kasneb

CPA PART III SECTION 5

CICT PART III SECTION 5

CIFA PART III SECTION 5

CCP PART III SECTION 5

STRATEGY, GOVERNANCE AND ETHICS

WEDNESDAY: 23 May 2018. **Time Allowed: 3 hours.**

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

BRIGZ LIMITED (BL)

Brigz Limited (BL) is a family owned business which was founded in the year 1980 by Pero Kero, one of the family patriarchs. The company's primary business at the time was manufacture of bicycles and sale of bicycle spare parts. BL faced little competition then. Consequently, the company expanded rapidly. In a period of 5 years, the company had become a household name for bicycles in the African region. To keep pace with the growing demand, BL purchased 65% of the components used in manufacture of bicycles rather than manufacturing them in-house.

Throughout the years in the 1990's, BL remained Africa's largest bicycle manufacturer with 44% market share and a 15% share of the overall three-wheeler cycles market. The company's success, however, did not go unnoticed. Indian and Chinese multinationals soon entered the African market. The new entrants had extensive financial and technological resources as well as a wealth of experience that gave them a dominant position over local players.

A decade later, BL's market share of bicycles had halved to 22% and the overall market share dipped to an abysmal 5% while its competitors' businesses grew tremendously. Stocks of components and unfinished items rose alarmingly at BL as competition increased. The situation was worsened by the fact that the company was not fully computerised. Consequently, the existing manual inventory control and production planning systems were overwhelmed. Although BL had a strong technical and production orientation, the company paid little attention to marketing which was left to agents and distributors. The company neither advertised nor directly promoted its products. This may have been one of the contributors to the wide deviations between forecasted sales and actual sales that were quickly becoming the norm.

Business analysts opined that BL had sealed its own fate by remaining rigid in a dynamic environment. The company seemed to have missed the pulse of the market, which was moving fast towards manufacture and sale of motorcycles, by remaining stuck with bicycles. The rigidity was reinforced by the family based hierarchical structure with Pero Kero at the helm of the company's leadership. Pero Kero's leadership style was contradictory and demanding. He was an autocrat who issued direct orders across the organisation without any regard to the chain of command and always expected military precision. Executives were reprimanded in the presence of their subordinates. Employees were fired for indiscretion.

BL had to address the challenges facing the company in order to survive. As a first step, it entered into a joint venture with Shotun Ltd., a Japanese motorcycles manufacturer, anxious to enter the African market. Under the agreement, each company would use the other's distribution network. BL was also to obtain technical, research and development support.

Though the family-based structure could not be overhauled overnight, BL was to commit itself to moving away from the type of organisation structure that focuses excessively on control in favour of one that encourages creative thinking and innovation.

Required:

(a) Analyse four negative consequences to BL which could arise from outsourcing components used in manufacture of bicycles. (8 marks)

(b) Evaluate six possible effects of Pero Kero's style of leadership to BL. (6 marks)

(c) Suggest six indicators as to why the control system at BL was largely ineffective. (6 marks)

(d) Examine four merits of the joint venture strategy employed by Shotun Ltd. to enter into the African market. (8 marks)

(e) Discuss family governance issues which could have been faced by BL during the following stages of its development cycle:

(i) The founder(s) stage. (3 marks)

(ii) The sibling partnership stage. (3 marks)

(iii) The cousin confederation stage or family dynasty. (6 marks)

(Total: 40 marks)

QUESTION TWO

(a) Describe six features of classical management theories which are still relevant today. (6 marks)

(b) Analyse five strategies that an organisation should put in place to prevent fraud by its employees. (5 marks)

(c) Corporate governance requires firms to make certain disclosures in their financial statements.

In reference to the above statement, explain four roles played by the disclosures in financial statements. (4 marks)

(Total: 15 marks)

QUESTION THREE

(a) Discuss six measures an organisation should consider while strengthening knowledge management. (6 marks)

(b) In the context of corporate governance, evaluate four responsibilities of shareholders. (4 marks)

(c) With reference to enterprises, describe the risk management process. (5 marks)

(Total: 15 marks)

QUESTION FOUR

(a) Evaluate four situations where board members are expected to disclose conflict of interest while conducting an organisation's business. (4 marks)

(b) With reference to listed companies, analyse six roles of Capital Markets Authority in promotion of corporate governance in your country. (6 marks)

(c) Examine five considerations which could be taken into account while developing a whistle blowing policy. (5 marks)

(Total: 15 marks)

QUESTION FIVE

With reference to professional ethics, discuss the following:

(a) Two obligations imposed on employed professionals with regard to the principle of confidentiality. (4 marks)

(b) Five threats which might hinder compliance with fundamental principles prescribed by professional bodies. (10 marks)

(c) The meaning of "professional judgement". (1 mark)

(Total: 15 marks)

....