

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

BUSINESS MANAGEMENT - PAPER 4

JUNE 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.

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Question 1

Radice Limited is a private limited company operating four large business establishments located in different places in Uganda. These business establishments include Tororo Cement and Steel Works, Sande Rakai Sugar Works, Okama Hotel and Conference Centre and Jamiya Forwarders.

Currently Radice Ltd. operates with a product-based organisation structure headed by the managing director who sits at the Kampala head office. The MD is assisted by four functional directors in charge of Research and Development, Marketing, Finance and Human Resources. Each of the four business establishments is headed by a general manager. Under each general manager, there are four managers in charge of functional areas of Production, Marketing, Finance and Human Resources.

With increasing volume of business in each business establishment and need for quick decision-making in a competitive environment, the product-based organisation structure has been found wanting in many respects. The decision-making process is not only too long, but also gives no opportunity to the managers at the establishment to develop self-confidence.

Radice Ltd. now proposes to change to a divisionalised organisation structure where all functional responsibilities will be performed and concluded at the divisions. Each division shall be headed by a general manager assisted by four functional managers in charge of Production, Marketing, Finance and Human Resources. The MD shall remain at the Kampala head office but shall play only a coordinating role. This structure is expected to quicken the decision making process and facilitate performance measurement and evaluation.

Required:

- (a) Draw the organisation structure of Radice Ltd. before adopting the new proposals. (6 marks)
- (b) Draw the proposed organisation structure of Radice Ltd. (6 marks)
- (c) What are the advantages of a divisionalised organisation structure? (4 marks)
- (d) What are the main disadvantages of decentralisation? (4 marks)

[Total 20 marks]

Question 2

Akanga Distributors Ltd. is a trading company specialising in the importation and distribution of motor vehicle spares, sanitary wares, building materials, scholastic materials and medical equipment. The distribution is done both on retail and wholesales.

The company's outlets are located in strategic business centres both in Kampala and upcountry. All outlets are located in places with spacious room accommodation and parking places. The management team at the head office is made up of very highly qualified and experienced persons. The company does not have a full time legal counsel but whenever need arises, they use the services of Ochwokecho and Company Advocates. This dependence on an external legal firm has cost the company large sums of money. Additionally, cases are taking too long to be concluded. All the top managers of Akanga Distributors have vast business connections both in government and the private sector.

The major customers of Akanga Distributors include government departments and Non-government organisations. Government departments consume a greater proportion of the company's supplies although they take on credit and never pay immediately. This relationship with government has caused a lot of cash flow constraints for Akanga Distributors Ltd. Two months ago, the company solicited bank overdraft facility from Greenland Bank to ease these cash flow problems. Although the bank agreed to allow them a facility of Shs 2 billion, the whole amount could not be utilised for fear of escalating interest charges and lack of adequate collateral. Greenland Bank always insists on immovable assets for collateral.

Apart from the Head office accommodation, all the properties used by the company are rented. Due to increasing rent, the company is now considering closing a number of outlets in favour of establishing distribution centres in Rwanda and the Democratic Republic of Congo. This decision could have already been implemented, but none of the experienced managers can work in Rwanda or Congo for lack of knowledge of French. The company is now considering hiring french-speaking managers to work in these areas. This may be expensive but unavoidable given some unwelcome developments in the Ugandan consumer goods market. Uganda Manufacturers Association is putting on the government a lot of pressure to increase taxes on imported goods to enable local industries to develop.

Required:

- (a) Identify the strengths of Akanga Distributors Ltd. (5 marks)
- (b) What are the current weaknesses of Akanga Distributors? (5 marks)
- (c) What opportunities are open to the firm? (5 marks)
- (d) Identify the issues threatening the business of the company. (5 marks)

[Total 20 marks]

SECTION B

Question 3

What are the basic steps in setting up a management control system in an organisation. Identify and explain the key considerations in each step.

(20 marks)

Question 4

“A vital element in every marketing strategy is the marketing mix.”
Discuss.

(20 marks)

Question 5

Briefly discuss the functions of a Personnel Manager in a large establishment.

(20 marks)

Question 6

A business is made up of various groups of people with conflicting interests.
Discuss.

(20 marks)

Question 7

“Human needs can be put in groups or sets and once one set is satisfied, such a set ceases to be a motivator.”

Discuss this statement using:-

(a) Maslow’s theory.

(12 marks)

(b) Herzberg’s model.

(8 marks)