

SECTION A

QUESTION 1: COMPULSORY CASE STUDY

ASAMEG COMPANY LIMITED

Asameg Company Limited (ACL) operates in the petroleum and oil industry in Ghana and was founded in 1997 in Takoradi. Its founders Mr. Kofi Takyi and Mr. Kwabena Siaw, graduated from the Kwame Nkrumah University of Science and Technology in 1985 with honours in chemical engineering. Mr. Takyi worked with the Golden Petroleum Company (GNPC) for ten years as a chemical engineer while Mr. Siaw worked as a chemical analyst with an oil company in Europe.

Since its inception, Asameg has majored in Oil and LPG marketing and distribution within the industry's supply chain and has continued to be managed by its original founders up to date. The company has a good reputation owing to its trusted brand of Audy Super and Meg Deluxe among vehicle users. Asameg has significant presence in all the ten regions of Ghana with at least five services stations in each region. Each of the service stations also operates a mini convenient shop that serves its customers and the surrounding communities.

The company recently commissioned an Aviation Fuel Facility at Takoradi with commercial operations intended to commence during the first quarter of the coming year. It financed this facility out of its own retained earnings with a little support from its bankers. Within the last six years, the management of Asameg have succeeded twice in averting two takeovers initiated by two foreign competitors. Also, management has been concerned about rising costs of production due to increasing labour and finance costs.

Financial Date

Below are the company's financial statements from the period to 2011 presented as Exhibits 1 and 2:

Exhibit 1

Asameg Company Limited

Income Statement

	2012	2011
	GH¢'000	GH¢'000
Gross Revenue	420,000	500,000
Customs Duties and Levies	<u>50,000</u>	<u>60,000</u>
Net Revenue	370,000	440,000
Cost of Sales	<u>343,000</u>	<u>410,000</u>
Gross Profit	27,000	30,000
Sundry Income	2,100	2,300
Depot and Station Expenses	(6,000)	(5,500)
Selling and Administrative Expenses	<u>(14,500)</u>	<u>(15,000)</u>
Operating Profit before Finance Cost	8,600	11,800
Net Financing Expenses	<u>(4,300)</u>	<u>(3,800)</u>
Profit before Taxation	4,300	8,000
Income Tax Expenses	<u>(1,600)</u>	<u>(2,000)</u>
Net Profit after Tax	<u>2,700</u>	<u>6,000</u>

Exhibit 2**Asameg Company Limited****Statement of Financial Position as at 31st December**

	2012	2011
	GH¢'000	GH¢'000
Non-Current Asset		
Property, Plant and Equipment	38,700	26,500
Available for sale Financial Instruments	<u>3,200</u>	<u>4,200</u>
Total Non-Current Assets	<u>41,900</u>	<u>30,700</u>
Current Assets		
Inventory	18,942	8,850
Accounts Receivables	50,000	57,700
Cash and Bank Balances	<u>3,200</u>	<u>6,800</u>
Total Current Assets	<u>72,142</u>	<u>73,350</u>
Total Assets	114,042	104,050
Equity		
Stated Capital	12,200	12,200
Building Fund	1,000	720
Income Surplus	18,200	16,100
Capital Surplus	<u>5,300</u>	<u>4,900</u>
Total Equity	<u>36,700</u>	<u>33,920</u>
Non-Current Liabilities		
Deferred Tax	650	502
Term Loan	<u>1,300</u>	<u>720</u>
Total Non-Current Liabilities	<u>1,950</u>	<u>1,222</u>

Current Liabilities

Bank Overdraft	600	1,308
Accounts Payable	67,000	63,500
Short Term Loan	5,500	2,900
Current Tax	700	1,200
Total Current Liabilities	<u>79,200</u>	<u>68,908</u>
Total Liabilities	<u>80,122</u>	<u>70,130</u>
Total Equity and Liabilities	<u>114,042</u>	<u>104,050</u>

Industry and Competition Analysis

The petroleum industry has witnessed tremendous competition recently. Many factors have contributed to this; key among them is the deregulation of the industry by the government a few years ago. Following the deregulation, the number of Oil Marketing Companies (OMCs) in the country has increased with both foreign and local firms springing up every now and then. Most of its competitors also have well-established brands within the market. The intense nature of the competition has begun to have its toll on the performance of Asameg Limited as noted from its financial statements.

Two major developments have occurred in the upstream sector of the oil industry which is the commissioning of the first pour of oil in commercial quantities from the Jubilee field via the production vessel FPSO Kwame Nkrumah and the intensification of oil exploration in the country's sedimentary basins. Meanwhile, there has been an increasing demand by the mining and aviation sectors in the West African sub-regions for both mining and aviation fuels.

A recent survey commissioned by the management of Asameg of its market segments from Wise-Way Management Consult established that significant costs will be involved in meeting the new EPA standards regarding the operation of service stations as well as upstream activities in the oil and petroleum sector. The report also established that market growth for the industry is likely to be about 10% per annum. In addition to these, it is anticipated that labour unions within the industry will become much stronger, demanding for improved health and safety measures

from employers as well as better conditions of service for its members. Lastly, increasing crude oil prices on the world market pose a lot of great challenges to OMCs in Ghana coupled with the worsening situation of the Ghana Cedi to the major trading currencies on the world market.

At recent strategic planning retreat of the management of the company, proposals were made for the company to diversify its products, explore the possibility of going international and entering into a strategic alliance with one of its competitors.

All the proposals will depend upon a careful analysis of the internal and external factors of the company and analysis of its financial statements. The Board is, however, highly optimistic about the success of the company. It has therefore engaged you as a consultant to advice on the way forward.

Required:

- {a} Conduct a SWOT Analysis of Asameg Company Limited. (8 marks)
 - {b} Suggest three (3) strategic options that Asameg Company Limited can adopt to grow its business. (6 marks)
 - {c} Explain three (3) advantages of strategic alliance that Asameg can Capitalise on as it seeks to grow. (6 marks)
 - {d} comment on the profitability, liquidity and efficiency of the company. (10 marks)
- (Total: 30 marks)

SECTION B

Answer any two (2) questions from this section

QUESTION 2

Every company has a board of Directors but not every board serves the best purpose of the company it represents.

Explain five (5) features of an ineffective board.

(15 marks)

QUESTION 3

{a} Explain the concept of Board independence in corporate governance.

(3 marks)

{b} Recent reports indicate that despite the existence of corporate governance rules and regulations, serious corporate scandals do occur. Hence, some people are of the view that corporate governance has out lived its usefulness. Advance three (3) arguments to disagree with this statement.

(12 marks)

QUESTION 4

{a} Explain three (3) reasons why investors prefer to invest in organisation that practice good corporate governance principles.

(6 marks)

{b} There are a number of approaches that are used to explain ethical conduct of employees. Explain the three (3) basic approaches to ethical behaviour.

(9 marks)

(Total: 15 marks)

SECTION C

Answer any two (2) questions from this section

QUESTION 5

- {a} A mix of the strengths, weaknesses, opportunities and threats of BB Herbal Centre, are listed as follows:
- 1] The Government of Ghana has approved the use of herbal medicines in hospitals and clinics.
 - 2] BB's medicines are well-known for their efficacy.
 - 3] The Foods and Drugs Authority has become more stringent in its regulatory activities.
 - 4] BB has a good resource base for processing and packaging its medicines.
 - 5] Banks have relaxed the lending requirements.
 - 6] Nyamenkoaa lacks capital for expansion.
 - 7] The herbal medicines industry is very competitive.
 - 8] Nyamenkoaa has a high labour turnover due to relatively poor conditions for employees.

Using the above information, prepare a TOWs matrix and generate four (4) alternative strategies for the consideration of the Company's management.

(10 marks)

{b} The external environment facing Nyamekoaa and the effectiveness of its strategies to respond to each factor are show in the table below:

Key External Factors	Weight (Importance)	Rating Ability to Respond (1 = poor; 4 superior)	Weighted Score
Opportunities			
1. Banks are more willing to lend	0.20	2	0.4
2. Herbal medicines are now used in hospitals and clinics	0.18	2	0.36
3. More and more Ghanaians are now accepting herbal medicines	0.12	4	0.48
4. Improved technology available for processing and packaging	0.10	1	0.10
Threats			
1. The herbal medicines industry is very competitive	0.16	4	0.64
2. Regulatory activities of FDA are more intense	0.15	2	0.30
3. The cost of packaging materials is Increasing	0.04	2	0.08
4. Forests (source of herbs) are fast depleting	<u>0.05</u>	1	<u>0.05</u>
	1.0		XXX

{i} Comment on Myamenkoaa's performance with respect to individual opportunities and threats.

{ii} Evaluate the company's performance using the total weighted score.

NB: Please note that a total weighted score of 2.5 is the average and indicates that a firm's strategies are moderately effective in taking advantage of existing opportunities and minimizing effects of threats.

(10 marks)

QUESTION 6

You are the Chief Finance Officer of a recently listed company on the Ghana Stock Exchange. The company is into the manufacturing and distribution of soaps and detergents. You have been asked by the Chief Executive Officer to assist in conducting an analysis for the company to enable the Board craft appropriate strategies that will meet the expectations of the company's stakeholders.

Required:

Write a report to the Board identifying an five (5) stakeholders of the company, explaining their respective expectations held and make a recommendation as to how the company can manage them to the benefit of the company.

(Total: 20 marks)

QUESTION 7

{a} Explain the technological environment of a business. (2 marks)

{b} Discuss three (3) ways that technology assists organisations to achieve their goals. (9 marks)

{c} Explain three (3) reasons why it is important for organisations to brand their products. (9 marks)

(Total: 20 marks)