

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL THREE

BUSINESS MANAGEMENT– PAPER 11

WEDNESDAY, 27 NOVEMBER 2013

INSTRUCTIONS TO CANDIDATES:

1. Time allowed: **3 hours 15 minutes**.
The first 15 minutes of this examination have been designated for reading time. You may not start to write your answer during this time.
2. Section **A** has **one** compulsory case study question carrying 30 marks.
3. Section **B** has **five** questions and only **three** are to be attempted. Each question carries 20 marks.
4. Section **C** has **two** questions and only **one** is to be attempted. Each question carries 10 marks.
5. Write your answer to each question on a fresh page in your answer booklet.
6. Please, read further instructions on the answer booklet, before attempting any question.

© 2013 Public Accountants Examinations Board

SECTION A

*This section has **one** compulsory question to be attempted.*

Question 1

SHADOW LTD

Shadow Ltd is engaged exclusively in the importation of sunglasses. It started in 2001 as a sole proprietorship owned by Dr. John Dalla. In 2005, Shadow Ltd was incorporated with Dr. John Dalla as the majority shareholder. The other shareholders were his family friends, Mr. Tom Dunga and Mrs Jesca Dunga who jointly held 49% of the shareholding.

Dr. John Dalla had realised the need for more capital to import the sunglasses directly rather than depend on a supplier. The demand was growing yet the supply was not consistent. Whereas his focus was on the Ugandan market, there was overwhelming demand for the sunglasses in neighbouring South Sudan and the Democratic Republic of Congo.

In 2009, Shadow Ltd received information that there would be a total solar eclipse in northern Uganda. They swung into action and established regional offices in Arua, Juba and Midigo. The company also sought and signed a memorandum of understanding with the Ministry of Health to be the sole suppliers of high quality eclipse sunglasses, specially designed to protect the human eye from the sun. The eclipse sunglasses would enable the Ugandan public view the hybrid total solar eclipse of 3 November 2013.

Eclipse sunglasses worth Shs 800 million were imported. The directors had secured a tax exemption from the Uganda Revenue Authority so as to provide the sunglasses at affordable cost. The interest of government was to protect the eyes of the citizens.

Unknown to government and the public, some batches of the consignments were of inferior quality but branded and labelled as high quality eclipse sunglasses. The directors also used this opportunity to import omega watches onto the market. These were smuggled into the country as part of the consignment for eclipse sunglasses. They were assisted by the company's clearing agents. The company's internal auditor, Mr. Henry Misha, tipped off the officials of the Uganda Revenue Authority and Ministry of Health about the anomaly. Substandard eclipse sunglasses and contraband omega watches were discovered in some consignments.

The directors suspected that this disclosure was made by an insider. They were furious that an employee could do such a thing. They suspected staff of the human resource department. They swore to find out the whistle blower and fire him/ her. They directed the manager, human resource department, to find the whistle blower or else his entire department would be sacked.

The human resource manager, Mr. Twaha, thinks the directors are out of their minds! The entire human resource department cannot be sacked without evidence. Further, their role cannot be played by any other department. They are part and parcel of the organisation which should not be underestimated. He is determined to defend his team and is counting on you, his junior colleagues, for support.

Required:

- (a) Explain the internal and external stakeholders of Shadow Ltd.
(10 marks)
 - (b) Identify the unethical business practices at Shadow Ltd.
(4 marks)
 - (c) Discuss the consequences of unethical business practices of Shadow Ltd.
(8 marks)
 - (d) Write a memo to Mr Twaha on the importance of a human resource department for presentation to the board of directors.
(8 marks)
- (Total 30 marks)**

SECTION B

*Attempt **three** of the **five** questions in this section.*

Question 2

- (a) Explain the process of communication, with the help of a diagram.
(8 marks)
 - (b) Explain the importance of communication in an organisation.
(6 marks)
 - (c) Describe the characteristics of effective communication.
(6 marks)
- (Total 20 marks)**

Question 3

- (a) Katale Fruit Growers Ltd deals in growing and processing of tropical fruits for export. Tom Okello, the marketing manager, has identified new markets in South Sudan. However, the company's production capacity is barely sufficient for the Ugandan market.

Okello has also seen new products by competitors which are popular with school going children.

The company does not have sufficient funds for expansion.

Required:

Draft an agenda, including issues highlighted in the above scenario, for the annual general meeting of Katale Fruit Growers Ltd.

(6 marks)

- (b) Explain the role of the following in a company:

(i) company secretary.

(8 marks)

(ii) board of directors.

(6 marks)

(Total 20 marks)

Question 4

- (a) Define the term 'leadership'.

(2 marks)

- (b) Discuss the importance of leadership in managing a business organisation.

(6 marks)

- (c) Explain the difference between power and authority.

(6 marks)

- (d) Explain the sources of power.

(6 marks)

(Total 20 marks)

Question 5

- (a) Explain the importance of training in an organisation.

(8 marks)

- (b) Explain the methods of internal training available to an organisation.

(12 marks)

(Total 20 marks)

Question 6

- (a) Explain the term 'just-in-time' in value chain management. (2 marks)
- (b) What are the advantages and disadvantages of just-in-time management system? (12 marks)
- (c) Identify the personnel that constitute an operations team in a manufacturing set up. (6 marks)

(Total 20 marks)

SECTION C

*Attempt **one** of the **two** questions in this section.*

Question 7

Explain the stages of a product life cycle.

(10 marks)

Question 8

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

- (a) Benchmarking.
- (b) Non-programmed decision making.
- (c) Social responsibility.

(10 marks)