

# 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

**TUESDAY, 14 JUNE 2011**

#### INSTRUCTIONS TO CANDIDATES

1. Time allowed: **3 hours 30 minutes**.  
12.30 p.m. – 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.

Assuming you are the head of finance at SUL, you have taken note of the managing director's Back to Office Memo, as well as his e-mail (See appendix 5).

As you internalized the memo, this phrase kept ringing bells in your mind. *".....and I hope you relish the challenge. Remember I have been at the helm for over a decade! May be its time to give way.....!"*

You later concluded that this could be the best opportunity for you to seal the slot as potential successor when Jaber Ban Badi eventually retires. Realising that this could be the moment, you have decided that it is not only the water recycling plant project for which management needs advice, but there are a number of other issues that need management's consideration. You have, therefore, generated the following list, which in your view comprehensively covers the key priorities.

### **Section A: Production and Marketing Functions**

- A1. Potential improvements in the relationships with out growers.
- A2. Innovations that could improve the core production operations.
- A3. Assuming the company was to sell its sugar directly to the consumers, the marketing strategies it could adopt.

### **Section B: Finance and Accounting Functions**

- B1. Financial aspects of the water recycling project.
- B2. Qualitative issues about the project that need management's attention.
- B3. How the project should be financed.
- B4. Cost control strategies for SUL.

### **Section C: General Governance**

- C1. An analysis of SUL's key stakeholder groups in light of the managing director's memo
- C2. Potential improvements in the company's strategic intent.
- C3. Challenges of implementing outsourcing functions at SUL.
- C4. Key risks faced and how the risks could be managed.
- C5. Outline of the terms of reference for a risk management department at SUL.
- C6. Advice to the managing director on the distinction between personnel management and human resource management.

### **Required:**

Prepare a detailed report advising management on the above issues.

Appendix 5: E-mail from the Managing Director on the Financing Options

Please refer to my earlier email. The following are my thoughts on the financing options:

- I have had preliminary negotiations with the Export Import Bank of India via email. In their indicative term sheet, they could lend us the money at one year LIBOR<sup>1</sup> + 3%, repayable over an eight year period. The rate would be revised annually. They would also give us a one year grace period. One key condition though is the need for a credit rating. A portion of our revenue would also have to be deposited in an escrow account to be opened in a reputable international bank.
- It would be foolish of us not to consider local financing options! I have spoken to my good friend Peter, the head of credit at Front Page Commercial Bank Uganda Limited (FPCBUL), and he says they could give us the Uganda shillings equivalent at the prime<sup>2</sup> lending rate plus 4%. FPCBUL is not willing to give us a grace period, but the loan is repayable over 10 years.
- Given the depreciation of the shilling we have witnessed over the past one year, we need to be careful with this decision. Similarly, we must be careful about the volatility in interest rates. I understand that London markets have stabilized since the credit crunch, but we cannot leave anything to chance. Back home, interest rates have been rising since the election period early this year.

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<sup>1</sup> LIBOR refers to the London Interbank Offer Rate, currently estimated at 1.3% for the one year maturity

<sup>2</sup> Prime Lending Rate is currently estimated at 18% on the Uganda shilling