



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: 29 November 2017.

Time Allowed: 3 hours.

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

QUESTION ONE

VERA RELIEF SERVICES (VRS)

Vera Relief Services (VRS) is a company limited by guarantee with no share capital. It was incorporated in Finland in 1948 and subsequently established a place of business in Rwanda. In 1999, the company was issued with a certificate of compliance.

The promoter of VRS is one of the largest religious groups in Finland by the name Worldwide Relief. The persons listed as directors of the company are mainly religious leaders with three other persons of different professional backgrounds. The Board of the company has a total of 11 members. In Rwanda, two local representatives have been registered; a businessman and a lawyer in practice. The day to day activities of the company are managed by an expatriate seconded from the head office in Finland.

One of the key areas of the company's investment is sponsorship of private schools. Currently, the company owns and runs seven primary schools and two secondary schools. The managers of various schools appear to have been allowed very limited powers in determining and incurring expenditure of day to day running of schools. They have to coordinate with the expatriate head in Rwanda, who sometimes purports to call a board meeting made up of himself and the two local representatives to make decisions.

The head office in Finland gets quarterly updates from their local expatriate representative. Once in a year, two or three of the directors visit Rwanda for not more than a week. The school managers are rarely given the opportunity to discuss their issues with the directors when they visit. The process is guided fully by the seconded expatriate, who lacks emotional intelligence and the two local representatives. The directors do not therefore obtain a correct picture of the situation on the ground. The school managers' frustrations continue to pile up. The school managers are of the view that the company should adopt the Caux Round Table principles for responsible businesses.

In all dealings with the company, stakeholders and other service providers have continued to treat the three as company directors, that is, the seconded expatriate and the two local representatives. Indeed, their business cards have the title "Director". The company has received a letter from the Registrar of Companies requesting the directors to file appropriate returns, or if they have already done so, furnish such copies to the Registrar. The company has responded by enclosing all applicable returns which school managers have filed with the Ministry of Education in Rwanda.

Required:

- (a) With respect to the decision making process, comment on the governance structure of Vera Relief Services (VRS). (10 marks)
- (b) Describe four potential risks that might befall VRS as a result of non-compliance with the statutory and legal framework. (4 marks)

- Functional Risk  
- Financial Risk



- (c) Evaluate three psychological attributes of emotional intelligence which the seconded expatriate should possess so as to be an effective strategic leader. (6 marks)
- (d) As a governance expert hired by VRS:
- (i) Advise on four strategic shortcomings which should be reviewed. (4 marks)
- (ii) Analyse three recommendations you would make on both governance practices and compliance issues at VRS. (6 marks)
- (e) Assess five Caux Round Table (CRT) principles for responsible businesses which might be adopted by VRS to strengthen governance and ethics in the company. (10 marks)
- (Total: 40 marks)**

**QUESTION TWO**

- (a) Explain in practical terms how the classical theory of management differs from the contemporary theory of management. (2 marks)
- (b) With reference to monitoring of implementation of an organisation's strategic plan, discuss an "implementation matrix". (3 marks)
- (c) (i) "Sometimes in the workplace, what the policy states and what people are doing are two different things".  
In relation to the above statement, explain how adherence to a code of ethics at the workplace could help to address the mismatch in the two behavioural observations. (5 marks)
- (ii) Comment on the assertion that once a potential conflict of interest has been disclosed, it ceases to exist. (5 marks)

**(Total: 15 marks)**

**QUESTION THREE**

- (a) Analyse six functions of an audit committee. (6 marks)
- (b) Explain five benefits of an appropriate competence mix in a Board of Directors. (5 marks)
- (c) Describe four components of a good mission statement. (4 marks)

**(Total: 15 marks)**

*Realistic - Achievable  
- Feasible - Not misleading*

**QUESTION FOUR**

- (a) (i) In the context of quality management, explain the term "lean six sigma". (2 marks)
- (ii) Discuss six benefits of implementing lean six sigma. (6 marks)
- (b) Assess seven strategies that the management could adopt to encourage ethical behaviour at the workplace. (7 marks)

**(Total: 15 marks)**

*Rules - Don't make*

**QUESTION FIVE**

- (a) Key military conflicts and events have shaped the understanding of strategic management.  
With reference to the above statement, evaluate seven aspects of corporate strategy which could be traced to military practice. (7 marks)
- (b) The decline stage in the life cycle of a product occurs when industry sales and profits begin to fall.  
With reference to the above statement, assess four strategies available to companies during the decline stage. (8 marks)

**(Total: 15 marks)**

*Re-constructive  
- Reborn ruling  
- Abandon - Reconstruct  
- Strategic Evaluation  
- Evolution*