

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, 18 JUNE 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 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.

The Result of the Many Issues Surrounding Royal Crown Bank Ltd

Many stakeholders are shopping around for in-depth analyses, explanations, and/or solutions regarding their areas of interest. The following three factors actually mean that the relevant documentation is very urgent:

Political Debates That Will Follow the Government Budget Reading

Debate shall start soon after the government budget reading, and politicians will need to influence budget priorities with informed contributions. The general public is also keenly watching politicians on the quality of debate they bring to the house, which has now forced politicians to do thorough research before technical discussions.

The New RCB Management Focus and Planned Revitalization

Royal Crown Bank Limited recently appointed a new Managing Director (MD) Mrs. Pauline Nyago, who resumed duty three months ago with the theme, *"Restoring RCB's stature by harnessing the internal and external environment"*. Mrs. Nyago was formerly a chief executive of a small engineering firm in the USA; and whereas her experience in financial services is limited, she was fronted as a team player and driven by innovation. Her focus is to change the way RCB operates, by focusing on its various parts of the value chain, enabling human resources contribute their best, and exploiting the business environment through making informed and befitting relationships with external stakeholders particularly the Zamunda government. It is understood from sources close to her that she has an undocumented policy to replace the whole current management team within the next two years, who she seems to think cannot match her pace of work, and who nearly led to the collapse of the bank recently.

The coming RCB's AGM and other urgent stakeholder interests.

The AGM is expected to bring many stakeholders together, and management seeks endorsement of many wide-ranging policies to avoid calling extra-ordinary general meetings later. The shareholders have concerns about the board of directors, and they need information to rebut accusations against them, for consideration at a special board meeting session due in 3 days.

Note: The bank is rather transparent given that it is listed, and one can easily get publicly available information to beef up any conclusions that any analyst may arrive at. The government is equally increasingly becoming more accountable to the public, and access to any additional information is considered

easy, which is attributed to the effective opposition in parliament or government's change of strategy or both.

The different key concerns for now are summarized as follows:

A. Political leader's concerns:

- A1. The influence of consumer spending and the housing market on GDP growth rates;
- A2. Meaning, forms and prevention of creative accounting;
- A3. How to achieve more equitable distribution of income/resources;
- A4. Whether the Zamunda Reserve Bank can meaningfully control the ZRu's exchange rate;
- A5. Becoming a regional trade hub: What Zamunda needs to do differently.

B. The Royal Crown Bank management:

- B1. How the bank should react to the coming government budget speech;
- B2. Terms of reference (TORs) for the research preceding the agricultural loans;
- B3. Steps to control the bank's escalating cost of capital and its effects;
- B4. Any four means by which RCB can be more relevant to the communities;
- B5. Job description for the position of Management Accountant;
- B6. What could have gone wrong with the financial performance of the bank?

C. Shareholders and other stakeholders:

- C1. The implications to shareholder value of the figures reported in the ZSE trading report;
- C2. The likely success of the planned issue of shares and alternative courses, if any;
- C3. The importance of and threats to auditor's independence;
- C4. Considerations before endorsing RCB's expansion beyond ZR's borders;
- C5. The causes of global warming and its likely consequences.

Required:

Prepare a report on the issues relevant to each stakeholder, well-knowing that the curriculum vitae you recently posted on **www.liableconsultants.co.ug** could make these stakeholders approach you for your services.

The variable nature and backgrounds of the different stakeholders may mean that technical terms should be explained or described before making your value-adding comments on the different issues.