

EXAMINATION NO. _____



2016 EXAMINATIONS

KNOWLEDGE LEVEL

PAPER P7 :BUSINESS AND FINANCE

TUESDAY 29 NOVEMBER 2016

**TIME ALLOWED: 3 HOURS
2.00 PM - 5.00 PM**

INSTRUCTIONS:

1. You are allowed **15 minutes** reading time **before the examination begins** during which you should read the question paper and, if you wish, make annotations on the question paper. However, you are **not** allowed, **under any circumstances**, to open the answer book and start writing or use your calculator during this reading time.
2. Number of questions on paper – 7.
3. The paper is divided into Sections **A** and **B**.
Section **A** contains **THREE** questions and candidates are required to answer **ANY TWO**.
Section **B** contains **FOUR** questions and candidates are required to answer **ANY THREE**.
4. Each question carries 20 marks.
5. Begin each answer on a fresh page.
6. **DO NOT OPEN THIS PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR.**

This question paper contains 7 pages

This question paper must **not** be removed from the examination hall.

SECTION A

Answer TWO questions only from this section

1. Mr Fanizo has operated his egg selling business for more than a decade. The business has grown significantly and is now integrating the supply side by milling chicken feed and breeding chicks. Mr Fanizo is finding it increasingly difficult to manage all the operations of the expanded business and is considering changing it from a sole proprietorship to a limited company.

Mr Fanizo has, this far, operated a niche strategy being a sole trader. The growth of his business has now caught the attention of major players in the poultry industry who have started flexing their competitive muscle against him. In response, Mr Fanizo has come up with strategy choices which include the need for him to obtain a tax clearance certificate required for him to supply large orders to government agencies and an export license to allow his business trade beyond borders.

Required:

- (a) Mention **three** advantages and **three** disadvantages, to Mr Fanizo, of changing his business from sole proprietorship to a limited company. **6 Marks**
- (b) Advise Mr Fanizo the type of organization structure that would be suited to his growing multidimensional business establishment. **2 Marks**
- (c) State any **four** factors that Mr Fanizo may have considered in establishing an organisation structure for his expanded business mentioned in (b) above. **4 Marks**
- (d) Using the Johnson and Scholes SFA Model, analyse Mr Fanizo's strategic choices. **8 Marks**

(TOTAL : 20 MARKS)

Continued/.....

2. Madolo Butchery Limited sells beef and other related products within Blantyre City. The management of the butchery have identified the following factors as critical to their business (CSF):

- (1) Consistent availability of electricity to power the cold room, fridges and scales
- (2) Integrity of personnel
- (3) Cash flow
- (4) Quality of meat products

Required:

- (a) Define the term "Risk Management". **2 Marks**
- (b) State key risks that Madolo Butchery Limited may face in their day to day running of the business? **5 Marks**
- (c) You are given the risk profile table below.

		Probability	
Impact		High	Low
	High		
	Low		

Required:

Map the risks you identified in (b), above into an appropriate quadrant. **5 Marks**

Continued/.....

- (d) During the 2014/2015 rainy season, Malawi experienced floods. In the southern part of the country, severe floods caused Madolo Butchery Ltd to close one of its branches for a number of days as the shop was inundated with flood waters.

You are a supervisor in the company and have been asked to prepare a paper to the management of the butchery on crisis management.

Required:

- (i) Define the term “crisis”. **2 Marks**

- (ii) Describe **three** steps that are involved in crisis management. **6 Marks**
(TOTAL : 20 MARKS)

3. (a) Qualities of good information should be harnessed at corporate level as they facilitate good decision making which, in turn, results into business success.

Required:

State, with examples, **seven** qualities of good information. **7 Marks**

- (b) Finance departments play an important role in ensuring that businesses achieve their goals and objectives.

Required:

Mention any **four** ways in which a finance department contributes to a business's pursuit of its intended objectives. **4 Marks**

- (c) Accountants use various tools in analysing capital investment propositions for decision making by management. These include payback period, accounting rate of return and net present value.

Required:

Describe:

- (i) Payback period **2 Marks**
(ii) Accounting rate of return **2 Marks**
(iii) Net present value **2 Marks**

Continued/.....

- (d) Malingamoyo Produce Ltd has identified timely collection of debtors for timely payments to suppliers as a critical success factor (CSF) for its business.

Required:

State how accountants at Malingamoyo would measure the performance of this critical success factor for decision making by management. **3 Marks**
(TOTAL : 20 MARKS)

SECTION B

Answer THREE questions only from this section

4. The theft of government money, popularly known as “Cashgate”, continues to feature highly in newspapers in Malawi. Investigations into the Cashgate continue to reveal an underlying failure by the people involved in the vice to uphold the following ethical principles and values:

- (1) Integrity,
- (2) Honesty,
- (3) Trust,
- (4) Fairness,
- (5) Openness.

Required:

- (a) Explain how **each** of the above ethical principles and values was violated by the perpetrators. **10 Marks**
 - (b) Mention any **ten** policies and procedures that the government could use to promote ethical behavior among its human resource. **10 Marks**
- (TOTAL : 20 MARKS)**

5. (a) Businesses are said to respond to regulation in various ways.

Required:

- (i) Define regulatory compliance. **2 Marks**
- (ii) Mention **three** ways in which businesses respond to regulation. **3 Marks**
- (b) Mention **five** reasons why international free trade is encouraged. **5 Marks**
- (c) Trade barriers are a form of “protectionism” in international trade.

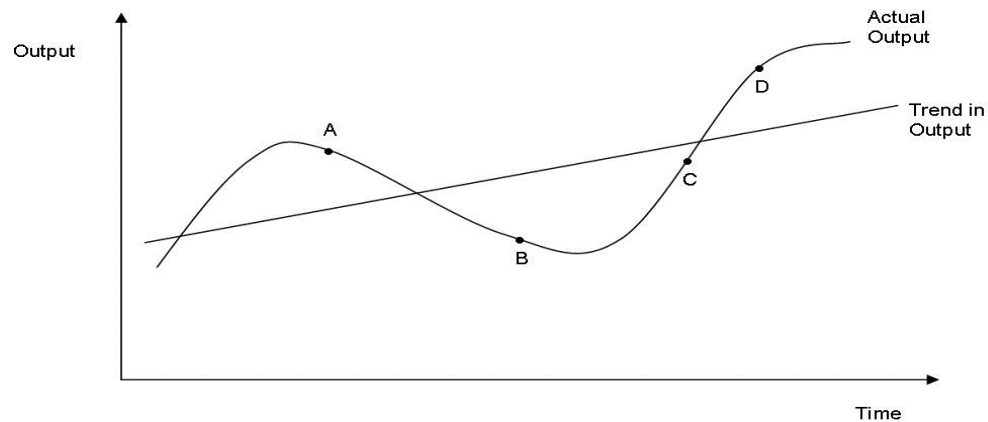
Required:

Explain **five** ways in which a government could practice protectionism.

10 Marks
(TOTAL : 20 MARKS)

Continued/.....

6. The figure below shows stages in a typical business/trade cycle depicting the state of a national economy.



Required:

- (a) Explain the points A, B, C and D in the cycle. **4 Marks**
 - (b) State the **five** characteristics of stage B. **5 Marks**
 - (c) State the stage at which the Malawi economy is currently. Give any **five** reasons for your answer. **11 Marks**
- (TOTAL : 20 MARKS)**

7. In ensuring that the professional behavior is adhered to at all times, the Institute of Chartered Accountants in Malawi (ICAM) has an elaborate disciplinary procedure that is used to sanction its members who violate the code of ethics.

Required:

- (a) Mention some of the key disciplinary procedures that are followed by ICAM. **10 Marks**
 - (b) Mention some of the powers of the Disciplinary Committee of ICAM. **10 Marks**
- (TOTAL : 20 MARKS)**

E N D