

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL THREE

BUSINESS MANAGEMENT– PAPER 11

FRIDAY, 5 JUNE 2015

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.

© 2015 Public Accountants Examinations Board

SECTION A

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

Question 1

MART ENTERPRISES LTD

Mart Enterprises Ltd (MEL) was founded in 2009 by Mr. Mutole. It is located in Kampala with outlets in major towns of Uganda and employs over 100 people. MEL processes palm oil into different products; cooking oil, margarine, soap, and animal feeds.

The founder and managing director of MEL, Mr. Mutole, has extensive knowledge and experience in manufacturing which he acquired while working for a firm in South Africa.

Mr. Mutole started with recruiting a qualified general manager, Mr. Okumu and other key staff to steer the company towards his dream project. Mr. Okumu and his team enthusiastically commenced operations by procuring all the necessary equipment. It was not long before MEL produced high quality samples of products. These were packed in attractive containers for the grand launch ceremony of the products in October 2009. Most of the samples were sold off at subsidised prices. The objective was to create awareness about the new products.

Although the market response was encouraging, the profit margins were low due to high costs of production and few customers.

Mr. Okumu decided that at that stage the company had to increase visibility of their products by taking samples to different supermarkets. MEL also opened stands at entrances of major supermarkets to introduce their products to customers. With this strategy, the sales increased. Mr. Okumu and his team decided to take production to another level, by producing different varieties of their products in different sizes and quantities. They also increased promotion of their products through the media, road and street performances. They offered free samples and supplementary products to customers who purchased certain amounts of their products in order to promote their slow selling products. The customers' response was positive; sales increased and with time demand increased. At this point, they started offering free transport to their bulk customers. They also increased production to meet the increasing demand.

MEL sought new markets in Rwanda and South Sudan. This necessitated massive promotion especially through advertisement in different media. Within three years, MEL had maximised its market share and profits.

Meanwhile, new entrants flooded the market with similar products but of inferior quality which were cheaper. In order to beat the competitors, MEL rebranded its products and provided guarantees. The company also ventured into production of new products which included vaseline, shampoo, detergents and biodiesel. During this period they concentrated on advertising of their new products and also on promoting the different brands of their old products. However, the sales continued to decline due to increasing competition.

MEL finally slashed the prices of some products to attract price sensitive customers. Unfortunately, the sales continued to decline due to stiff competition from imported products. The company took a number of measures to remain afloat. Weak products like animal feeds were phased out. There were further cuts in the prices of remaining products.

The company's new products were now established and these were what Mr. Okumu and his colleagues were concentrating on. Some of the old products remained on the market because they had loyal customers. Some of the branches were closed since the interventions were not yielding positive results and the whole venture became unprofitable.

Required:

- (a) Identify and explain the different variables in a marketing mix used by MEL.
(10 marks)
 - (b) Discuss the challenges that MEL is experiencing in marketing their products.
(12 marks)
 - (c) Suggest ways of overcoming the challenges in (b) above.
(8 marks)
- (Total 30 marks)**

SECTION B

Attempt three of the five questions in this section

Question 2

- (a) Identify and explain the **three** major categories of stakeholders of a business enterprise.
(10 marks)
 - (b) With examples, show how different stakeholders affect operations of business enterprises.
(10 marks)
- (Total 20 marks)**

Question 3

Recruitment is concerned with finding applicants for a job. It is a positive action that involves analyzing the job, drawing up a job description, deciding on the type of a person required and writing a job specification. All information is used to attract suitable candidates.

You have now been requested to spearhead the recruitment of an accounts assistant for your organisation.

Required:

- (a) State and explain what you would include in the job description.
(10 marks)
 - (b) Describe the person specifications of the position of an accounts assistant for your organisation.
(10 marks)
- (Total 20 marks)

Question 4

- (a) 'Co-ordination is the very essence of management'.

Required:

- (a) Discuss the need and importance of co-ordination in a matrix structure.
(10 marks)
 - (b) Explain the difficulties that managers face in achieving co-ordination.
(10 marks)
- (Total 20 marks)

Question 5

- (a) Explain the relationship between primary and secondary objectives of a business.
(10 marks)
 - (b) Discuss why there may be conflict of objectives in an organisation.
(10 marks)
- (Total 20 marks)

Question 6

- (a) What do you understand by 'organisational culture'? (2 marks)
 - (b) Explain the factors that influence organisational culture.
(10 marks)
 - (c) What would you consider to be the benefits of an informal organization?
(8 marks)
- (Total 20 marks)

SECTION C

Attempt one of the two questions in this section

Question 7

- (a) Explain the difference between tall and flat organisations. **(4 marks)**
 - (b) Discuss the advantages of bureaucracy in an organisation. **(6 marks)**
- (Total 10 marks)**

Question 8

Write short notes on the roles of any **two** of the following in a company:

- (a) Chairman.
- (b) Chief executive officer.
- (c) Company secretary.
- (d) Executive directors.
- (e) Non-executive directors.

(Total 10 marks)

SECTION B

This section has two compulsory questions to be attempted

Question 2

Simba Ltd is an agro-processing company in Masaka. The company grows fruits and processes them for sale both locally and for export. The fruits include mangoes, pineapples, sugarcane and guavas. The company has been in operation for over ten years. The company's year end is 30 June.

For the year ended 30 June 2014, the company acquired the following assets:

- (i) A new office block at Shs 35 million, which was available for use with effect from 1 January 2014.
- (ii) New plant & machinery for a new line for processing of sugarcane juice bought at Shs 65 million on 1 January 2014.
- (iii) A 10 ton truck at Shs 150 million.
- (iv) A Land Cruiser Prado for the Managing Director (MD) at Shs 80 million.

The company's financial results for the year ended 30 June 2014 are summarised below:

Particulars	Shs '000'	Shs '000'
Sales		1,689,000
Other income:		
Interest income on fixed deposits		200,000
Disposal of assets (note 1)		<u>70,500</u>
Total income		<u>1,959,500</u>
Direct costs:		
Fuel	30,000	
Farming costs	80,000	
Depreciation	55,000	
Salaries	<u>32,000</u>	<u>(197,000)</u>
Gross profit		1,762,500
Operating costs:		
Salaries and wages	55,000	
Fuel & car maintenance	179,000	
Electricity	230,000	
Water	180,000	
Depreciation	35,000	
Office furniture (note 2)	9,000	
Technical fees	46,000	
Repairs & maintenance	65,000	
Donations (Kabaka's birthday run)	10,000	
Penalties late payment of tax	5,000	
Personal costs to the MD	<u>25,000</u>	<u>(839,000)</u>
Finance costs: Bank charges	20,000	
Loan to Kabejja	<u>130,000</u>	<u>(150,000)</u>
Profit before tax		<u>773,500</u>