

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## CPA(U) EXAMINATIONS

### LEVEL ONE

#### BUSINESS MANAGEMENT – PAPER 4

**WEDNESDAY, 20 JUNE 2007**

#### 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****THE GRAND INVESTMENTS LTD**

The Grand Investments Ltd are the makers of ladies' garments that range from jean skirts, trousers, dresses and T-shirts. The Production Department is headed by a manager and under him are assistant managers with several subordinates engaged in designing, sewing, sorting and grading of garments.

In the recent past however, the Production Manager complained of a heavy work schedule. The Board wondered because he has several assistants. A closer study of his complaints revealed that he and other managers do not delegate extra duties to their subordinates. This was a general problem in the organisation. Every officer shouldered their responsibilities which left them with little or no time to attend to other vital assignments.

The Board then advised the managers to consider delegating some of their duties. Some were, however, skeptical and reluctant. In fact one had this to say: "I have always done this work myself and I know what I am doing. After all, Mr. Huge tried to delegate his duties and got disappointed. The subordinates did substandard work". Other employees on the contrary blamed Mr. Huge for having ignored the principles of delegation. It was evident, according to the grapevine, that Mr. Huge was lazy and mean.

The general problem was that not only were the managers reluctant to delegate duties but that subordinates were also not willing to accept extra duties. Most of the subordinates had no relevant skills, lacked confidence, were demoralised and were generally not motivated.

**Required:**

- (a) Why was there resistance to delegation at The Grand Investments Ltd?  
(7 marks)
- (b) Advise the management of The Grand Investments Ltd on how to overcome the delegation problem.  
(8 marks)
- (c) Explain the principles of delegation which Mr. Huge should have considered before delegating to his subordinates.  
(5 marks)

**(Total 20 marks)**

**Question 2****DAMU LTD**

Damu Ltd is a fully registered company based in Uganda. It is engaged in manufacturing and selling of cooking oil, soap and other detergents. It also imports electrical equipment like flat irons, refrigerators, kettles, etc which are sold on both the local and regional markets. The company employs over 400 people most of whom are male employees. The female employees are limited to clerical work because they are considered non-performers in other areas. The majority of its employees are recruited from a particular tribe and religion.

Damu Ltd pays its employees a reasonable wage. The only problem is that they are not paid on time. This practice has led to several malpractices, such as overpricing of products and kickbacks or bribes by some of the employees. Some junior managers on the other hand hoard some products to inflate prices. In fact some customers were heard lately complaining about the dishonesty of the employees of the company. Besides, some managers still believe they can't make good money without being dishonest.

Damu Ltd advertises on major FM radios and television stations. The problem, however, is that the specifications given by the advertising agents are not reflective of the real quality of the products. Besides, the sales agents also exaggerate the quality of these products. Many times some components of the products like cables go missing. Extra pay is charged before the sales agents can give such items to customers. This is a result of pressure from managers who wish to have products sold off immediately and also from lack of business ethics.

In the recent past, Mr. Dogma was appointed the new Managing Director of Damu Ltd. He has brought some sanity in the organisation. He has become a role model by holding himself in high esteem. He has set achievable objectives and is encouraging everybody to do the same. He has put in place a clear organizational policy. Services are getting better day by day. Customers are now increasingly getting confident of the services of Damu Ltd.

**Required:**

- (a) Explain the term "business ethics". **(2 marks)**
- (b) Identify and explain the unethical behaviour at Damu Ltd. **(10 marks)**
- (c) Explain how Damu Ltd has tried to improve on her business image. **(3 marks)**
- (d) Give advice to the management of Damu Ltd on how to raise ethical standards. **(5 marks)**

**(Total 20 marks)**

## SECTION B

### Question 3

Gatto Uganda Ltd is one business organization engaged in the production of soft drinks. It has undergone several changes triggered off by external forces since the year 2000.

#### Required:

- (a) Explain the external triggers of change at Gatto Uganda Ltd. (8 marks)
  - (b) Why would the changes at Gatto Uganda Ltd face resistance from the employees. (12 marks)
- (Total 20 marks)

### Question 4

- (a) Define management control. (2 marks)
  - (b) What are basic steps in the control process? (8 marks)
  - (c) Explain why control is important in a business organization. (10 marks)
- (Total 20 marks)

### Question 5

- (a) What is the purpose of selection interviews in an organization? (10 marks)
  - (b) Explain the limitations of a selection interview and give the precautions that can be taken to avoid those limitations. (10 marks)
- (Total 20 marks)

### Question 6

- (a) What do you understand by communication? (2 marks)
  - (b) Explain the methods of communication used in an organisation. (10 marks)
  - (c) What are the attributes of effective communication? (8 marks)
- (Total 20 marks)

### Question 7

- (a) Identify and explain the variables in a marketing mix strategy. (8 marks)
  - (b) Why should business organizations consider advertising as part of their marketing programmes? (12 marks)
- (Total 20 marks)