

MAKERERE UNIVERSITY BUSINESS SCHOOL  
**COURSE WORK THREE TEST FOR THE DEGREE OF**

BACHELOR OF SCIENCE IN ACCOUNTING OF MAKERERE UNIVERSITY.

**COURSE NAME:** STRATEGIC MANAGEMENT  
ACCOUNTING

**COURSE CODE:** EBSA3210

**YEAR OF STUDY:** THREE

**DATE:** 7<sup>th</sup> /05/2026

**SEMESTER:** TWO

**TIME:** 06:00 PM

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**INSTRUCTIONS:**

1. Read the case study carefully before attempting the questions.
  2. Answer ALL parts of the question.
  3. Support your answers with relevant and practical examples where applicable.
  4. All University examination regulations shall apply.
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**Question One**

Nakato General Merchandise is a family-owned retail shop that has been trading in Kikubo since 2008. Kikubo, sitting along Nakivubo Road in the heart of Kampala's Central Business District, is one of the most competitive wholesale and retail corridors in the country. The business was founded by Ms. Nakato Prossy's late father, and she has since grown it from a single stall into a two-lockup enterprise selling a broad range of fast-moving consumer goods (FMCGs) cooking oil, sugar, salt, soap, washing detergents, beverages, rice, maize flour, and household cleaning products.

Her customers are a mixed crowd: bulk-buying market vendors from Kalerwe, Owino, and Nakawa markets, as well as walk-in shoppers from nearby neighbourhoods like Kamwokya, Wandegeya, and Katwe.

The business has six full-time employees two sales assistants, a storekeeper, a cashier, a motorcycle delivery rider, and a part-time bookkeeper who comes in twice a week. Daily turnover frequently tops UGX 4 million, but margins are thin. Competition from neighbouring traders is fierce, and cheap Chinese imports continue to undercut prices from local distributors.

Stock is sourced from distributors in Industrial Area and Nakawa on credit terms of 7 to 21 days. Ms. Nakato extends informal credit to her most trusted bulk buyers and tracks these debts in handwritten ledgers but collections are irregular, and a number of debts have quietly aged past 90 days with no structured follow-up in place.

Payments are mostly cash, though Mobile Money (MTN MoMo and Airtel Money) has recently been introduced. The cashier tallies daily sales on a cash register and passes handwritten summaries to the bookkeeper. There is no Point-of-Sale system or stock management software. Physical stock counts happen once a month and have repeatedly thrown up discrepancies that nobody has been able to explain.

Financially, the business does reasonably well around festive seasons Christmas, Eid, and school re-opening periods but tends to bleed money in quieter months. Despite healthy sales volumes, Nakato has not been able to save enough to fund the expansion she has been planning. When she recently approached Centenary Bank for a UGX 30 million working capital loan, she was asked to produce formal

financial statements. She could not her records exist only as a collection of handwritten books, scattered and incomplete.

Ms. Nakato's goals for the next three years are clear in her mind: (i) open a third shop in Nateete by 2026; (ii) break into institutional wholesale supplying schools and churches; (iii) cut down on stock losses and unpaid debts; and (iv) tighten accountability among staff, particularly around cash handling and stock.

System wise, two of her long-serving sales assistants are suspected of working together to divert stock to a competitor's stall nearby. Yet Ms. Nakato has no formal appraisal process, she judges staff purely through personal observation. Everyone earns the same salary, regardless of whether they are among her best or worst performers. Predictably, this has created a flat, low-energy work culture where there is little reason to go above and beyond.

The business has no budgets, no management reports, and no formal internal controls of any kind. Procurement, pricing, and credit decisions are made entirely by Ms. Nakato, guided by experience and instinct. Some of her Kikubo neighbours who have adopted digital tools stock apps, mobile-integrated POS systems, formalised supplier contracts — are visibly pulling ahead in both margin protection and customer loyalty.

A recent business graduate, Mr. Ssebulime, has been offering informal advice. He believes the business urgently needs a strategic management accounting approach to plug its control gaps, clean up its reporting, and get it ready for the expansion Ms. Nakato is planning. She agrees but feels overwhelmed. In her own words: "I have always run this business by feel, I know something must change, but I do not know where to start."

## REQUIRED

As a strategic accounting consultant engaged by Nakato General Merchandise, analyse the business situation and respond to the following:

**(a)** Explain the role of accounting in strategic planning and management control as it applies to Nakato General Merchandise. In your answer, identify at least THREE specific accounting functions that are currently absent from the business and explain how their introduction would support Ms. Nakato's three-year strategic goals. *(5 Marks)*

**(b)** Nakato's business lacks a coherent strategy-management control systems linkage. Using an appropriate strategic management framework (such as the Balanced Scorecard Control Framework), discuss how Nakato can design a management control system aligned with its competitive strategy in the Kikubo retail environment. Distinguish between strategic, management, and operational control levels in your answer. *(10 Marks)*

**(c)** Critically evaluate the need for management reporting and analysis at Nakato General Merchandise. Identify THREE management reporting tools applicable to a small retail business operating in an informal urban market such as Kikubo, and explain how each tool would improve Ms. Nakato's decision-making regarding procurement, credit, and expansion planning.

*(6 marks)*

**(e)** Analyse the motivation and performance evaluation challenge at Nakato General Merchandise. Explain how linking rewards to performance targets would reduce the risk of staff misconduct and improve accountability in cash handling and stock management. *(4 Marks)*

**(f)** Discuss THREE alternative control system approaches that Nakato General Merchandise could adopt to prevent or detect business failures such as stock diversion, cash misappropriation, and bad debt accumulation. For each alternative, explain its applicability to the Kikubo retail context, its cost implications for a small business, and how it complements the other controls you have recommended. *(5 marks)*

**END OF EXAM**