

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

CPA (U) EXAMINATIONS

LEVEL FOUR

BUSINESS POLICY - PAPER 17

MONDAY, 10 DECEMBER 2007

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

Agripa Hotel (AH) is a four star hotel located in the centre of Kampala. The Hotel was founded by Mr. Mukasa, a highly enterprising individual. His hotel ambitions can be traced to as far back as 1972, when he first got employed in a small restaurant, as a waiter. He was by then employed by an Indian, who opened one of the first fast food restaurants in Kampala. 10 years down the road, he set up his own restaurant with the same product range as what used to be provided at his former employer's restaurant.

Asked about how he has made it to the top, Mr Mukasa proudly says, "...opening my own restaurant was the best decision I ever made... but I have to pay tribute to my former employer. He taught me the work ethics that still drive me today. I must personally be involved in client matters ... I also believe in staff empowerment and capacity building. All my staff must be trained upon joining us, since we do things uniquely. Thereafter, we let them go out and perform their duties. We, for example, allow staff at supervisory level to settle customer complaints with monetary refunds, for as long as it does not exceed Shs 40,000 ..."

In 1985, Mr Mukasa together with a few of his friends raised funds and opened an INN on Namirembe road in Kampala. The venture turned out to be very successful, giving birth to several other lodges and motels in and around the city. The most outstanding venture, though, is the four star Agripa Hotel located on a 4.5 acre piece of land, even though only 1.5 acres are presently occupied by hotel structures. The remaining 3 acres are beautiful flower gardens where guests relax and enjoy the breeze. AH is the only hotel that has such gardens in the city center. Couples are often seen taking pictures in these gardens after their weddings, even when they are not hotel guests. Plans are, however, underway to construct a 6-floor extension to the present building. This comes in the wake of the International HIV/AIDS Conference due to be held in Kampala early next year.

With only a few months to go, however, doubts have been expressed as to the feasibility of the project since the hotel intends to host International HIV/AIDS Conference guests. This was reported in the Uganda Hoteliers monthly magazine with a special feature on International HIV/AIDS Conference. This most recent issue also dispelled rumours that a senior government official was poisoned at a leading hotel. In the reported rankings of hotels, AH was ranked No. 15 due to its limited room numbers, as well as rudeness of waiters and waitresses to guests. One of the letters even pointed out that one of the hotels "not mentioned" employs staff who sometimes do not refund customers' change.

Overall, however, the issue emphasized the fact that the hotel industry was eagerly waiting for guests, and the hotel owners were doing all it takes to create the best ambience for the International HIV/AIDS Conference guests.

The main constraint to AH's expansion plans has been finances. Mr. Mukasa had hoped that he, and the other shareholders, would raise additional capital by mid this year, but this is yet to materialize. The hotel finance manager was recently asked to review the present financial position, and suggest options on the way forward, but nothing has been done, save for a mere compilation of brochures from several financial institutions about their loan products. Asked about the assignment, he says he is still busy finalizing the budget for the construction of the building, and would attend to the finances later.

AH employs about 90 staff including waiters, waitresses, chefs, senior chefs (Supervisors) and room attendants. Most of the chefs are Bachelor of Catering student trainees, doing their internship. The supervisors are experienced chefs with over 10 years' service in the hotel industry. Waiters are mainly high school dropouts recruited from popular dance groups in Kampala. These are given a two-day intensive training in customer care upon recruitment, plus regular short-term refresher courses. Mr. Mukasa believes that preparation of meals is a process the hotel cannot take chances with, that is why he ensures that the kitchen department comprises of professional staff. Some chefs have been sponsored for Masters Degree studies, hoping that in future they will be promoted to supervisory level.

Other well-staffed departments include; marketing, human resource and accounts / finance. Mr. Mukasa doubles as the procurement manager, deputized by Joseph Sonko who is the storeskeeper. Mr. Mukasa's direct involvement can be traced to his conviction that supplier relationships are critical to organisational success. He also believes that inventories are always a soft target by employees when it comes to pilferage. Last year, therefore, he ensured that funds were committed to the acquisition of a modern inventory control system. It links stores to the accounts department, but also has a module allowing for interface to suppliers thereby enabling them to monitor movement in supplies. This supplier functionality is yet to be activated.

The marketing department comprises of two staff who are charged with maintaining customer relationships, and bringing in business. The department has been busy lately with a lot of lobbying going on ahead of the International HIV/AIDS Conference. The department also carries out market research. Some findings in the past have included compliments about the beautiful and spacious gardens and complaints about the use of small conference facilities. Marketing research results also indicate that other hotels never employ student trainees.

The above said though, Mr. Mukasa is confident that in the next five months (just before the International HIV/AIDS Conference) the hotel can turn around its fortunes. He says that his hotel cannot afford to stay No. 15 in the rankings. He has now approached your firm for consultancy assistance. Your partner has assigned you to this job as lead consultant.

Required:

- (a) Using the concept of value chain analysis, identify, and comment on competences which account for Agripa Hotel's (AH) competitiveness ahead of the International HIV/AIDS Conference.
(20 marks)
 - (b) How can Agripa Hotel apply benchmarking?
(8 marks)
 - (c) Discuss the limitations of benchmarking.
(8 marks)
 - (d) With reference to Agripa Hotel, distinguish between training and development.
(4 marks)
 - (e) Write a memo to the management at AH justifying the need for staff training and development.
(10 marks)
- (Total 50 marks)**

SECTION B

Question 2

- (a) Marketing has evolved over time and several philosophies have emerged.

Required:

Discuss the **five** marketing philosophies, indicating the potential applicability of each.

- (b) Giving examples, distinguish between market segmentation, market targeting and market positioning.
(10 marks)
- (Total 25 marks)**

Question 3

New Edition Enterprises is a consultancy firm that was established in 2000. With its premises located at Crested Towers, one of the most highly sought after buildings in Kampala, the company posted impressive revenue growth results for the first five years of existence. It boasted of a client profile comprised of the “blue chip” Ugandan companies, and only a few small enterprises.

The year 2005 saw a change in fortunes. A number of key staff resigned and joined a competitor consultancy firm, while the company shifted its offices to Channel Street, just over 500 meters from Nakivubo stadium / Owino Market. The Nakivubo area is notorious for pick pockets and criminals who even commit day-light robbery.

The firm’s revenues have since been on a down ward trend since key clients have been lost, yet the new clients are small enterprises whose resources are limited. Available literature suggests that such small companies are not normally ready to spend on marketing given their limited budgets.

Required:

You recently joined the firm, and your first assignment is to write a paper to the managing partner, showing how the marketing mix could be employed in turning around the fortunes of New Edition Enterprises.

(25 marks)

Question 4

Michael Porter’s five forces help strategic managers to understand industry dynamics and anticipate the impact of remote factors on the firm’s operating environment.

Required:

- (a) Explain the forces driving industry competition.

(15 marks)

- (b) Illustrate the major sources of barriers to entry into an industry of your choice.

(10 marks)

(Total 25 marks)