SOLUTION 1

a.

Option 1

Year	Cash flow GH¢	Discount factor 15%	Present Value GH¢
0	(5,000)	1.000	(5,000)
1	3,000	0.870	2,610
2	4,000	0.756	3,024
		NVP	634

Option 2

Year	Cash flow GH¢	Discount factor 15%	Present Value GH¢
0	28,000	1.000	28,000
1	6,500	0.870	5,655
2	7,500	0.756	5,670
3	8,500	0.658	5,593
4	9,500	0.572	5,434
5	10,500	0.497	5,218.5
		NPV	-429.54

N.B The Company should select option 1 since it gives a positive NPV

b. (i) Conflict of interest in the continuous use of distribution company despite the poor service delivery
(ii) Financing the activities of JCA Ltd
(iii) Purchase of packaging material to last for ten years. This could lock up capital or the materials may become obsolete

c. Raw Materials
(i) Big Dreams should establish its own plantations
(ii) It can support pineapple farmers through the supply of inputs or cash
(iii) It can use substitute materials such as pineapple concentrates.

Distribution

(i) The company can appoint new key distributors
(ii) It can also establish its own distribution outlets

d. Factors to consider before going international

(i) Company resources and capabilities
(ii) Political stability of foreign countries
(iii) Competition
(iv) Economic indicators
(v) Social cultural differences
(vi) Country attractiveness – market size etc.

SOLUTION 2

(a) Code of ethics spell out the standard of behavior that all employees are expected to meet. Most of them are based on the company's values as loyalty, fair dealing, integrity and respect for others.

a. An ethical behavior expected of all staff is that they have to conduct all the company's business and operation in compliance with the related laws and regulations. Employees are expected to uphold such behaviors in all aspect of one's dealings on behalf of the company.

b. Another expectation of an ethical behavior is that all stakeholders of the company should be treated with respect. This implies that there should be no discrimination based on age, disability or gender. The company therefore will not tolerate any harassment of any person as he or she conducts the company's activities. Examples of such behaviors are insulting others and calling them names.

c. Employees are representatives of a company. The company therefore depends upon the conscientious behavior and judgment of its employee as they carry out their duties. Because of this they are expected to dress neatly and in a manner that fir the nature and values of the company. Employees are expected to perform their duties properly dressed.

d. Every employee has some responsibilities to the company. This does not mean that one can not undertake his or her personal activities. What is expected of the employee is for him or her to avoid situations that many create of conflict of interest. Employees are expected to avoid situations that create potential or actual conflict of interest. Failure to disclose such situation may result in the employment relationship being all terminated.

(b) Conflict of interest occurs when an employee is faced with performing activities that have multiple interests that are in competition.

1. One of the means to deal with conflict of interest is rescue one's self from making decisions in such situations. Recusal enables one not to perform one of the competing interests. For example, if one is a member of a board and one's company is being considered for a job, it is important of the member not to take part in decisions on such issues.

2. Another measure or means to deal with conflict situation is to involve the services of a third party. A third party is an outside who do have any interest except for his or her reward for his or her service. Such a person is called upon to give his or her views on decision that are being taken. This ensures that decisions taken are fair

(c) Another means is for the company to produce a code of ethics. Code of Ethics assist in reducing or eliminating conflict of interest, as it indicates to employees' behavior expected of them when such conflicts arise. For example code of ethics may state that a company does not accept bribes in the same way it does not offer or give bribe.

SOLUTION 3

(A) In all activities of a company there is call for accountability and transparency. Governance focuses on ensuring that all stakeholders' interest is met. To achieve this goal the governments have some roles to play.

1. Organizations are set up to achieve objectives on behalf of its stakeholders. The role of the government is to create and maintain conditions that enable these objectives to be met. To a large extent the achievement of these objectives depends on the activities of management. The organization therefore has to be controlled and be held accountable for its activities to stakeholders. The role of government is to create institutions and agencies who are responsible for ensuring that management behave in responsible manner.

2. In line of accountability and transparency the public should be aware of the activities of the company. Companies therefore have to publish their financial statements. The government has to publish its budget based on which policies will be generated. The budget enables the public to know the goals of government and the various activities it intends to undertake.

3. Another role that government can play in ensuring good corporate governance is to create a management system. For example cabinet has to ensure that the minister's. Activities are towards the realization of a decision taken by cabinet. Among other things the minister has to design a policy implementation process that assist in achieving the objective set by cabinet

4. Human resource is considered as the most important resource that enables the organization to achieve its goals. A best practice in corporate governance requires that organizations set out initiatives that promote the welfare of its employees. There should be a well defined policy, and programmes on issues as training and education for staff and their children, rewarding performers and medical schemes.

(b) Another best practice is for the organization to be accountable to its shareholders and society. The organization has so ensure that it adopts an equitable and fair means in dealing with its shareholders. For example there should be timely resolution of their complaints. In relations to the society, it is required that the organization under takes some activities aimed at improving the lives of members of the society. For example the organization can establish school and parks for the community in which it operates.

(B) Corporate governance is more of a way of life of an organization. Thus there are some practices that have been identify as essential for good corporate governance.

a) One of the best practices is that the organization should have an audit committee. This committee is to monitor and provide effective supervision of all management's financial reporting processes or activities. This is done to ensure that transactions are accurate and that correct and proper disclosures are reported.

b) A best practice in corporate governance is that the organization has to promote diversity in employment. The company therefore has to take positive steps to ensure that there is equal opportunity in the conduct of the company's activities without regard to race, gender and age. This further requires that all staffs are treated fairly with respect and also given the equals opportunity in employment relations. For this to be possible management have to raise the awareness among staff of its commitment to diversity at the work place.

SECTION B

SOLUTION 4

a) In order to ensure that shareholders interests are safeguarded, provisions in corporate governance documents often spell out the rights of shareholders. A number of these rights are described below:

i) Voting Right
Under this provision, shareholders have the right to elect, remove and replace directors and vote on certain corporate act in accordance with the Companies Code.

ii) Pre – emptive right
All shareholders shall have the pre-emptive right, unless this denied in the articles of incorporation, to subscribe to the capital stock of the company. The articles of incorporation must spell out the specific rights and powers of shareholders with respect to the specific shares they hold, all of which must be protected by law.

iii) Power of Inspection

Shareholders have the right to be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the companies Code. They must also be furnished with annual reports including financial statements without costs and restrictions.

iv) Right to Information

Shareholders must be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares dealings with the company relationships among direction and key officers and the aggregate compensation of directors and officers.

(v) Right to dividends
Shareholders have the right to receive dividends subject to the discretion of the Board. This provision however, is dependent on retained earnings being in excess of 100% of its paid in stock. When justified by definite corporate expansion project or programmes or the need to service a bank loan, dividends many not be declared.

(vii) Appraisal Right
Shareholders have the right of appraisal or right to dissent and demand payment of fair value for their share

b) Director must perform certain duties to protect shareholders rights. These include the following:

i) They must promote shareholder right, remove impediments to exercise these rights and allow for possible redress when they are violated

ii) They must encourage the exercise of shareholders voting rights.

iii) They must ensure the removal of excessive lost and other administrative or practical impediments to shareholder participation in meeting and voting in person.

iv) They must pave the way for electronic filing and distribution of shareholder information necessary to make informed decision.

SECTION C

SOLUTION 5

a) In evaluating the performance of an organization the following measures may be employed

Financial

i) Return on Capital Employed (ROCE)

ROCE is used by companies to assess the value add by investing a certain amount of capital. It aims at ensuring the efficient use of capital. It is expressed as a percentage of profit earned over the capital employed.

ii) Economic Value Added

Economic Value Added (EVA) is used to assess ongoing performance and help managers to determine whether current policies are creating value it is used to assess the company's current position in terms of the value that has been created by the past and current strategies being employed. Basically, if a company achieves a positive EVA then the investment will have generate a surplus greater that the firm's weighted average cost of capital and therefore created value for the shareholders.

EVA = Adjusted profits after tax - (adjusted capital) invested capital x weighted av. Cost

iii) Pay back

Payback simply measures the number of years it will take to recover the original investment from net cash flows resulting from a project. Typically, it is used to make an investment decision that requires a choice between two or more projects. If the payback is the sole evaluation criterion, the company would choose the option which would result in the shortest payback period.

iv) Net Present Value

This approach is used to calculate the present value of projects. It is based on the principle that money received today is worth more than money received net year because of the opportunity to invest and consequently earn a return.

There are three possible outcomes: where BPV is 0, there decision maker is indifferent.
NPV is negative: The project will fail to generate sufficient funds to cover the cost of capital.

NPV is positive: the project is likely to generate a return greater than the cost of capital. An investment may be considered.

Ratios (profit, sales, operational)

There are three main types of ratios: Profit ratios, Sales ratios and Operational rations. Thus, ratios are used to measure profits, sales performance and the organizations ability to generate cash.

Profit ratios

The main profit ratio is the profit margin which measures the amount of profit generated form sales. ie. Profit before interest + tax divided by sales turnover

Other profit ratios include profit generated from the use of assets (profit/net assets), gross profit generated from sales (gross profit/sales) and not profit generated from sales (net profit/sales)

Sales Ratios

The main sales ratio is asset turnover ie sales/net assets. Other ratios used by firms involve sales turnover calculated as a ratio of: fixed assets, working capital or selling cost. All these ratios either tracked over time or compared against competitors or the standards set can give a company a measure of the efficiency of their performance in these areas.

Operational Ratios

Operational ratios help a company assess to generate cash on which to run the business without cash a company cannot operate its business, therefore the liquidity of the company and its amount of working capital will be regularly monitored. In these ratios the turnover periods in which cash will be generated are calculated, usually expressed in terms of days of how many times the business is exchanging cash.

The main liquidity ratios are:

Debt collection period: level of debt/sales turn over

Stock turnover period: average stock level/ total cost of goods sold

Creditors turnover period: average trade credit/ cost of sales

Current ratio: current assets/current liabilities

Any increase in any of these ratios will warn the company that cash is being tied up in funding the work in progress.

2. Non – Financial Measures

There are many non- financial measures and the choice of an appropriate measure depends on the critical success factors that drive performance in the market/industry. Thus, if a critical success factor is superior customer value, level of customer satisfaction and level of customer loyalty may be key measures. Some of the common non – financial measures are

- Market share
- Sales volume/ growth
- Customer loyalty
- Number of customer complaints
- Market image and awareness levels
- Employee motivation
- Employee turnover

(b) Why financial measures are insufficient for evaluating performance

i) Financial analysis of ten measures past performance only

ii) It involves subjective judgments eg. Positive or negative values or low and high values may mean different things for different industries or even organization.

iii) Financial analysis also only talks about the financial health of the organization and not every aspect of its performance.

iv) Comparing any two years may not reveal the time picture ie especially good or especially bad is unlikely to be repeated

SOLUTION 6

a) There are many reasons why organizations desire to go international some of these are:

i) Desire to make more profits and grow
ii) To diversify risk – to avoid limiting one's investments to the local environment which can change to the detriment of the firm?
iii) To move away from growing local competition or market saturation
iv) To make use of excess capacity
v) To achieve economies of scale that is, a lower unit cost of production.
vi) To supply unsolicited foreign demand.
vii) Financial incentives – to make more income
viii) Government incentives – encouragement given to firm, especially small ones, to earn foreign currency by exporting mainly.

b) A number of criteria are used to select the most suitable mode of entering an international market. These include the following:

i) Speed of entry desired – how quickly the firm want to get into the foreign market will determine whether to choose exporting or joint venture and so on.
ii) Cost of entry – how expensive it is to use each mode of entry.
iii) Investment payback period – when quick payback is desired, then modes like licensing or exporting may be preferable to joint ventures which may tie up capital.
iv) Risk factors – if the desire is to minimize risk eg competition, political instability, government regulations, then licensing, franchising it may be more suitable than exporting, for example
v) Long term objectives – this relates to whether management wants to make smaller profits in the short run or large and sustainable amounts of profit over a long period.
vi) Flexibility required – whether or not the firm desires to gain increasing authority (whenever it wishes). Certain modes of entry such as the use of agents or distributors can easily allow the latter to gain exclusive rights of sale over time

SOLUTION 7

A. The modern business operates in an environment that is ever changing, to globalization and rapid development of information and communication technologies. To avoid or reduce the resistance to change a manager can adopt the following methods,

1) The manager has to develop a positive climate for the need of change. A key variable in life is beliefs. If employees behave that the systems are working for their welfare they are likely to support any initiatives for charge. It is therefore important for managers to demonstrate to their employees that they have their interest at heart

a. In order for employees to choose alternative courses of action they have to be assured that the new alternatives will make them better off than before. This assurance is necessary as people would prefer to stay with what they know and most times uncomfortable with venturing into the unknown. For change to take place, managers will have to ensure that they put in place will reduce uncertainty.

b. A need of people is to feel that one is part of a social group. Thus employees will be more supportive of changes that they are part off. It is therefore important for managers to involve their staff in change management decisions. Employees will therefore be committed to such changes as they will perceive the charge as belonging to them due to their inputs they made.

c. To increase the readiness for changes managers should encourage their staff to have interest in improvement. To achieve this they have to create conditions that encourage people to use their skills and knowledge. It is imperative for management to impress on the staff the advantages of improving their abilities and skills as it can be personally rewarding.

d. Values are important to employees. In order to initiate change the manager has to identify work values that are important to employees and relate the change to them. Where a change process creates opportunities for employees to pursue what is valuable to them they will be receptive and willing to cooperate and collaborate for the change to be effective.

B.

1) A SWOT analysis is a way of summarizing the organizations main strengths and weakness relative to external opportunities and threats.

   Strengths are the internal variables that assist the organization to operate competitively. Strengths have strategic significance because they enable the organization to maintain its position in the market. This is because if enables it perform its activities competitively. Strengths enable the organization to have factors that are critical to its success. An example of strength is being able to maintain efficient operations by producing at lower cost than other competitors.

2) Another strategic role of strengths is that it enables the organization to have a competitive advantage. Competitive advantage is the organization’s ability to operate in ways that competitors cannot copy. Achieving a competitive advantage requires that organization acquire distinctive competencies and constantly build on them. A means of doing this is for the organization to constantly train and develop its staff than that of its competitors.

3) A key variable in succeeding in business is to create an identity or a brand. This makes it possible for the organization’s product to be distinguished from familiar products offered by competitors. Creating a brand is strength. Brand name is important as it facilitates buying from the view of the customer. This assures the customer that he or she is paying for the value he or she wants. This ensures that the organization maintains its market share and expects a certain level of sales.