

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL THREE

BUSINESS MANAGEMENT– PAPER 11

THURSDAY, 16 JUNE 2011

INSTRUCTIONS TO CANDIDATES:

1. Time allowed: **3 hours 15 minutes**.

The first 15 minutes of this examination have been designated for reading time. You may not start to write your answer during this time.

2. Attempt **all** questions in Section **A**, any **three** questions from Section **B** and **one** question in Section **C**.
3. Section **A** has **one** compulsory case study question carrying 30 marks.
4. Section **B** has **five** questions and only **three** are to be attempted. Each question carries 20 marks.
5. Section **C** has **two** questions and only **one** is to be attempted. Each question carries 10 marks.
6. Please, read further instructions on the answer book, before attempting any question.

© 2011 Public Accountants Examinations Board

SECTION A

Question 1

FRUIT TYMES LTD

Mr Senseko is the General Manager of Fruit Tymes Ltd, a company operating a fruit processing factory in Kalerwe. It extracts juice from common fruits, mainly passion fruits and oranges. Since it started operations, the company has been growing steadily with sales doubling, on average, every eight months. In the last five months, however, the trend has tremendously reversed. Both sales and profits have gone down and the company is finding it difficult to meet their financial obligations.

In response to the deteriorating situation, a reputable firm of management consultants was hired to look into the affairs of the company. In their report of findings, the major reason for the low sales was the introduction of a new product on the market. This product is packaged under a brand name 'Juice Me' which is made from mixing imported fruit flavours.

The tastes of the two products are almost similar but the prices are not comparable. Juice Me is sold in small half-litre packages to retail outlets and consumers, unlike Fruit Tymes which is packaged only in one-litre bottles and distributed through wholesale outlets. Most customers of Fruit Tymes have since switched to Juice Me. They cannot tell the difference between the two juices but prefer Juice Me for its price.

Mr. Senseko was surprised that a competitor had penetrated the market for six months without his knowledge. His staff were aware but did not bother to inform him because they did not regard Juice Me a threat to their business. The marketing department acknowledged the existence of the new product but thought customers would stick to them because their product was superior. They did not look at other market variables like packaging, thinking people knew them well enough.

The consultants recommended that Fruit Tymes Ltd recruits a marketing manager to help the company regain the lost market and devise strategies of making the company profitable again.

Required:

- (a) Identify the:
 - (i) strengths of Fruit Tymes Ltd. (4 marks)
 - (ii) weaknesses of Fruit Tymes Ltd. (4 marks)
 - (iii) opportunities available for Fruit Tymes Ltd. (4 marks)
 - (iv) threats of Fruit Tymes Ltd. (4 marks)

- (b) Briefly explain the variables that Fruit Tymes Ltd can put into consideration in using the market mix strategy.

(14 marks)

(Total 30 marks)

SECTION B

Question 2

- (a) Differentiate between programmed decisions and non-programmed decisions

(8 marks)

- (b) Explain the steps of the decision making process.

(12 marks)

(Total 20 marks)

Question 3

Explain:

- (a) Victor Vroom's Expectancy Theory of Motivation.

(8 marks)

- (b) the likely signs of a poorly motivated staff.

(12 marks)

(Total 20 marks)

Question 4

Using relevant examples, explain why is it important for organizations to maintain high ethical standards in conducting business.

(20 marks)

Question 5

- (a) What do you understand by the term 'Management by objectives (MBO)'.

(5 marks)

- (b) Explain why MBO is important to any modern organization.

(15 marks)

(Total 20 marks)

Question 6

Explain the factors that make a manager a good leader in an organisation.

(20 marks)

SECTION C

Question 7

Explain why accounting ratios are an important management tool in profit making organizations.

(10 marks)

Question 8

Write short notes on **one** of the following:

(a) Importance of committees in an organisation.

(10 marks)

(b) Organizational effectiveness.

(10 marks)

(c) Duties of a purchasing department.

(10 marks)