

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD
A Committee of the Council of ICPAU

BUSINESS MANAGEMENT - PAPER 4

DECEMBER 1998

INSTRUCTIONS TO CANDIDATES

1. Time allowed: 3 hours
2. Attempt all questions in Section **A** and any three questions from Section **B**.
3. Section **A** has **two** compulsory questions each carrying 20 marks.
4. Section **B** has **five** questions and only **three** are to be attempted. Each question carries 20 marks.
5. Please read further instructions on the answer book.

Question 1

K. K. SUPERMARKETS

K. K. Supermarkets Ltd has a chain of ten highly successful supermarkets located in Kampala, Jinja, Mbale and Mbarara. In each town the best possible location was sought out and very large stores were developed with attractive buildings, large parking lots, and complete product lines of food and food-related products sold at advertised competitive prices.

The company's success for the last ten years relied entirely on the intuition of the founder Managing Director, Mr. Kere King. The company's records of profits indicated that Mr. Kere's judgements had been generally correct over a long period of time since the opening of the first supermarket.

With increasing competition, however, the company is not doing well now and there is urgent need to restructure the whole chain. One of the elements in the restructuring plan is to close some supermarkets which are not economically viable. It is also proposed to open new supermarkets in areas without one but with good business prospects. These are major decisions and Mr. Kere has been advised by his top management not to depend on intuition to decide which supermarket should be closed and where to establish new ones. The top managers of the chain now emphasise that more scientific decision making techniques should be brought into play.

When Miss Suzan Nasirumbi, an associate consultant with Amicho Management Consultants (AMC), was approached by Mr. Kere, she advised him to use Operations Research Technique. She pointed out that there must be a "best" town and a "best" location for expansion at any given time, and for the future, only if these could be discovered. According to her, all the company needs to do is to clarify its goals, identify the constraints such as cash available, existing competition, distance from company warehouses, and look at such variables as cost of real estate, money costs, market size and characteristics, local labour markets, and local taxes and regulations; and then put these into a model to come up with a means of identifying the best locations and which supermarkets should be closed.

Required:

- (a) Outline the basic operational research steps which you would expect Suzan to follow in providing a solution to the company's problems. (9 marks).
- (b) Identify the variables and constraints in K. K. Supermarkets that need to be quantified and input in the operations research model to arrive at a feasible decision (4 marks)
- (c) Briefly outline the basic decision making process you would recommend for use in K. K. Supermarkets after the restructuring. (7 marks)

[Total= 20 marks]

Question 2

ROCK BRICKS LIMITED

Onyango Rock started making bricks manually in his country home in Tororo in the late 1970s. From this small start, he now owns one of the largest and most modern brick making company, Rock Bricks Limited, (RBL). Rock Bricks Ltd, situated 12km West of Tororo town has, for the last 10 years, been the major brick supplier in Eastern Uganda. The company now employs over 500 people most of them semi-skilled and unskilled relatives providing mainly manual labour. The company, however, employs a qualified civil engineer as the Factory Manager.

Given the level of training of the Factory Manager as compared to the rest of the workers, there is very little interaction between the two sides. Most of the time, the workers work under fear because the manager always seeks to find fault with them. Generally, the workers have a problem of inability to speak English fluently when explaining themselves to the manager who does not also understand the local language. As a result, many problems go unreported and are only discovered by the manager when there is a crisis.

The factory manager communicates with the lower cadre in writing and in a day it is not uncommon to find five to ten circulars on the noticeboard. Once a month a general meeting is held where the manager addresses the workers and gives them no opportunity to ask questions. Due to the management style of the manager, the lower staff have lost confidence in him and circulars issued by him are not given a fair reading by the workers..

Because of these communication problems, the performance of RBL has declined, labour turnover has been very high and profits have been declining as well.

Mr Onyango Rock is concerned about these problems and is seeking to contract an Organisational Communications Consultant to study the management environment, identify the major barriers to communication in the company and prescribe ways of improving communication and making it effective.

Required:

Assuming that you are the consultant contracted by Mr. Onyango Rock:

- (a) Explain the major communication barriers you would find in RBL?
(8 marks)
- (b) What advice would you recommend to the factory manager in order to improve on his presentation to the factory workers?
(8 marks)
- (c) Briefly describe the various directions of communication flows you would recommend for RBL.
(4 marks)

[Total = 20 marks]

SECTION B

Question 3

Explain the features of effective and ineffective groups which have been identified by Douglas McGregor. (20 marks)

Question 4

Identify and explain the essential features of:

(a) an ideal disciplinary procedure. (10 marks)

(b) an ideal grievance resolution procedure. (10 marks)

[Total = 20 marks]

Question 5

Briefly describe the sequence of necessary activities to be carried out by the purchasing department of a manufacturing firm, in purchasing a raw material which had never been used before. (20 marks)

Question 6

Explain the advantages and disadvantages of each of the following forms of business organisations.

(a) Limited companies (5 marks)

(b) Partnerships (5 marks).

(c) Cooperative enterprises (5 marks).

(d) Sole traders (5 marks)

[Total = 20 marks]

Question 7.

“Without adopting the marketing concept, a company cannot possibly hope to develop future plans”. Discuss critically this statement from the point of view of a manufacturer of capital goods. (20 marks).