

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## CPA(U) EXAMINATIONS

### LEVEL ONE

#### BUSINESS MANAGEMENT – PAPER 4

**WEDNESDAY, 12 DECEMBER 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.

## SECTION A

### Question 1

#### MODEM BUSINESS INVESTMENT

Mr. Modem is a Ugandan who has been staying in the United Kingdom (UK) for the last twenty years. He would like to set up a business in Kampala using his savings made over the years. He has special interest in processing fish. The suggested name for the investment is "Modem Ltd".

However, Mr. Modem is not conversant with the business environment in Uganda. He would like to know exactly what it takes to establish a profitable business before committing his finances.

Since he has been in the UK for twenty years, he needs to be advised on the variables that would affect his business operations. This will enable him to plan ahead on how to handle such issues. Accordingly, he is planning to establish a big investment that will not only benefit him as a person but also government and many other Ugandans in form of taxes and employment.

Careful planning is therefore expected of Mr. Modem to avoid being driven out of business prematurely. This is because the area he is interested in (fish processing) is highly competitive. It requires serious consideration of the planning process. An appropriate business decision is necessary before the investment is effected.

#### Required:

- (a) Explain the term "business environment".  
(2 marks)
  - (b) Identify and explain to Mr. Modem the variables that would affect his business of fish processing.  
(8 marks)
  - (c) Advise Mr. Modem on the steps in the planning process.  
(10 marks)
- (Total 20 marks)

**Question 2****TRANSVIC (U) LTD**

Transvic (U) Ltd was established in 2000 to transport passengers and goods from Nakiwogo to Ssesse Islands on Lake Victoria. The company owns over three ferries which operate on alternate days of the week. Currently, the owners are planning to extend this service to other Islands like Kome, Lolwe and Wakawaka. However, there are a few business mistakes to sort out that management needs to study.

Since its inception in July 2000, business had been smooth and profitable. This is because management tried as much as possible to limit unethical tendencies. The customers were given due respect and treated very well. During the year 2006, management relaxed its ethical principles. The controls that were in place were neglected. No staff training took place. Channels of communication were not adequately used. The employees resorted to the grapevine to get information. The code of conduct was not enforced. This resulted in graft, distortion, poor management and of course a decline in ethical standards.

Faced with this challenge, the Directors decided to join the crew on one of the trips. This was surprising and the first time it ever happened. The workers were not notified and were taken unawares. Once on board, the Directors interacted with the passengers and listened to their complaints. These included late departures and arrivals, hiked fares, abuse of customers, lack of uniform charges, mechanical failures to mention but a few. This had resulted in some passengers abandoning Transvic (U) Ltd for other transporters. The Directors could not believe that such a situation was obtaining under their watchful eyes.

The directors also found out that repair work and servicing that was claimed to be done daily was not done at all. Instead such money was diverted to serve personal interests. No wonder the performance of their company was declining steadily.

On reaching their destination, many passengers were missing their luggage/property. The Directors were shocked to see that none of their staff could explain adequately the loss of customers' property. It was very clear that none of the employees of Transvic (U) Ltd was still loyal to its business goals.

**Required:**

- (a) What are ethical issues? **(2 marks)**
- (b) Identify the prevalent unethical issues at Transvic (U) Ltd. **(6 marks)**
- (c) Advise the management of Transvic (U) Ltd on how to improve ethical standards in the organisation.

**(12 marks)**  
**(Total 20 marks)**

## SECTION B

### Question 3

- (a) What do you understand by organizational structure?  
(1 mark)
  - (b) Using illustrations, explain the different types of organizational structures.  
(9 marks)
  - (c) What factors might influence the design of organizational structures?  
(10 marks)
- (Total 20 marks)**

### Question 4

- (a) Explain the objectives of a business organization.  
(10 marks)
  - (b) Why is it important for business organizations to set and review their objectives periodically?  
(10 marks)
- (Total 20 marks)**

### Question 5

- (a) Using relevant examples explain the meaning of a committee.  
(4 marks)
  - (b) What are the guidelines for an effective committee?  
(16 marks)
- (Total 20 marks)**

### Question 6

- (a) Explain the stages in a product life cycle.  
(10 marks)
  - (b) What are the implications of each stage to business planning?  
(10 marks)
- (Total 20 marks)**

### Question 7

- (a) What is operations management?  
(4 marks)
  - (b) Discuss the functions that take place at operations management level.  
(16 marks)
- (Total 20 marks)**