

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

CPA (U) EXAMINATIONS

LEVEL FOUR

BUSINESS POLICY - PAPER 17

WEDNESDAY, 15 DECEMBER 2004

INSTRUCTIONS TO CANDIDATES

1. Time allowed: **3 hours**
2. Section **A** has **one** compulsory question carrying 50 marks.
3. Section **B** has **three** questions and only **two** are to be attempted. Each question carries 25 marks.
4. Please, read further instructions on the answer book.

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SECTION A

Question 1

Uganda Licensing Board (ULB) is a government department which issues licences to users. It employs 2,000 people. The costs of the department have two main elements: staff and information technology. The government has provided ULB funding and this determined the spending on staff and on information technology.

The licenses issued by ULB have to be paid for by the road users. However, ULB did not benefit from the revenues raised from the sales of licenses as these were passed directly to government. ULB has no tradition of management accounting and it has never prepared an income statement.

The government has a policy of reducing the size of the public sector. Other government departments similar to ULB have been turned into Authorities or Agencies. Although the government retains ownership, the Authorities/Agencies are very similar to private sector companies. Their managers are set profitability targets and receive salaries similar to those in the private sector. These Agencies are able to raise loan capital in the open financial market. It is unlikely that ULB will be turned into an Agency immediately. However, there is a feeling that such a change would be very likely within the next five years.

In order to improve efficiency, the government has decided to introduce 'modern business practices' into ULB. In the case of ULB the government intends to introduce management accounting and strategic planning which were previously not carried out at ULB.

Required:

- (a) Describe how ULB could prepare the implementation of management accounting and strategic planning.
(12 marks)
 - (b) Discuss the extent to which management accounting and strategic planning are applicable in:
 - (i) A government department.
 - (ii) An authority / agency (as described above).
(22 marks)
 - (c) Explain the approaches which ULB could use in the planning of the allocation and control of its resources. Distinguish between approaches that are applicable in a government department and those which are applicable in an agency/authority.
(16 marks)
- (Total 50 marks)**

SECTION B**Question 2**

Bugolobi International University (B.I.U.) is located in the Eastern part of Kampala. It is a non profit-making organization. The Ministry of Education, as required by law, has licensed B.I.U. B.I.U earns its income from charging fees to its students. The Ministry of Education fixes the fees for all Universities in the country. It also offers consultancies to private and public organizations as other Universities in the country, which offer the same facilities do. These universities are competing with each other as they all search for a bigger market share.

Required:

- (a) Describe the ways in which B.I.U can compete against the other universities.
(10 marks)
 - (b) Describe how B.I.U. can establish the extent to which its users are satisfied with its services.
(7 marks)
 - (c) Describe how B.I.U. could measure the effectiveness of its use of resources.
(8 marks)
- (Total 25 marks)**

Question 3

In order to achieve sustained profitability, a company engaged in a low-technology industry must continuously assess the threat posed by the entry of new competitors. Using known theories and frameworks,

- (a) Explain how new competitors entering a low-technology industry can pose a threat to established companies.
(6 marks)
 - (b) State, with reasons, the information you consider a company in low technology industry requires to assess the extent of the threat posed by potential new competitors.
(10 marks)
 - (c) Discuss how a company in a low-technology industry can counter the threat posed by the entry of new competitors.
(9 marks)
- (Total 25 marks)**

Question 4

- (a) Describe the role of product development as part of an overall marketing strategy.

(12 marks)

- (b) Explain why a direct relationship between the costs of production and a selling price may be inappropriate as a pricing strategy.

(13 marks)

(Total 25 marks)