

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.

The management of the company is considering diversifying into the production of corrugated roofing sheets and into the development of real estates.

Addressing shareholders at a recent annual general meeting, the chairman of the Board remarked “we will continue to gain market share and we will continue to realise growth from the government’s initiative in the housing industry. We hope to modernise our facilities and operations to enable us meet the challenges of the ever changing business environment.”

There is currently keen competition in the industry and the marketing director is contemplating on what pricing techniques and promotional strategies to use in order to remain competitive. The company will soon export its products to some West African countries.

Required:

- (a) Analyse the strengths and opportunities of Appea Limited.
(6 marks)
 - (b) What promotional strategies and pricing techniques will you recommend to the management of the company?
(8 marks)
 - (c) Advise the management of the company on the listing requirements on the Ghana Stock Exchange.
(10 marks)
 - (d) Discuss **four (4)** benefits the company will derive from exporting.
(6 marks)
- (Total: 30 marks)**

SECTION B:

Answer any two (2) questions from this section

QUESTION 2

- (a) Explain the concept of corporate social responsibility. (3 marks)
 - (b) Discuss **three (3)** roles of the audit Committee in a company. (12 marks)
- (Total: 15 marks)

QUESTION 3

Many organisations recognise the importance of stakeholders in the fulfillment of their corporate objectives. However, managers have the challenge of weighing and balancing the interests of corporate stakeholders.

Required:

- (a) What are the **two (2)** main groups of stakeholders? (3 marks)
 - (b) Explain the interest and power of the following stakeholders:
 - (i) Employees
 - (ii) Customers
 - (iii) Suppliers(12 marks)
- (Total: 15 marks)

QUESTION 4

- a) Efforts to articulate standards for corporate governance have taken root in many economies. Explain the concept of corporate governance. (3 marks)
 - b) Identify **four (4)** regulators in corporate governance. (4 marks)
 - c) Discuss the roles that any **two (2)** regulators play in the corporate governance process. (8 marks)
- (Total: 15 marks)

SECTION C:

Answer any two (2) questions from this section

QUESTION 5

It is becoming popular for organisations to develop and publish their mission statement. However, the purpose of mission statement is sometimes not well understood by members of the organisation.

- (a) What is mission statement?

(4 marks)

- (b) Explain **four (4)** ways by which a statement is important to organisations.

(16 marks)

(Total: 20 marks)

QUESTION 6

- (a) Describe **three (3)** components of the culture of an organisation.

(12 marks)

- (b) Explain **two (2)** roles that marketing communication plays in the activities of a company.

(8 marks)

(Total: 20 marks)

QUESTION 7

A good organisational culture promotes the formulation and implementation of corporate strategy. There are, however, many different aspects of organisational culture.

Discuss five (5) aspects of organisational culture and their importance to the organisation.

20 marks