

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## ATC(U) EXAMINATIONS

### LEVEL THREE

#### BUSINESS MANAGEMENT– PAPER 11

**TUESDAY, 9 DECEMBER 2008**

#### INSTRUCTIONS TO CANDIDATES:

1. Time allowed: **3 hours**.
2. Attempt **all** questions in Section **A**, any **three** questions from Section **B** and **one** question in Section **C**.
3. Section **A** has **one** compulsory case study question carrying 30 marks.
4. Section **B** has **five** questions and only **three** are to be attempted. Each question carries 20 marks.
5. Section **C** has **two** questions and only **one** is to be attempted. Each question carries 10 marks.
6. Please, read further instructions on the answer book.

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## SECTION A

### Question 1

#### KABA & SONS LTD

Kaba & Sons Ltd is a retail trade company with its headquarters in Kampala. It has been in this business for over ten years. Over this period, it registered a steady growth in its business operations and profits. Because of this success, the company decided to open several outlets and recruit more staff. This period of business success, however, seems to have come to an end.

Two years ago, their long serving General Manager, Mr. Konde retired. He was replaced by Mr. Newman. Since then, the company has had several problems. Some of the good staff have since resigned while a few others were sacked. Sales have declined and so have the profits. At the close of the last financial year, the company found it difficult to declare any dividend because of its poor financial position.

The shareholders took a unanimous decision to engage an independent verifier. A team of consultants was hired to look into the affairs of the company and report to a committee instituted for the purpose. A total audit of the company's operations was done. The committee concluded its work recently. Members were surprised to discover that Mr. Newman was the major cause of the company's problems.

Foremost, Mr. Newman was the proprietor of Ken Enterprises, a business that deals in the same goods as Kaba & Sons Ltd. Ken Enterprises had also recruited Kaba Ltd's longest serving salesman as their General Manager. Furthermore, Ken Enterprises operated an account in the same bank as Kaba & Sons Ltd. It was also discovered that some of the sales proceeds of Kaba & Sons Ltd were deposited into the account of Ken Enterprises. To conceal this anomaly, he had sacked the company's well trained accountant and entrusted the work to his nephew, a trainee Accounts Technician.

It was also discovered that Mr. Newman did not spend enough time at Kaba & Sons Ltd's premises. The subordinates were not finding it easy to consult him. Their grievances were not addressed. He took decisions unilaterally and passed them on in form of memos. There were no feedback mechanisms. One such decision was to abolish commission to sales staff. This resulted into insubordination. He resorted to handing down very harsh punishments to those that disobeyed his orders. Every body therefore lived in fear of losing their jobs.

The consultants recommended that Mr. Newman be relieved of his duties and the vacancy for the General Manager be advertised.

**Required:**

- (a) Identify the reasons why Mr. Newman failed as a General Manager of Kaba & Sons Ltd?  
(6 marks)
  - (b) Suggest ways in which Kaba & Sons Ltd can motivate their staff.  
(6 marks)
  - (c) If the shareholders decided not to relieve Mr. Newman of his duties, suggest what should be done to improve his performance.  
(6 marks)
  - (d) Why are committees important in an organization like Kaba & Sons Ltd?  
(12 marks)
- (Total 30 marks)**

**SECTION B**

**Question 2**

- (a) Explain the meaning of the term “control” as a function of management?  
(4 marks)
  - (b) Why are control systems important to an organisation?  
(16 marks)
- (Total 20 marks)**

**Question 3**

Identify and explain the impact of any **five** stakeholders of a profit making organization?

**(20 marks)**

**Question 4**

Kagyeyo Enterprises is seeking to recruit an Accounts Assistant. You have been approached to handle the recruitment process.

**Required:**

Draft an advert for the job to be placed in a popular daily newspaper.

**(20 marks)**

**Question 5**

- (a) What is decision making?  
(5 marks)
  - (b) Explain the factors that facilitate proper decision making in an organization?  
(15 marks)
- (Total 20 marks)**

**Question 6**

What are the factors that influence the effectiveness of a leader in an organisation?

**(20 marks)**

**SECTION C**

**Question 7**

Explain the importance of record keeping in an organization?

**(10 marks)**

**Question 8**

Write short notes on any **one** of the following:

- (a) Organisation structure.
- (b) Duties of a Company Secretary.
- (c) Importance of Accounting Ratios.

**(10 marks)**