

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

CPA(U) EXAMINATIONS

LEVEL ONE

BUSINESS MANAGEMENT – PAPER 4

WEDNESDAY, 15 DECEMBER 2004

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

McGRAW CREAMERIES LIMITED

McGraw Creameries Limited (MCL) is a Ugandan company engaged in processing and packing of dairy products namely; milk, yogurt, ghee, cheese, butter and fresh cream. Ever since its incorporation in 2000, the organisation has relied on managers informally appointed by the Executive Director. This trend persisted until April 2004 when all this changed.

The first manager of the company, Mr. Maltem, was a very close friend of the Executive Director, Mr. Mush. Mr. Maltem did not get along well with most of the employees as many complained of failure to involve them whenever decisions were made. According to Mr. Maltem, employees were supposed to accomplish whatever was expected of them without any deviation. Failure to adhere to established rules and regulations would lead to termination of their services. With such conditions, many employees left MCL for other organisations.

Mr. Mush had to bring in a new manager, Mr. Raa, who is his nephew. Unlike Mr. Maltem, Mr. Raa made sure that all the requirements in processing of dairy products were available. He believed in giving freedom to employees to do what was expected of them without much supervision. However, he did not have the technical skills required for the job. Employees were not properly guided and this led to reduced production and product quality generally declined.

Disappointed with all this, Mr. Mush decided to formally recruit an experienced manager. He advertised the job and got good response. Interviews were conducted and Mr. Cooky was selected as the new manager. Mr. Cooky is referred to as "the architect of dairy production" by many people who know him. He has worked in many similar organisations for long and, therefore, has the needed experience.

Immediately Mr. Cooky assumed the new job, he started off by visiting employees in different processing departments to show them what to do and how to do it. This was an inspiration to many. He listened to their views on how to improve production as well as their complaints. This helped him to find a lasting solution to most of the problems of McGraw Creameries.

Mr. Cooky arranged for prompt salary payments and even planned for end of the year gifts and bonuses, which won him respect from all employees. He however warned employees against unsatisfactory work as this could lead to termination of their services. He re-emphasized that the goals of the organisation took precedence and retaliated his strictness towards any deviations. All these were clearly articulated during his meetings with the employees.

Despite the above warnings, Mr. Cooky is liked by many employees because of his openness and objectivity in dealing with their affairs. MCL has since grown from strength to strength.

Required:

- (a) Identify and explain the leadership style practices by McGraw managers since its inception in 2000. (6 marks)
- (b) Describe the personal characteristics of Mr. Cooky that have helped to build McGraw into a strong organisation. (4 marks)
- (c) According to French and Raven, a manager / leader requires a power base to be able to influence the behaviour of the subordinates. Using the evidence from the extract above, identify the power bases possessed by Mr. Cooky that helped him in the smooth running and improving performance of McGraw Creameries. (10 marks)

(Total 20 marks)

Question 2

MALCOM UGANDA LIMITED

MALCOM Uganda Ltd. is an organization that has been operating in Uganda for a number of decades. It deals in the production and marketing of beverages, namely; calypso and mazoe. MALCOM Uganda Ltd. has its headquarters in Kampala. The organization has grown from strength to strength because many Ugandans, young and old, like its beverages. It employs about 1,200 workers in its production, marketing, finance and other departments.

In September 2004, the Managing Director, Mr. Chris Ouchi, called a stakeholders' meeting which passed a resolution to decentralize the operations of the organization, particularly the opening of regional offices in various parts of the country. This was at meeting the high demand of its products. In October 2004, three of its branches were opened in Mbarara, Mbale and Lira. Each of these branches is headed by a regional manager who assisted by line managers namely; operations, marketing, financial and human resources.

The management of MALCOM Uganda Ltd. remained in direct control of "sensitive" areas which are managed at the headquarters. In addition, the Managing Director provides direction and guidance to the regional managers. Despite a few challenges that have resulted from this initiative, the organization has registered a number of benefits including; revenue growth, higher profits and improved customer satisfaction.

Required:

- (a) Using illustrations, identify and explain the structure of MALCOM Uganda Ltd.
(7 marks)
 - (b) Explain the advantages and disadvantages of decentralization to an organization like MALCOM Uganda Ltd.
(10 marks)
 - (d) What are the "sensitive" areas that remained in the direct control of the top management?
(3 marks)
- (Total 20 marks)**

SECTION B

Question 3

- (a) Define communication. (2 marks)
 - (b) Explain the purpose of communication in an organization (10 marks)
 - (c) Explain the barriers to communication in an organization. (8 marks)
- (Total 20 marks)**

Question 4

- (a) Describe the steps in the staffing process. (10 marks)
 - (b) Give and explain external sources of employees in the recruitment process. (10 marks)
- (Total 20 marks)**

Question 5

KLB Ltd. is a company engaged in meat packing. The company has made profits from the large sales to its customers. As a way of giving back to society, KLB Ltd. sponsored the national soccer team in the World Cup qualifying matches this year. It has also contributed funds towards cleaning up of the surrounding environment.

- (a) Identify the business objective fulfilled by KLB through such moves. (4 marks)
 - (b) What are the arguments for and against such moves by KLB Ltd? (16 marks)
- (Total 20 marks)**

Question 6

- (a) Explain what Herzberg considered to be motivators and hygiene factors in his motivation hygiene theory.

15 marks.

- (b) Why has Herzberg's theory been criticised?

(5 marks)

Total 20 marks.

Question 7

- (a) What do you understand by "marketing mix"?

(2 marks)

- (b) Identify important variables that make up the marketing mix.

(8 marks)

- (c) Give the various forms of sales promotion.

(10 marks)

(Total 20 marks)