

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

CPA(U) EXAMINATIONS

LEVEL FIVE

INTEGRATION OF KNOWLEDGE – PAPER 19

COMPREHENSIVE CASE STUDY QUESTIONS

AFTERNOON SESSION MATERIAL

THURSDAY, 13 DECEMBER 2007

INSTRUCTIONS TO CANDIDATES

1. Time allowed: 5 hours 30 minutes.
9.00 a.m.– 11.00 a.m. (2 hours): Planning.
11.00 a.m. – 12.00 noon. (1 hour): Break.
12.00 noon – 3.30 p.m. (3 hours 30 minutes): Writing.
2. The following pages contain a compulsory case study question carrying 100 marks.
3. The completed answers and any working papers, clearly labelled working papers must be handed in at the end of the afternoon session. Where working papers form part of your answer, ensure that they are appropriately cross referenced.
4. It is in your interest that you hand in all written materials prepared during the examination.
5. Please read further instructions on the answer book.

After the consultant who was hired by Edward Katumba, Francis Kitaka and Joseph Byamugisha had finished her work, the company agreed to take you on as a full time advisor to implement the consultant's recommendations and presented you with all the background material regarding SCG and Luzira Park, as a basis for you to understand what should be done.

Required:

Write a memorandum advising the company on the best way to implement the recommendations and not to jeopardize the operations of SCG. In your memo, make sure that you address the following matters as well:

SWOT Analysis of the Luzira Park

<u>Strengths</u>	<u>Weaknesses</u>
<ol style="list-style-type: none"> 1. Access to unique technology and know-how. 2. CYBERMED product innovation skills with pace setting innovations. 3. A sizeable experience curve with regard to manufacturing through CYBERMED, an acknowledged leader in the area of ART and other life sciences. 4. Cost advantage compared to brand owners who possess similar technology but are much more expensive. 5. Marketing and distribution effectiveness through SCG. 6. A growing customer base and customer loyalty for SCG's range of products. 7. A wide product range, which minimises the risk of capacity under utilisation. 8. Superior product quality among generic manufacturers. 9. Access to economies of scale through CYBERMED worldwide operations. 10. CYBERMED and SCG are perceived well by consumers. 11. A strong market share for the proposed range of products. 12. Core competencies in key areas both in manufacturing and marketing. 	<ol style="list-style-type: none"> 1. Inadequate local human resource capacity in manufacturing of pharmaceuticals. 2. Lack of local managerial depth and talent to run this kind of outfit. 3. New venture for which local partners have minimal experience.

<u>Opportunities</u>	<u>Threats</u>
<ol style="list-style-type: none"> 1. Falling trade barriers in attractive foreign markets. 2. Access to emerging new technologies through association with CYBERMED. 3. Possibility to serve additional customer groups or expand into new foreign markets currently serviced by CYBERMED from India but can better be served by SCG's more strategic location. 4. Ability to expand product line to over 600 products. CYBERMED has capacity to meet a broader range of customer needs. 5. Ability to transfer acquired skills and technological know how to new products especially in SCG's veterinary business interests. 6. Possibility of local research and patenting of those innovations. 	<ol style="list-style-type: none"> 1. Emergence of new and better innovations that may render existing products obsolete. 2. Costly regulatory requirements to enable SCG become eligible for international tenders. 3. Emergence of lower cost competition from the region when trade barriers fall and regional co-operation takes off. 4. High cost of capital.

- (a) Comparing the above SWOT analysis and the strategic objectives of the company, draw up a set of recommendations on how the company can avert the perceived crisis and also overcome the weaknesses and threats.
- (b) Explain the meaning of political risk as referred to by JK. Comment on the other types of risk that the company faces and how they can be mitigated.
- (c) Evaluate the meaning of the term reengineering as used in the context of this case? Explain why the management of Luzira Park is referred to as 'top heavy' in terms of organization structures.
- (d) Comment on the viability of the Luzira Park Project and calculate any ratios that would help analyse the financial performance and position, and feasibility. Assume a cost of money of 6% per annum. Is the project in a position to pay its debts?
- (e) Assess the technical problem associated with estimating a 5% growth rate in the number of infections from year to year, given your knowledge of trends and natural growth (Exhibit II).