

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

CPA(U) EXAMINATIONS

LEVEL ONE

BUSINESS MANAGEMENT – PAPER 4

TUESDAY, 17 DECEMBER 2002

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 case study 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****SAFFNET (U) LIMITED**

Jim Kana is the General Manager of Saffnet (U) Ltd. an Internet provider. In the last year, business has been declining, and shifting to other established providers and new entrants in the industry. The Board of Directors of Saffnet (U) Ltd decided that Mr. Kana administers a performance evaluation process and comes up with recommendations for the next Board meeting.

Jim took on the assignment seriously. He designed a questionnaire over the weekend and the following week called one employee after another in his office for evaluation interviews. The Technical Manager, Mr. Dick Ollo, was called in first. Dick explained to Mr. Kana that the timing was not right as he had a technical problem to fix immediately otherwise it would affect negatively a big number of their clients. Jim insisted that the performance appraisal was more important.

Dick sat uncomfortably waiting for what was coming next. The General Manager asked him the first question, “Why is your department performing below expected standard”. Dick explained that, on five occasions, he had forwarded the departmental requirements including spare parts and extra technical staff but he had not got feedback for the last three months. He reluctantly answered the second and third questions but the fourth one distorted the whole exercise. Jim asked, “Don’t you think you are the problem in the department?” Dick stood up and shouted at the top of his voice “You want to transfer your inefficiency to me? You’re a poor manager, irresponsible and irrational. You’re the very reason for the decline of this company.” He said the last word as he was slamming the door behind him. He went straight to the parking yard and drove out of the company premises.

Jim tried the same with the marketing manager and the accountant but he was unable to complete the questionnaire as in between they also felt offended or wrongly blamed for the poor performance of the company.

Jim Kana got confused and sought advice from a human resource specialist.

Required

- (a) Explain the reasons why a performance appraisal is necessary in Saffnet (U) Ltd Ltd.
(10 marks)
- (b) Which key issues did the General Manager overlook in carrying out an effective performance appraisal?
(10 marks)

(Total 20 marks)

Question 2.**THE BREAD INDUSTRY**

The bread industry in Uganda is dominated by four giants; Hot- Hot, Top-Top, Sweet- Sweet, and Fad Loaves. These companies have many things in common. They are all big public limited companies with a lot of working capital. They own automated assembly lines where machines process the bread up to the packaging point. They own fleets of vehicles, which transport their products all over the country. They are capable of buying their raw materials direct from the manufacturers. They receive discounts on their bulk purchases thereby minimizing their running costs.

The organisational structures of these companies are also well laid out. They have Board of Directors and management teams that consist of professionals. These people are capable of negotiating big bank loans since they have the capacity to maintain proper books of accounts and present respectable cash flows to their bankers. In fact, all the big four are servicing big loans. These companies have very aggressive marketing strategies. They have a variety of products, some specifically made for specific areas. Rural areas are targeted with small buns and half kilogram loaves while urban areas are supplied with one-kilogram loaves as well. These companies are marketed everywhere in the country.

There is a unique factor about this bread industry. Despite the existence of the four giants, many small firms also exist and they are doing well in the market place. One of these is Jam Sweet and the proprietor is Hajat Jam Jam. Her products are common in the down town area. She uses a locally made oven, which uses firewood and employs five men on top of her family labour to produce 500 kilograms of bread every day. After baking throughout the night, Jam Jam opens her selling outlet at 8.00 a.m. and by 8.00 p.m. all her products are bought. Her customers are very loyal. She knows most of them personally. She is satisfied with the profit margin and she has no intentions of expanding the business.

What is interesting in this bread industry is that the big players are expanding but they cannot crush the small ones.

Required

- (a) Why do small firms survive alongside big firms in a competitive market?
(8 marks)
- (b) Explain the advantages and disadvantages of the big four giants in the bread industry.

(12 marks)
(Total 20 marks)

SECTION B

Question 3

- (a) What are the external factors which trigger change in organisations? (6 marks)
 - (b) Explain the internal factors which trigger change in organisations. (8 marks)
 - (c) Explain why people may resist change in an organisation. (6 marks)
- (Total 20 marks)**

Question 4

“Privatisation and liberalisation of the economy has increased competition for the market in both goods and services”. In this context, explain:

- (a) The objectives of advertising in an economy like Uganda’s. (10 marks)
 - (b) Explain the media choices available for advertisement in Uganda. (10 marks)
- (Total 20 marks)**

Question 5

- (a) Define the term control as applied in management. (4 marks)
 - (b) Why is control needed in any business organization? (8 marks)
 - (c) Discuss the steps in the control process. (8 marks)
- (Total 20 marks)**

Question 6

- (a) Distinguish between recruitment and staffing. (8 marks)
 - (b) Briefly describe the skills and personal characteristics of a good manager. (12 marks)
- (Total 20 marks)**

Question 7

- (a) Distinguish between authority and power. (5 marks)
 - (b) Explain the five bases of power described by French and Raven. (15 marks)
- (Total 20 marks)**