

# INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)



MAY 2011 EXAMINATIONS  
(PROFESSIONAL)

PART 4

CORPORATE STRATEGY AND GOVERNANCE  
(Paper 4.3)

Attempt any five (5) Questions

TIME ALLOWED:

Reading & Planning - 15 Minutes  
Workings - 3 Hours

## SECTION A: COMPULSORY CASE STUDY

### QUESTION 1

Read the following carefully and answer the questions which follow:

#### APPEA LIMITED

Kwasi Appiah graduated with a degree in Civil Engineering in 1990. After working with a renowned construction company for ten years, he decided to establish his own business.

In 2001, he resigned and teamed up with two of his colleagues to register a limited liability company under the name Appea Limited.

The principal business of the company was the manufacture of sandcrete blocks and concrete products. It started operations from the compound of Mr. Appiah's house in a fast developing suburb of Accra.

The company attracted a lot of customers within the first two years because of the quality of its products, regular advertisement on local FM stations and the use of well-trained sales persons.

The vision of the company which is displayed on a signboard at its premises is **“to provide customers with quality concrete products at affordable prices using environmentally sustainable techniques”**.

The company expanded its operations in 2005 to the production of roofing tiles having relocated to the industrial hub of Accra. Based on the sales trends, the company opened new branches in Accra. It has plans to increase the number of branches in Accra to eight by the end of the current year and to open branches in Kumasi, Takoradi and Sunyani in the next two years.

Appea Limited takes corporate social responsibility very serious. In 2006, the company instituted a policy of using one percent of its operating profit to give back to society by way of assisting communities with educational, health and sports facilities. Since its establishment, the company has won two awards for the quality of its products and concern for the environment.

The company has a seven member board of directors who are committed to good corporate governance. Top on the Board's agenda is to list the company on the Ghana Stock Exchange.

The operating results and financial performance of the past year showed growth in turnover and profit of 25% and 10% respectively. Total payment made to the government in respect of customs duties and income tax amounted to GHS20 million.

The macroeconomic environment poses a number of challenges for the company. Key among them are the high interest rates, prices of crude oil and depreciation of the cedi against the dollar.

