pressure to compete and by the freedom to explore.

Once a new idea is generated, it passes on to the mobilization stage, wherein the idea travels to a different physical or online location for brainstorming. Since most inventors aren't also marketers, a new idea often needs someone other than its originator to move it along. This stage is vitally important to the progression of a new idea, and skipping it can delay or even sabotage the innovation process.

### *Stage 2: Advocacy and Screening*

This stage is the time for weighing an idea's pros and cons. Advocacy and screening have to take place at the same time to weed out ideas that lack potential without allowing stakeholders to reject ideas impulsively solely on the basis of their novelty. The authors found that companies had more success when the evaluation process was transparent and standardized, because employees felt more comfortable contributing when they could anticipate how their ideas would be judged.

### *Stage 3: Experimentation*

The experimentation stage tests the sustainability of ideas for a particular organization at a particular time — and in a particular environment. At this stage, it's important to determine who the customer will be and what he or she will use the innovation for. With that in mind, the company might discover that although someone has a great idea, it is ahead of its time or just not right for a particular market. However, it's important not to interpret these kinds of discoveries as failures—they could actually be the catalysts of new and better ideas

### *Stage 4: Commercialization*

In the commercialization stage, the organization should look to its customers to verify that the innovation actually solves their problems and then should analyze the costs and benefits of rolling out the innovation. The authors make sure to note that “an invention is only considered an innovation [once] it has been commercialized.” Therefore, the commercialization stage is an important one, similar to advocacy in that it takes the right people to progress the idea to the next developmental stage.

### *Stage 5: Diffusion and Implementation*

The diffusion and implementation stages are, according to the authors, “two sides of the same coin.” Diffusion is the process of gaining final, companywide acceptance of an innovation, and implementation is the process of setting up the structures, maintenance and resources needed to produce it. A good example of a successful approach to diffusion comes from International

Business Machines Corp., which involves its employees early in the idea-generation stage and conducts so-called innovation jams, to which they invite not only employees but also clients, business partners and even employees' families. IBM aids later diffusion by giving everyone a stake in the idea from the beginning.

## QUESTION FIVE

<b>Qn</b>	<b>Marking guide</b>	<b>Marks</b>
a)	Factors affecting success of manufacturing business in Rwanda (Award 1 Mark for each correct factor identified, Award 1 Mark for each correct explanations, Max. 20 Marks i.e At least 10 factors should be identified and explained briefly)	20
<b>Total Marks 20</b>		

### a) Discuss factors affecting the success of the business.

#### 1) Government policies

Government policies directly affect the growth of businesses; in the case where these policies are unfavourable, they have a negative influence on entrepreneurial activities and the subsequent growth of businesses. One of the government policies are policies on tax rate or tax burden.

The government policies around availing infrastructure to industrial zones and providing infrastructure to the zones is a paramount contribution to the success of manufacturing companies in Rwanda.

#### 2) Inputs/raw materials

The availability of raw materials remains a pillar to the success of an organization. Inputs are a major part of the production process and therefore play a key part in manufacturing businesses in Rwanda. Suppliers of cassava continued to produce under capacity to due lack of raw materials. Suppliers did not want to deliver their cassava due to the issue of pricing.

#### 3) Technological changes

Presence of low adoption rate of web technology, as a result of lack of interest in internet business transactions. Social media marketing, advertisements of goods and services on social media: WhatsApp, Facebook, etc. is currently changing the way companies convey promotional messages to its clients. Social media marketing is another consideration for the success of Keza Cassava Plant.

#### 4) Electricity and water facilities

Development and growth of business is also affected by energy or electricity supply. Lack of good quality energy supply with its concomitant high tariffs hampers the performance and growth of manufacturing businesses in Rwanda. The Government of Rwanda has invested much efforts in reducing the cost of electricity and has adopted preferential industrial rates to facilitate manufacturing companies to operate efficiently. Different industrial zones were inaugurated even in Muzanza to avail different infrastructure to businesses to facilitate their daily operations.

## **5) Education**

In Rwanda, there is a general shortage of skilled labor including accountants, lawyers, technicians, tradespeople, and other skilled personnel. The human resource development remains a challenge in Rwanda. Keza Cassava Plant employees has to recruit 10 expatriates from different spheres of the world to minimize the gap.

The development and growth of businesses is also influenced by the level of education of the entrepreneur and the staff. The level of education of entrepreneurs affects the day to day performance and growth of businesses. Low level of education attainment hampers performance as it affects their contact rate; managerial competency; technological competency and easy access to certain resources. Lack of proper education affects adversely the research and development (R&D) knowhow resulting in their lack of innovative capabilities. Some companies are required to employ expatriates to mask up this skills gap.

## **6) Finance**

Development and growth of businesses is influenced by sources of finance; lack of easy access to finance hampers the growth of businesses. Entrepreneurs either lack easy access to external source of finance from the financial institutions to grow their businesses as a result of their inability to meet the harsh collateral requirement; and also purposely avoid accessing external source of finance because of the unfavourable interest rates and repayment terms in line with previous results. Due to high costs, Keza Cassava Plan approached a commercial bank for a long term loan despite lack of collateral and the application was returned

## **7) Competition**

Manufacturing businesses face hostile and aggressive competition from importing firms. The availability of affordable imported products poses a threat to the development and growth of local industries. Local producers or industries compete with imported products from neighbouring Eastern African countries such as Kenya and Tanzania. Among the competititon include home consumption, since some households were intending to consume the cassave produce at home and were not willing to supply them Keza Cassava Plant.

## **8) Location**

Location has a positive relationship with business performance. The advance of e-commerce is changing the issue of location towards the success of the business. However, in Rwanda entrepreneurs are still careful where to locate their businesses as location greatly influences business growth. Keza Cassava Plant located their factory at Musanze in industrial zone when infrastructures are cater for.

### 9) Transportation facilities

Transportation is key in any form of business. In Rwanda, transport is done by air or roads and future game changing project of railways and water transport is awaited to further facilitate the inflows and outflows of resources at low cost. Transport remained a challenge to the efficiency within Keza Cassava Plan.

### 10) Economic status

Purchasing power of the population affects the success of business in Rwanda. The annual per capita income has significantly improved to USD 859 in 2021. Inflation status was 16.1% in June 2022 which is healthy as the economy revive after the effect COVID-19 and the current Russia-Ukraine war. All these factors affect business performance of Keza Cassava Plan.

#### QUESTION SIX:

##### Marking Guide:

Qn	Description	Marks	Total Marks
a	<p>Memo to all staff:</p> <p>Some information was intentionally not provided, and candidates asked to make assumptions. Consider assumptions made, which may be different per candidate eg name of the VC, field of Prof. Wood, RSVP date etc</p> <p>This question tests whether candidates understand the basic elements of a good memo. The wording may be different for each candidate</p>		
	TO: All Staff	1	
	FROM: Vice Chancellor	1	
	DATE: 20 February 2024	1	
	Subject (any correct subject)	1	
	Salutation (Dear...)	1	
	Introduction paragraph	1	
	Public talk date	1	
	Public talk time	1	

	Public talk venue	1	
	Talk area of focus (any area is acceptable)	1	
	RSVP (any date is acceptable)	1	
	Signature and sign off (any name of VC is acceptable)	1	12
b	FOUR tasks you will perform in the planning stage of drafting persuasive messages for fundraising initiatives: 4 tasks * 2 marks = 8 maximum marks Simply outlined tasks score 1 mark Note: Other answers should be considered.		8
	<b>Total</b>		<b>20</b>

**Model Answer:**

**a) Draft the memo to all staff as requested by the Vice Chancellor.**

TO: All Staff  
 FROM: Vice Chancellor  
 DATE: 20 February 2024

**Subject: Invitation to Public Talk by Renowned Professor on March 8, 2024**

Dear University of Gatsibo Staff,

I trust this message finds you well. It is with great pleasure that I extend an invitation to all members of our university community to attend a public talk by Professor Chris Wood, a distinguished academic from a world leading University.

Date: March 8, 2024  
 Time: 10am  
 Venue: Conference Hall

Professor Wood's expertise in economics has garnered international acclaim, and we are fortunate to have the opportunity to host such a distinguished scholar at our university.

The public talk will focus on current economic issues, and Professor Wood will share insights, research findings, and engage in discussions with our academic community.

This event provides an excellent opportunity for intellectual enrichment, networking, and fostering collaborations with colleagues from various departments. Your active participation will contribute to the success of this academic endeavour.

To confirm your attendance, please RSVP by 10 March 2024 by replying directly to this email.

We look forward to your presence at this significant event, which aligns with our commitment to promoting academic excellence and fostering a culture of knowledge sharing.

Thank you for your attention, and we anticipate a vibrant turnout from our esteemed university community.

Best regards,  
Naome Nkunda  
Vice Chancellor  
University of Gatsibo

b) Successful persuasive messages demand careful attention. **Explain FOUR tasks you will perform in the planning stage of drafting persuasive messages for fundraising initiatives.**

**Analysing Your Situation:** Before crafting persuasive messages, it's crucial to conduct a thorough analysis of the fundraising situation. This involves understanding the goals of the fundraising campaign, the specific needs, or projects it aims to support, and the characteristics of the target audience. Analysing the situation also includes identifying potential challenges or objections that donors might have. This information forms the foundation for tailoring persuasive messages that directly address the unique aspects of the fundraising initiative.

**Gathering Information:** Successful persuasive messages rely on accurate and compelling information. In the planning stage, gather relevant data and facts that support the fundraising cause. This may include statistical evidence, success stories, testimonials, and specific details about how the funds will be utilized. Information gathering also involves understanding the preferences and interests of the target audience to tailor the message accordingly. The more comprehensive and well-researched the information, the more persuasive the message is likely to be.

**Selecting the Right Medium:** Choosing the appropriate communication medium is a critical task in the planning stage. Different audiences may respond better to specific channels, whether it's email, social media, direct mail, or a combination of these. The medium selected should align with the preferences and behaviours of the target audience. Additionally, considering the nature of the fundraising initiative, certain mediums may be more suitable for conveying emotional appeals, while others may be better for presenting detailed information. The right medium enhances the message's reach and impact.

**Organizing Your Information:** Organizing information effectively is essential for maintaining clarity and coherence in persuasive messages. In the planning stage, structure the content logically,

ensuring a clear flow from introduction to the call to action. This involves determining the key message points, establishing a compelling narrative, and strategically placing the most persuasive elements. Consideration should be given to the visual presentation of information, using formatting, headings, and visuals to enhance readability and impact. A well-organized message increases the likelihood that the audience will engage with and respond positively to the fundraising appeal.

#### QUESTION SEVEN:

##### Marking Guide:

Qn	Description	Marks	Total Marks
a	Advise Nyambo Ltd's leadership on why corporate governance is important: Answers should be briefly described $5 \text{ advantage} * 1 \text{ marks} = 5$ maximum marks Simply outlined tasks score 1 mark Note: Other answers should be considered.		5
b	SEVEN principles of corporate governance: Answers should be briefly described $7 \text{ principles} * 1 \text{ mark} = 7$ maximum marks Simply outlined principles score 1 mark Note: Other answers should be considered.		7
c	FOUR pillars of corporate governance: Answers should be clearly explained		
	Accountability (Award 1 mark for a correct pillar identified and 1 mark for a correct explanation)	2	
	Fairness (Award 1 mark for a correct pillar identified and 1 mark for a correct explanation)	2	
	Transparency (Award 1 mark for a correct pillar identified and 1 mark for a correct explanation)	2	
	Independence (Award 1 mark for a correct pillar identified and 1 mark for a correct explanation)	2	
<b>Total</b>			<b>20</b>

##### Model Answer:

a) **Advise Nyambo Ltd's leadership on why corporate governance is important.**

**Good Reputation is Good Business:** Upholding ethical practices and transparency builds trust, enhancing Nyambo Ltd's reputation. A positive image attracts stakeholders, fostering sustained engagement.

**Protection of Stakeholders' Interest:** Corporate governance safeguards the rights of diverse stakeholders, instilling confidence and loyalty among shareholders, employees, and the local community.

**Support to Capital Markets:** Effective governance assures investors and the capital market, making Nyambo Ltd an appealing investment. This support facilitates fundraising and expansion.

**Support to Society:** Beyond the organization, responsible governance positively impacts society by considering environmental and social aspects, enhancing Nyambo Ltd's social license to operate.

**Everyone Wins:** Corporate governance establishes a win-win scenario, promoting ethical behaviour and responsible decision-making for the benefit of employees, shareholders, customers, and the broader community.

b) **State SEVEN principles of corporate governance.**

**Sustainable development of all stakeholders** - to ensure growth of all individuals associated with or effected by the enterprise on sustainable basis.

**Effective management and distribution of wealth** – to ensure that enterprise creates maximum wealth and judiciously uses the wealth so created for providing maximum benefits to all stakeholders and enhancing its wealth creation capabilities to maintain sustainability.

**Discharge of social responsibility** - to ensure that enterprise is acceptable to the society in which it is functioning.

**Application of best management practices** - to ensure excellence in functioning of enterprise. and optimum creation of wealth on sustainable basis

**Compliance of law in letter & spirit** - to ensure value enhancement for all stakeholders. guaranteed by the law for maintaining socio-economic balance.

**Adherence to ethical standards** - to ensure integrity, transparency, independence and accountability in dealings with all stakeholders.

c) **Identify and explain FOUR pillars of corporate governance.**

**Accountability:** Accountability is a fundamental pillar that ensures Nyambo Ltd's leaders and decision-makers are answerable for their actions and decisions. By establishing clear lines of

responsibility, the company promotes responsible conduct and ensures that individuals are held liable for their performance and adherence to ethical standards.

**Fairness:** Fairness is a crucial pillar that emphasizes equitable treatment of all stakeholders, including shareholders, employees, and customers. Nyambo Ltd, by adopting fair practices in decision-making and resource allocation, fosters a corporate culture built on justice, equality, and impartiality, promoting trust among stakeholders.

**Transparency:** Transparency is an essential pillar that involves the open disclosure of information, ensuring that Nyambo Ltd's operations, financial performance, and decision-making processes are easily accessible to stakeholders. By providing clear and comprehensive information, the company promotes trust and allows stakeholders to make informed decisions.

**Independence:** Independence is a critical pillar that underscores the importance of objective decision-making and oversight. Nyambo Ltd should ensure the independence of its board of directors and committees to prevent conflicts of interest. An independent governance structure enhances checks and balances, contributing to ethical conduct and sound decision-making within the organization.

**End model answers and marking guide.**