

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

CPA(U) EXAMINATIONS

LEVEL ONE

BUSINESS MANAGEMENT – PAPER 4

TUESDAY, 16 DECEMBER 2003

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.

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SECTION A

Question 1

FILENES UGANDA LTD.

Filenes Group of Companies is running 86 departmental stores in the United States and Europe. It specialises in dresses and casual wear for all age groups and many brand names such as Notica, Tommy Hill figure, Polo, name it, can be found in their stores. They also have cosmetics, footwear, beddings and jewelry sections. The shops are designed in such a way that they are a one-stop shopping centre for textile and accessories. Filenes owner Mr. Mill Oslo based in Texas boasts of a two billion-dollar business. Recently he visited Uganda and saw it as a potential starting point for the Eastern and Central African market.

Two experienced managers of a departmental store in Boston, Miss Martha Scot and Mr. Frank Amigo have been assigned a to study the Uganda market and open a departmental store by January 2004. This will be the company's first venture in a developing country. The two sales experts have been studying the regional market since August 2003 and have discovered a lot.

Mr. Amigo's report to the overseas Vice President of Filenes stated that it would be so difficult to do profitable business in the region. This was because the average person in the whole of the region was earning below one thousand dollars a year and yet their products such as a New York Jones suit goes for eight hundred dollars. His second argument for not opening a departmental store in Uganda was that the market was flooded with a lot of fake products sold at very low prices. He gave an example of a Tommy T-shirt sold for as low as Shs 20,000 in down town Kampala yet in United States it goes for fifty dollars which is equivalent to Shs 100,000. His argument is that despite the fact that the products were of inferior quality it was so hard for an average person to tell the difference between the duplicates and the original ones.

Miss Martha Scot had another view. Her report to the company's overseas Vice President was that the store should be opened as soon as possible. She saw Uganda as strategically placed to penetrate the regional market of Kenya, Tanzania, Southern Sudan, Eastern Congo, Rwanda and Burundi. She submitted that the region has no quality garments, as most, if not all, on the market are fake products. This will be a great opportunity for the company to market 'the real thing' to the people who can afford. In her submission, she observed that Ugandans have expensive tastes. "These people can afford to drive expensive cars and fly to Europe or South Africa for lavish shopping. Filenes will definitely target that class and offer them quality products at home", she reported.

Filenes's board meeting has decided in favour of Martha's submission and given her the task to start advertisements targeting the regional market. She has been appointed the first departmental manager Filenes (U) Ltd. The company has

rented four floors of a new high rise building in Kampala and they are ready to start business in January 2004.

Required

- (a) Identify five principal media of advertising available to Miss Martha Scot to reach the targeted group and explain why each will be effective.

(10 marks)

- (b) Analyse the business challenges Filenes (U) Ltd. is likely to encounter in the market.

(10 marks)

(Total 20 marks)

Question 2

KAYUNGA FARMERS' COOPERATIVE SOCIETY

Kayunga Farmers' Cooperative Society is an association of medium scale farmers who have graduated from subsistence farming to commercialised farming. Previously their major product was coffee but because of the coffee weevil they have shifted their energies to the production of pineapples. Of recent their production has increased tremendously because they relied on the advice of agricultural scientists from a national research organisation who taught them modern methods of farming. Currently they are using both organic and artificial fertilisers and they are using improved pineapple varieties.

Kayunga farmers are not the only ones shifting to pineapples. A large percentage in Luwero District are also doing the same. This has led to a bumper harvest, which has reduced the price of pineapples by half. In order to avoid losses, the Kayunga Farmers' Cooperative Society has started a pineapple processing plant. It processes the pineapple into juice and packs it in tins of different sizes. The plant was built on a loan from a regional development bank, which has to be paid within ten years.

The products of Kayunga Cooperative Society are good but the biggest problem is how to penetrate the market, which is congested with a lot other soft drinks such as coca cola, Pepsi cola, pineapple juice, mango juice, quencher, just to mention but a few. This competition for a small market needs a well-focused marketing system. The society has responded by employing a young MBA graduate to draw up a competitive strategy for the society. One businessman from the D. R. Congo has visited their plant and promised to order 5,000 cartons a month if they improve the expiry period which is currently between one and six months. There are mixed reactions among Ugandan consumers. While the people in the rural areas like the drink because it is cheaper than those on the market, those in urban areas consider it to be too cheap to be good. However,

Kayunga Cooperative Society products are becoming very popular in school canteens.

The overhead costs of the society are still very high. They are repaying a big loan in installments and paying hefty salaries to the experts who are monitoring the new machine for a year before handing it over to the Ugandan trainees. The managing director also intimated that the cost of electricity is too high for small local investors. Currently the government has waved corporation tax for the next five years since it is an agro-based industry situated in a rural area. It employs 50 workers most of whom are casual. The farmers are happy, as their income has improved tremendously. One Kaloli had this to say, “ My children are back to school. I could not afford school fees, as the coffee was no more. But the society through pineapples has changed things. I bought a new bike and a television”.

Required:

Make a SWOT analysis for the Kayunga Cooperative Society of processing pineapples.

(20 marks)

SECTION B

Question 3

- (a) Analyse the purpose of the application form in the recruitment process
(10 marks)
 - (b) Advance reasons why an organisation may opt for internal recruitment.
(10 marks)
- (Total 20 marks)**

Question 4

- (a) Giving examples explain what is meant by corporate objectives.
(8 marks)
 - (b) Explain why it is necessary for companies to establish and periodically review their objectives?
(12 marks)
- (Total 20 marks)**

Question 5

- (a) Briefly explain four rules of effective communication.
(8 marks)
 - (b) Describe the steps that may be taken by a manager to ensure effective communication?
(8 marks)
 - (c) Identify four communication methods
(4 marks)
- (Total 20 marks)**

Question 6

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

Question 7

With the help of an illustration explain the following:

- (a) Maslow's hierarchy of needs. **(10 marks)**
- (b) Organizational chart. **(10 marks)**
- (Total 20 marks)**