

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

CPA(U) EXAMINATIONS

LEVEL FOUR

INTEGRATION OF KNOWLEDGE – PAPER 16

COMPREHENSIVE CASE STUDY QUESTIONS

AFTERNOON SESSION MATERIAL

THURSDAY, 10 DECEMBER 2009

INSTRUCTIONS TO CANDIDATES

1. Time allowed: **3 hours 30 minutes**.
12.30 noon – 4.00 p.m. (3 hours 30 minutes).
2. The following pages contain a compulsory case study question carrying 100 marks.
3. The completed answers and any working papers, clearly labeled 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.

Following your telephone conversation with Mr Tega and the delivery of documents by his driver, you spent a bigger part of the night pondering what exactly was wrong with the famous Ugalines Group. Based on the lengthy conversation you had had and the documents received, the list from Mr Tega did not seem exhaustive.

“Surely a company with issues of such magnitude cannot yield just a four items list of concerns from the group’s managing director. How could he only be interested in disciplinary action, the implications of an audit qualification and the need for marketing at Ugalines Radio Limited and Ugalines Properties Limited? ”, you wondered!

Thereafter you prepared the following checklist of issues which, in your opinion, appear pertinent to the operations of the Ugalines Group of Companies.

A: Capital Budgeting And Financing Issues at the Ugalines Group.

- A1. Reliability of capital budgeting processes at the group
- A2. Quantitative and qualitative information to support the project proposals
- A3. Merits and demerits of the financing options available for the proposed fish factory
- A4. Mechanisms of incorporating risk into the investment decision-making.

B: Strategic and Corporate Governance Issues

- B1. Importance of strategic planning to the management of the Ugalines Group
- B2. The management style of the group’s managing director
- B3. The roles and responsibilities of the companies’ directors
- B4. Challenges of implementing corporate governance at the Ugalines Group
- B5. Key aspects or contents of a marketing plan

C: Audit and Other Environmental Issues

- C1. The likely impact of a qualified audit opinion on the group
- C2. The correct accounting treatment of a finance lease in the books of a lessee
- C3. Steps that the Ugandan government can take to combat illegal fishing
- C4. Considerations before issuing a fee note for services rendered.

Required:

Taking the role of Mr Tega’s childhood friend, a recent CPA graduate and now professional advisor, prepare a report advising Mr. Tega on the issues above.