

# **THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD**

*A Committee of the Council of ICPAU*

## **BUSINESS MANAGEMENT – PAPER 4**

### **CPA(U) EXAMINATIONS**

**JUNE 2001**

#### **INSTRUCTIONS TO CANDIDATES**

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

## **SECTION A**

### **Question 1**

#### **NJOROGE BREWERIES (UGANDA) LIMITED**

David Njoroge and Francis Njoroge are Kenyan enterprising brothers formerly in partnership. Their business enterprise was called 'Njoroge Brothers'. The partnership owned a brewery and bars in Nairobi, Kenya. Their brew commonly called *dawa* in Nairobi is popular especially among the low-income city dwellers.

Before the partnership Francis was running a chain of bars selling many brands of alcohol. He was the sole owner of the bars. His daughter, Sarah Njoroge, was assisting him in running the business until January 1996 when she got an executive job in Kampala, Uganda. With Sarah away Francis found it difficult to continue running the business alone. He approached his brother David who agreed to join him and bring in more capital.

They started a brewery and the business grew over the years until it became clear to the two brothers that they needed to separate ownership from management of the enterprise. They accordingly decided to form a company, Njoroge Breweries Limited (NBL), to take over the business of the partnership.

Last December Sarah visited Nairobi and convinced the management of NBL that the company could make money if they made investments in Uganda because of what she termed 'a conducive business environment'. "The raw materials are readily available, labour is cheap and in plenty, taxes are comparatively lower, communication is good, there is relative peace and it is easy to register a new company there" said Sarah.

Sarah was contracted to do market research in Kampala about the venture. She has concluded that the brew is popular in Kampala and that the possibility exists for marketing it outside Kampala particularly in Jinja and Entebbe. She has also identified a local bank that can give a loan to the company on competitive terms.

The Directors of NBL have passed a special resolution to register a company in Uganda called Njoroge Breweries (Uganda) Limited as a subsidiary of NBL. They have appointed Sarah as General Manager.

**Required:**

- a) List the types of business organisations you are familiar with.  
(4 marks)
  - b) What business environmental factors influenced the starting of Njoroge Breweries (Uganda) Ltd?  
(8 marks)
  - c) What are the advantages of limited liability?  
(8 marks)
- (Total 20 marks)**

**Question 2**

**KAPERIE ICE CREAM LIMITED**

"The purpose of today's meeting is to brain storm on 'the state of health' of this company and to look for the way forward, that is, to prescribe a strategy that will get us out of this undesirable situation." These were the opening remarks of Haji Badru Mukasa, Board Chairman of Kapere Ice Cream Ltd (KICL), at a joint Board and management meeting held on June 1, 2001.

The meeting followed a directive of the members of KICL at the company's last Annual General Meeting (AGM). The members were not happy about the reported results for the Financial Year ended December 31, 2000.

KICL is in the business of making and selling ice cream with different flavours. They have a chain of outlets in Kampala.

At the AGM the members noted with concern that the company products had reached the declining stage without prior warning from the Board of Directors. The Board in turn blames the General Manager of the company and his management team for the poor performance.

" Unfortunately we are right in the middle of a decline. Sales and profits have declined consistently", said the Sales Manager. "The way to go, in my view, is either to inject more capital into the business to create an edge over our competitors or to maintain the present level of investment and continue to watch what happens in the market."

The Chief accountant thinks differently. " We should cut our losses before it is too late. My advice is that we should either selectively

decrease investment or divest the business quickly by disposing off assets as advantageously as possible.”

“ Is this what is called harvesting?” inquired Haji Mukasa.

“No.” answered the Sales Manager and the Chief Accountant almost at the same time.

The meeting resolved to do more research and analysis and reconvene the following week to complete the agenda.

**Required:**

- a) What was the purpose of the meeting?  
(2 marks)
  - b) What are the features/ consequences of the decline stage of the product life cycle?  
(3 marks)
  - c) What are the alternative strategies available to the management at this decline stage?  
(8 marks)
  - d) List the stages of the product life cycle.  
(5 marks)
  - e) What are the duties of the directors in a company?  
(2 marks)
- (Total 20 marks)**

## **SECTION B**

### **Question 3:**

- a) List down the basic functions of Management. **(4 marks)**
- b) Write short notes on each of these functions. **(16 marks)**  
**(Total 20 marks)**

### **Question 4:**

- a) What are ethics? **(5 marks)**
- b) What factors influence whether or not managers behave ethically in Uganda? **(15 marks)**  
**(Total 20 marks)**

### **Question 5:**

In 1943 an American psychologist, Abraham Maslow, put forward a model on human motivation.

What is Maslow's hierarchy theory all about? **(20 marks)**  
**(Total: 20 marks)**

### **Question 6:**

- a) What is staffing? **(5 marks)**
- b) Discuss the major steps in the staffing process. **(15 marks)**  
**(Total 20 marks)**

### **Question 7:**

Write short notes on the following;

- a) Total Quality Management (TQM) **(5 marks)**
- b) Strategic Planning **(5 marks)**
- c) Matrix Organisation **(5 marks)**
- d) Decentralisation **(5 marks)**  
**(Total 20 marks)**