

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL THREE

BUSINESS MANAGEMENT– PAPER 11

TUESDAY, 16 JUNE 2009

INSTRUCTIONS TO CANDIDATES:

1. Time allowed: **3 hours 15 minutes**.
The first 15 minutes of this examination has been designated for reading time. You may not start to write your answer during this time.
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.

SECTION A

Question 1

LIFESTYLE LTD

Lifestyle Ltd is a Ugandan registered company in the leisure industry. It runs a discotheque and a cinema hall in Kireka, a Kampala suburb. The two are housed in one building, Lifestyle Plaza, owned by Mr. Magoba who is the director. There are no separate records for each business and there is only one bank account for all the transactions. Until recently, Lifestyle Plaza has been a very popular spot for the middle class residents of Kampala.

The discotheque has an in-house state of the art music system, which is popular especially with the old and middle age generations. The cinema hall, on the other hand, popular among the youth, features the world's most recent films from renowned film houses in USA, showing under the producers' licenses.

Lifestyle Ltd has been doing good business since it started operations in 1999. However, there has been a downward trend in the last two years. Its operating costs have increased, some of its loyal and most regular customers have disappeared, and cash flow has reduced. It is becoming increasingly difficult to pay for the most recent films and retain the discotheque's customers.

In January 2009, a team of management consultants was hired to look into the operations of the company. After three months of scrutinising the company's affairs, they drafted a report highlighting the following:

Only the cinema hall was making profits. The discotheque was making losses. The latter had more overhead costs than the income it generated. The losses had over the time been covered by income from the cinema hall. It was after the direct costs for the cinema hall had increased and the profits started reducing that the whole unit began to feel the losses. The director was the manager and also financial controller at the same time. He, therefore, could use funds anyhow without any controls. The consultants recommended that the organisation structure be redefined and the operations of the two businesses clearly separated. They also recommended that technical people be hired to manage the different operations.

There were also problems with staff. They were unnecessarily many and some were not skilled for their jobs. The jobs were not clearly defined and the reporting mechanisms were poor. Some of the employees were the director's relatives and reported directly to him. Because of this, most staff members were not creative on their jobs. There were no meetings, no appraisal system and no feedback about their performance.

Further, the company had, for a long time, not advertised its services. The director thought it was unnecessarily expensive to advertise. The business was also in the limelight. A local tabloid newspaper had run a story of the cinema hall admitting a 16 year old student into their 'Adults Only' section in the company of an unidentified gentleman. This case had been settled out of court with the parents of the girl. Unfortunately, the public had already got this information, and this affected the loyalty of some customers.

Required:

- (a) With the help of a sketch diagram, show an organisation structure that might have been suggested by the management consultants for Lifestyle Ltd.
(4 marks)
- (b) Suggest ways in which the performance of the staff of Lifestyle Ltd can be improved.
(8 marks)
- (c) Identify the unethical issues raised against Lifestyle Ltd and explain their impact on the operations of the company.
(6 marks)
- (d) What are the advantages of advertising to Lifestyle Ltd?
(8 marks)
- (e) Using your knowledge from a global perspective, suggest and explain reasons why Lifestyle Cinema Ltd's business is not making as much profits as it used to.
(4 marks)

(Total 30 marks)

SECTION B

Question 2

- (a) What do you understand by the terms 'power' and 'authority' in organisations?

(8 marks)

- (b) Why is it important for managers to delegate some of their authority?

(12 marks)

(Total 20 marks)

Question 3

Your sister Jane, a fresh graduate of Food Science and Technology has been offered job opportunities in three companies:

- A Mineral Water Producers Ltd
- B Biscuits Processors Ltd
- C Fresh Foods Exporters Ltd

Assume you have audited these firms for the last three years and that you had introduced her to them. She needs advice on a company that will continue in operation for a long time, where she can continue getting a good salary and develop her career.

Required:

Explain any **five** financial performance indicators you would consider, in order to advise Jane.

(20 marks)

Question 4

- (a) List any **five** human resource management functions in an organisation.

(10 marks)

- (b) Why is the training of staff important to any modern organisation?

(10 marks)

(Total 20 marks)

Question 5

- (a) What do you understand by the term 'motivation'?

(5 marks)

- (b) Using clear illustrations, explain Abraham Maslow's hierarchy of needs theory of motivation.

(15 marks)

(Total 20 marks)

Question 6

(a) What is the difference between programmed and non-programmed decisions?

(8 marks)

(b) Describe the characteristics of good communication for decision making.

(12 marks)

(Total 20 marks)

SECTION C

Question 7

Why is planning important to organisations?

(10 marks)

Question 8

Write short notes on any **ONE** of the following;

- (a) Types of committees in an organisation.
- (b) Internal stakeholders of an organisation.
- (c) Importance of good inventory management practices.

(10 marks)