END

ANSWERS TO EXAMINATION PAPER 2012

SECTION A

Q. 1 a) Differentiate between a sole proprietorship and a partnership.

b) Differentiate between wholesale trade and retail trade, giving one example of each.

Answer:

a) **A sole proprietorship** is a business owned and controlled by one person.

- **Key features for sole proprietorship:**
  1. One businessman
  2. An individual
  3. Single person
  4. Alone

A **partnership** is a business started by two or more people who contribute capital with the aim of making profit.

- **Key features for partnership:**
  1. Two or more
  2. 2-20 persons
  3. A group
  4. Many people

b) **Differentiate between wholesale trade and retail trade, giving one example of each.**

- **Wholesale trade:**
  1. Selling large quantitites of goods.
  2. Selling to retailers.
  3. Buying from the producer (firm) and reselling to retailers.
     Example: NKUSI Godfrey Wholesale.

- **Retail trade:**
  1. Selling to final consumer.
  2. Buying from a wholesale/producer/Agent/Middleman.
  3. Small and affordable quantities.

Example: Shops/Boutiques in neighbourhood.

Q. 2 Name any four means of transport.

The four means of transport:

1. Air transport e.g Airplane.
2. Water transport e.g Ship.
3. Railway transport e.g Rails.
4. Road transport
5. Pipeline transport e.g Pipe.

Q. 3 List five documents used in buying and selling of goods and services.

Documents used in buying and selling:

1. Order forms
2. Delivery note
3. Goods received note
4. Invoice
5. Receipt
6. Catalogue
7. Letter of inquiry
8. Price list
9. Credit note
10. Debit note

Q. 4.a. What is saving?

b. State and explain four forms of saving.

Answer:

a. What is saving?

Saving is the process of putting aside some money for future use.

In other words, saving means the following:

1. Part of income not spent/not consumed.
2. Money set aside to generate income.
3. Money reserved for future use.
4. An asset/resources reserved.

Formula of saving:

Saving = Income-Consumption

b. State and explain four forms of saving.

Forms/Methods of saving:

1. **Bank deposits:** It is keeping money in a bank. Opening an account in a bank and keeping the money on that account.
2. **Buying assets:** Money can be saved by buying durable assets like land, buildings, etc.
3. **Buying hard currencies:** People save their money by buying hard currencies like U.S Dollar, Pound Sterling, etc.
4. **Buying shares:** A person can save by buying shares in companies. You can buy shares in the following companies in Rwanda: BRALIRWA, B.K, KCB, NMG, etc The shares are sold off when the money is needed.
5. **Piggy bank:** Keeping the money in a piggy bank. A piggy bank is a small box on top where money especially coins can be dropped and the money is only removed from the box by breaking it.

Q. 6 a. Explain three basic requirements for opening a bank account.

b. Differentiate between a savings account, a term deposit account and a current account.

Answer:

a. Requirements for opening a bank account:

1. Filling application form.
2. Specimen of signature.
3. List of persons accessing your account.
4. Necessary recommendations (Referees).
5. Identity card (ID) or Passport.
6. Passport size Photo.
7. In case it is a company account, copies of the memorandum of association are required.
8. Some money to make the initial deposit.

b. Differentiate between a savings account, a term deposit account and a current account.

Saving account	Current account	Term deposit account
-Little interest.	-No interest.	-High interest.
-Minimum balance required.	-No minimum balance required.	-Fixed amount.
-Limitation on withdrawing.	-Regular withdrawing.	-Agreed time fixed.
-Minimum charges.	-High charges.	-No charges.

Q. 7 a. **What is accounting?**

b. Name three main types of accounting.

Answer:

a) **Accounting** refers to the recording, classifying, summarizing, and analyzing financial records and interpreting results.

b) **Types of accounting:**

- ✓ Financial accounting.
- ✓ Cost accounting.
- ✓ Management accounting.
- ✓ Intermediate accounting.

Q. 8 Suppose you are a store manager of an enterprise, identify five documents you would use in your work.

Answer:

Documents used in store management:

1. Receiving slip/Goods received note.
2. Purchase requisition/Order form/Issuing note.
3. Returns outwards note.
4. Returns inwards note.
5. Stock records card.

Q. 9 a. Classify enterprise in four categories according to their size.

b. Explain three ways in which capital may be used.

Answer:

a) **Classification of enterprises according to their size:**

1. Micro-enterprise
2. Small and crafts enterprise
3. Medium enterprise
4. Large enterprise

b) Ways of using capital:

1. Purchasing of fixed assets.
2. Payment of supplied goods.
3. Used to pay salaries and wages of workers.
4. Used to pay fringe benefits of workers like medical allowance, etc.
5. Used to cover expenses in an enterprise like airtime for workers, water&electricity, etc.
6. Used in marketing the business products/services.
7. Used to buy shares, bonds, etc.
8. Loan repayment.
9. Payment of dividend to shareholders.
10. For personal use.
11. Catering for losses in business.
12. Exploitatation of iddle resources.
13. Used as collateral security.
14. Helps to produce other goods.
15. Used to find other factors of production like labour, land, etc.
16. Capital in form of money is used to pay taxes.
17. Used to pay rent.
18. Capital in form of money can be saved on saving and term deposit account to generate interest (income) in future.

Q. 10 Explain two different types of employment contracts.

Answer:

Types of employment contracts:

1. **Permanent contract** is the agreement between employer and employee for indefinite time.

2. **Part-time contract** is the agreement between two parties to work on specific time accepted in the contract.

3. **Annual contract** is the contract between two parties for one year.

4. **Executed contract** is a contract where both parties performs their duties and obligations.

5. **Express contract** is the one in which the parties state the terms, either orally or in writing, at the time of its formation. There is a definite written or oral offer that is accepted by the offeree (i.e the person to whom the offer is made) in a manner that explicitly demonstrates consent to its terms.

6. **Bilateral contract** is the one where both two parties are bound with contractual obligations. A bilateral contract is sometimes called a two-sided contact.

7. **Unilateral contract** is the one which involves a promise that is made by only one party. Is the contract where only one party is bound with contractual obligation.

   The offeror (i.e a person who makes a proposal) promises to do a certain thing if the offeree performs a requested act that he or she knows is the basis of a legally enforceable contract.

8. **Oral contract** is a contract between the parties made by word of mouth. It is the one in which parties agree to deal with each other without writing anything.

9. **Written contract** is a contract written and signed by both parties and also witnessed by a third party.

   e.g Sales agreement, appointment letter, etc.

Note: **Offeror** is a person who makes an offer/ proposal.

Offeree is the person to whom the offer is made.

Q. 11 What are the three basic economic questions that an entrepreneur must consider before starting a business project?

Answer:

Basic economic questions that an entrepreneur must consider before starting a business project:

1. What to produce?
2. Where to produce?
3. How to produce?
4. Why to produce?
5. When to produce?
6. For whom to produce?

SECTION B

Q. 12 a. i) What is planning?

ii) Why is planning important in business?

b. Explain the roles of business enterprises in Rwanda.

Answer:

a) **i. Planning:** Is the process of setting the business goals and objectives and determining how to achieve them.

Planning involves the following:

- Management of resources.
- Proper allocation of resources.
- Ways of achieving set objectives or goals.

ii. Importance of planning:

1. Effective utilization of resources.
2. Setting and specifying objectives.
3. Implementing goals/objectives.
4. Mobilization of resources.
5. Forecasting of risks and uncertainties.
6. Better coordination.
7. Helps in giving tasks for employees.
8. Identifying areas of investment.

b) **Explain the roles of business enterprises in Rwanda.**

Roles of business enterprises in Rwanda:

1. Provide income to owners.
2. Provide income to the community.
3. Providing employment.
4. Increasing standards of living.

5. Paying taxes.
6. **Providing goods end services.**
7. Community development.
8. Provide market for locally produced goods and services.
9. Development of infrastrucures.
10. Business enterprises bring goods and services near the community.
11. Complement and support other businesses.
12. They offer credits/loans to customers e.g banks and microfinance institutions.
13. Source of food for people e.g Agribusiness.
14. Make use of waste products that are harmful to the people and environment.
15. Some businesses protect the environment e.g Planting trees.
16. Add value to goods for exports e.g Manufactuuring businesses.
17. Reduce dependency on imports e.g Manufacturing and Agribusiness.
18. Increasing international relations.

Q. 13 a. Identify 5 criteria to be considered for a product before it is put on the market.

b. Explain the different factors that can influence the location of an enterprise.

Answer:

a) Criteria used to put a product on the market:

1. Quality/Quantity.
2. Size.
3. Price.
4. Brand name/Trade mark.
5. Usefulness/Utility.
6. Durability.
7. Gestation period.
8. Government.
9. Product attributes (colour, shape, size, etc).

b) Factors influencing the location of an enterprise:

1. Raw materials
2. Market.
3. Manpower.
4. Technology.

Expenses on services and utilities	3,000 Rwf
Miscellaneous expenses	10,000 Rwf
Salaries and allowances	70,000 Rwf
Total costs	**130,000 Rwf**

Company's profit before deducting VAT = 250,000- 130,000= 120,000 Rwf

b) VAT= 120,000x18%= 21,600 Rwf

2nd Method

a. **Profit= Sales-Expenses(Costs)**

= 250,000-(35,000+12,000+3,000+10,000+70,000)

= 250,000-130,000

= 120,000 Rwf

b. VAT= 120,000x18%= 21,600 Rwf

Q. 15 On 1 January 2012, Mukamana started an enterprise with 300,000 Rwf cash at hand and building estimated to 1,000,000 Rwf. She bought furniture for 50,000 Rwf, equipment for 30,000 Rwf and goods for 120,000 Rwf and deposited half of the remaining money into the bank, keeping the other as cash.

Draw up her opening balance sheet.

Answer:

MUKAMANA ENTERPRISE

BALANCE SHEET AS AT 01/01/2012

ASSETS (Rwf)		LIABILITIES AND CAPITAL (Rwf)	
<u>FIXED ASSETS</u>		Capital	1,300,000
Building	1,000,000		
Furniture	50,000		
Equipment	30,000		
<u>CURRENT ASSETS</u>			
Cash at hand	50,000		
Stock	120,000		
Bank	50,000		
Total	**1,300,000**	**Total**	**1,300,000**

Q. 16 Identify and explain the various stages of a project.

Answer:

A project is an activity which uses resources expecting to get profit. It is an activity which returns (benefits) can be expected to fulfill certain objectives.

Stages of a project:

1. **Project identification:** This stage involves identifying the project to undertake from several alternatives. Initial project idea may come from the government development plan, TV, Newspapers, etc.

2. **Project formulation (preparation):** This involves the translating of ideas into specific investment activity and involves estimation of costs, estimating the profitability, technical design and technology.

3. **Project appraisal:** This involves a critical assessment of the relevancy, feasibility and potential effectiveness of a project before a decision to implement it is made.

4. **Project implementation:** This refers to putting the project plan into practice i.e putting the preparation into operation.

5. **Project monitoring:** This is a continuous follow up by the management to insure that inputs are used properly and the project is completed on time. In this stage, constraints are also identified.

6. **Project evaluation**: This is done at the end of the project to find out whether the set objectives have been achieved or not.

   It includes:

   - **Ex-ante evaluation** which is carried out before implementation to assess the feasibility.
   - **On-going evaluation** which is carried out in the process of implementation to assess whether the project is in line with the intended objectives.
   - **Ex-post evaluation** which is carried out after completion of the project to determine whether the project has succeeded or failed.

END

ENTREPRENEURSHIP EXAMINATION PAPER 2013
SECTION A

1. a) Define consumption.

   b) State any four factors that influence consumption.

2. Differentiate between an invoice and a receipt.

3. You want to buy a computer in Nyarugenge market. Explain any five procedures you would use to ensure that you buy a computer of the best quality.