

MARKING GUIDE OF ENTREPRENEURSHIP 2020-2021

Section A

Question 1. Make a choice about what you prefer to become, between entrepreneur, intrapreneur and manager, convince us about your choice. (6marks)

ANSWER

TO BE ENTREPRENEUR

- To gain own profit
- Job security
- Independent in decision making
- To be independent
- Social recognition
- Creativity and innovation
- Ability to hire and dismiss an employee
- Self-employment

(Any quality or characteristics of a good entrepreneur is also considered)

TO BE INTRAPRENEUR:

- Getting fixed salary
- Bears few business risks
- Introduces new innovation in business
- Get percentage on profit related to innovation made
- Semi-independent

TO BE A MANAGER:

- Getting regular salary
- Fixed time of work
- Getting fringe benefits
- Does not bear business risks
- Has fixed responsibilities
- Increased social status

(Any managerial function is considered)

MARKS ALLOCATION:

Choice:

(2marks)

Reasons: Any 4 reasons or elements outlined:

(4marks)

Question 2. Explain the relationship between creativity, innovation and entrepreneurship.

(6marks)

ANSWER

CREATIVITY: Is an individual ability that can lead to an intact invention or idea by creative person.

KEY WORDS TO DEFINE CREATIVITY:

- Thinking new ideas
- Imagination
- Bringing something new
- Generation of new ideas
- Discovering

INNOVATION: Is the process to convert invention or ideas into marketable product or service.

KEY WORDS TO DEFINE INNOVATION:

- ✓ Improving
- ✓ Implementing
- ✓ Renewing
- ✓ Re-shaping
- ✓ Re-designing
- ✓ Developing
- ✓ Making better
- ✓ Doing new thing on something
- ✓ Re-cycling
- ✓ Adding value
- ✓ Changing etc.



ENTREPRENEURSHIP: Is the process of identifying business opportunities from the environment, gathering necessary resources, combining them to start the business for the purpose of gaining profits.

KEY WORDS TO DEFINE ENTREPRENEURSHIP:

- Running business
- Taking business risks
- Starting a business

- Creating a business / a business venture
- Putting ideas into practice
- Offering marketable innovative products
- Combining creativity and innovation
- Desire to get profit.

RELATIONSHIP:

- Entrepreneurship is the result of a process that apply both creativity and innovation to capitalize on marketable opportunities.
- Both creativity and innovation are applied by entrepreneur
- Creativity  Innovation  Entrepreneurship
- Creativity + innovation = Entrepreneurship

MARKS ALLOCATION:

Definition only 1 X 3 = (3 marks)

Full relationship for 3 concepts = (6 marks)

Relationship for 2 concepts = (4 marks)

Question 3. Set a goal for a service company. And specify each quality of that goal you have set. (5 marks)

ANSWER

A good goal is a SMART goal

S: Specific or simple

M: Measurable

A: Achievable/ attainable

R: Realistic/ relevant

T: Time based / temporary/ time bound

Example of a SMART goal for a service company:

To increase turnover from transport service from 5millions to 7millions within 2 years.

SPECIFIC:

- ✓ State what you will do
- ✓ Use action words

MEASURABLE:

- ✓ Provide a way to evaluate
- ✓ Use metrics or data targets

ACHIEVABLE:

- ✓ Within your scope
- ✓ Possible to accomplish/ attainable

REALISTIC/RELEVANT:

- ✓ Make sense within your job function
- ✓ Improves the business in some way

TIME/ TEMPORARY:

- ✓ State when you will get it done

Marks allocation

Setting a goal: (2.5marks)

Specifying one quality 0.5 marks X 5 = (2.5marks)

Explaining qualities but not setting a goal (2.5marks)

Writing SMART in full: (2.5marks)

Writing SMART in abbreviation: (1mark)

Question 4. Is there any difference between revenue income and gain? Explain.

(6 marks)

ANSWER

Yes, there is a difference.

REVENUE: Is the amount earned from a company's main operating activities such as a retailer selling merchandise or a law firm providing legal services.

KEY WORDS TO DEFINE REVENUE:

- ✓ amount from sales
- ✓ turnover
- ✓ total sales
- ✓ amount from investment
- ✓ revenue = price X quantity

INCOME: Non accountants might use the term income instead of the word revenue. Generally, accountants use the term income to mean Net of revenue and expenses.

KEY WORDS TO DEFINE REVENUE:

- ✓ Sales – expenses
- ✓ Consumption and savings opportunities
- ✓ Consumption + investment = income
- ✓ In-comings, in-flows, over all sources of money
- ✓ Gross profit + miscellaneous income

GAIN: Is the result of a peripheral activity such as a retailer selling one of its old delivery trucks. A gain occurs when the cash amount received is greater than the assets' carrying amount which is also referred to amount (Book value).

KEY WORDS TO DEFINE A GAIN:

- ✓ Profit on disposal
- ✓ Increase of value in fixed asset
- ✓ Return on investment (on profit)
- ✓ Unexpected sales procedures

Marks allocation

Yes = (1.5mark)

Definition of concept 1.5x 3 = (4.5marks)

Question 5. Interpret the process of standardization in Rwanda. (7 marks)

ANSWER

The process of standardization:

Standardization is the process of developing and implementing technical specifications.

The process of standardization generally comprises of seven major phases:

- **Identification of needs:** An user identifies a need
- **Collective programming:** This stage reflects on the needs identified and priorities defined by all partners

- **Drawing up of draft standard:** The interested parties, represented by procedures; distributor; users; consumer; administrators; etc. meet and form standardization committees and a draft standard is prepared.
- **Consensus:** in this phase, the views of all interest are taken into account, manufactures, vendors; consumer groups; testing laboratories, government; engineering professional, and research organizations.
- **Validation:** This is done in form of public enquiry involving all the economic partners in order to be certain that the draft standard does not give lies to any major objections.
- **Approval:** This phase is for the approval of the test for publication as a standard.
- **Review:** The application of all standard forms the subjects of a regular assessment for its relevance by the standardizing body. This makes it possible to detect the time as standard must be adopted to new needs.

Marks allocation

7 process well explained =

(7mark)

7 process outlined =

(3.5marks)

Order of steps is not considered

Question 6. Explain any 5 characteristics of the Rwanda franc (Frw). **(5marks)**

ANSWER

Rwandan Francs is a good money. Their qualities are:

- ✓ **Acceptability:** Good money must be acceptable to buyers and sellers when carrying out their transactions.
- ✓ **Scarcity:** Good money must be relatively scarce and it should only be acquired through hard work
- ✓ **Durability:** It should be long lasting. Means it should not easily deteriorate in physical quantity and value. It should not wear and tear out easily.
- ✓ **Portability:** Should be easily moved with or easy to carry.
- ✓ **Stability of value:** Should have a stable purchasing power. Good money should relatively remain stable in terms of value.
- ✓ **Divisibility:** Good money should be easily converted/ divided into smaller denominations without losing value in order to cater for small transactions.
- ✓ **Homogeneity:** Money of the same denomination should be similar in color, size and shape through the economy.

- ✓ **Recognizable:** Money should be easily identified as a particular type of money. All units of a given currency should easily be recognized in terms of color, size and shape.
- ✓ **Should be difficult to forge:** Good money should not easily to forge. People should find it difficult to forge the features of a genuine currency.
- ✓ **Transferability:** ownership of money should be easily transferred from one person to another without a lot of formalities. Good money should keep on changing hands as a sign of improved economic activity and of increased levels of transactions.
- ✓ **Rwandan symbol**
- ✓ **Bank notes**
- ✓ **Coins**
- ✓ **Value**
- ✓ **Sub-unit**
- ✓ **Legal tender**
- ✓ **Water mark**

Marks allocation

Any five characteristics well explained =

(5mark)

Any characteristics outlined =

(2.5marks)

Question 7. What is the difference between compound interest on 5000Frw for 1.5years at 4% at annum compounded yearly and half-yearly? **(6marks)**

ANSWER

P= 5000Frw

T= 1.5years

R= 4%

AMOUNT PER ANNUM

Formula: $A = P (1+r)^n$

$A = 5000 (1+0.04)^{1.5}$

$= 5000(1.04)^{1.5}$

$= 5000(1.060536059)$

$= 5302.980294$

$$CI_1 = A - P = 5302.98029 - 5000 = 302.98$$

AMOUNT IN HALF YEARLY

Formula: $A = P (1+r/n)^{t \cdot n}$

$$A = 5000 (1 + 0.04/2)^{1.5 \times 2}$$

$$= 5000 (1 + 0.02)^3$$

$$= 5000(1.02)^3$$

$$= 5000(1.061208)$$

$$= 5306.04$$

$$CI_2 = A - P = 5306.04 - 5000 = 306.04$$

$$\text{Difference; } CI_2 - CI_1 = 306.04 - 302.98 = 3.06$$

Marks allocation

Formula = (1mark)

Application 1: (2marks)

Application 2: (2marks)

Answer: (2marks)

Question 8. An investment of 200,000Frw is expected to generate the following cash flow in six years:

Year 1: 70,000Frw

Year 2: 60,000Frw

Year 3: 55,000Frw

Year 4: 40,000Frw

Year 5: 30000Frw

Year 6: 25,000Frw

Required: Compute payback period of the investment. Should the investment be made if the management wants to recover the initial in three years or less? (8marks)

ANSWER

Year	Cash flow	Cumulative cash flow
0	(200,000)	(200,000)

1	70,000	(130,000)
2	60,000	(70,000)
3	55,000	(15,000) (A)
4	40,000 (B)	25,000
5	30,000	55,000
6	25,000	80,000

PBP= Y – A/B

Y= 3years

A= 15000

B= 40,000

PBP = 3+ 15000/40,000

= 3.375years

= 3 years 4 months 15 days

Marks allocation

Formula = (1mark)

Application: (3marks)

Answer: (2marks)

Comment/ Conclusion: (2marks)

Question 9. Agashya enterprise has obtained an accounting income 2,500,000Frw. Moreover, the deductible expenses amount to 280,000Frw. 20% of the profit put in the reserve.

Required:

- a) Calculate fiscal (Taxable) income of Agashya Enterprise **(3marks)**
b) Calculate corporate income tax (at the rate of 35%) **(3marks)**

ANSWER

- a) Net profit before tax= 2,500,000-280,000= 2,220,000Frw
Reserve = 2,220,000 x20% = 444,000Frw
Taxable income = 2,220,000-444,000= 1,776,000Frw
b) Corporate income tax = 1776,000x35/100= 621,600Frw

Marks allocation

- a) Net profit before tax= (1mark)
 Reserve = (1mark)
 Taxable income = (1mark)
- b) Application: (2marks)
 Final answer: (1mark)

Section B

Question 10. We don't live to work; we work to live. Discuss this statement.

(15marks)

ANSWER

Advantages of work- benefits of work

- Get food
- Source of income
- Increase reputation
- To satisfy our basic needs
- Work generate revenue
- Work increase wealth
- Self-employment
- Improve people standard of living
- All advantage of working or disadvantages of not working is considered.

Marks allocation

Any 7 points well explained = (14marks) other one point not explained = (1mark)

Any disadvantages of not working well explained = (2marks) + One disadvantage not explained = (1mark)

Question 11.

a) show how to calculate the break-even point and apply it to your business.

(5marks)

b) Give any four ways on how the BEP analysis should be used.

(10marks)

ANSWER

a)
$$BEP\ unit = \frac{Fixed\ costs}{selling\ price\ per\ units - variable\ cost\ per\ unit}$$

$$\text{Or } \frac{\text{fixed costs}}{\text{contribution margin}}$$

$$\text{Break even sales} = Sp * \frac{Fc}{Sp - Vc \text{ per unit}}$$

$$\text{Or BEP Sales} = \text{BEP units} * \text{selling price} = \frac{FC}{1 - \frac{Vc}{\text{selling price}}}$$

Eg: suppose a company furnishes the following data: Fc= 60,000Frw selling price per unit = 50Frw variable cost per unit = 30Frw.

$$\text{Answer the BEP Quantity} = \frac{\text{Fixed costs}}{\text{selling price per units} - \text{variable cost per unit}}$$

$$\frac{60,000}{50-30} = \frac{60,000}{20} = 3000 \text{ units}$$

$$\text{BEP sales} = Sp * \frac{Fc}{Sp - Vc \text{ per unit}} = 50 * \frac{60,000}{50-30} = \frac{3000.000}{20} = 150,000 \text{Frw}$$

$$\text{Or BEP Sales} = \text{BEP units} * \text{selling price} = \frac{FC}{1 - \frac{Vc}{\text{selling price}}}$$

$$= \frac{60,000}{1 - \frac{30}{50}} = \frac{60,000}{1 - 0.6} = \frac{60,000}{0.4} = 150.0000 \text{ Frw}$$

b) Give any four ways on how the BEP analysis should be used 10 Marks

- It can be used to check changes in price
- To make decisions
- To evaluate the performance of the business
- To determine the quantity to produce at the given period of time etc...

Marks allocation

a) Formula: 1.5 x 2 = (3marks)

Application = (2marks)

b) Any four points outlined: 2.5 x 4 = (10marks)

Question 12. In march 2019 Fanny Regero stated all wholesaling business, transactions were as follow:

1st March. He started business with capital of 15,000,000Frw and land worth 10,000,000Frw

8th March bought goods from Bigirabagabo and friends worth 1,000,000Frw on credit, he also bought goods from XYZ co. Worth 2,000,000Frw and paid cash

13th March sold goods to Rehema and sons 1,500,000Frw and sale by cash 5,000,000Frw

17th March Gave away charity of cash 50,000Frw and merchandise worth 30,000Frw

21st March paid Biraro and friends cash 975,000 Frw, discount received 25,000Frw

28th March received cash from Rehema and sons 1,450,000Frw, allowed him discount of 50,000Frw

Required: Prepare the general journal

(15marks)

ANSWER

Fanny Regero General Journal March 2019

<i>Date</i>	<i>Particulars/ Details/ A/c + Explanation</i>	<i>Folio</i>	<i>Debit</i>	<i>Credit</i>
2019 March 1 st	Cash Land Owner's Equity- Fanny regero (owner stated business by assets)		15,000,000 10,000,000	25,000,000
2019 March 8 th	Purchases Bigirabagabo Cash (Purchases by cash and by credit)		3,000,000	1,000,000 2,000,000
2019 March 13 th	Acc receivable- Rehema and sons Cash Sales (Purchases by cash and credit)		1,500,000 5,000,000	6,500,000
2019 March 17 th	Charity Cash Purchases (Charity by cash and by goods)		80,000	50,000 30,000
2019 March 21 st	Account payable Biraro and friends Cash Discount (Discount received and liability payoff)		1,000,000	975,000 25,000

2019 March 28 th	Cash Discount Receivable Rehema and sons (Account receivable realized and Discount allowed)		1,450,000 50,000	1,500,000
	Total		37,080,000	37,080,000

Or

Fanny Regero General Journal March 2019

<i>Date</i>	<i>Particulars/ Details/ A/c + Explanation</i>	<i>Folio</i>	<i>Debit</i>	<i>Credit</i>
2019 March 1 st	Cash Land Capital (Being initial Capital)		15,000,000 10,000,000	25,000,000
2019 March 8 th	Purchases Account Payable Bigirabagabo Purchase Cash (Purchases by cash and by credit)		1,000,000 2,000,000	1,000,000 2,000,000
2019 March 13 th	Receivable (Rehema and sons) Sales (Being goods sold) Cash Sales (Being goods sold by cash)		1,500,000 5,000,000	1,500,000 5,000,000
2019 March 17 th	Charity/ drawing Cash Merchandise/ stock Being Charity given by cash and by goods)		80,000	50,000 30,000
2019 March 21 st	Account payable Biraro and friends Cash Discount Received (Discount received and liability payoff)		1,000,000	975,000 25,000

2019 March 28 th	Cash Discount Allowed Rehema and sons (Account receivable realized and Discount allowed)		1,450,000 50,000	1,500,0000
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Marks allocation

Title: 1 Ticks
Format: 3 Ticks
Transactions: 20 Ticks
Explanation: 6 Ticks
 $\frac{30 \text{ ticks}}{2} =$ (15marks)

Question 13: Explain the process of conflict resolution in business. (15marks)

ANSWER

First alternative: process of conflict resolution

1. Identify the source of conflict
2. Look beyond the incident
3. Request solutions
4. Identify solution both disputants can support
5. Agreement

Second alternative: Strategies of conflict resolution

1. Negotiation
2. Mediation
3. Arbitration
4. Litigation
5. Reconciliation

Third alternative: Problem solving process

1. Identify the problem
2. Get more information about the problem
3. Generate many ideas on how to solve the problem
4. Choose the solution
5. Implement the solution
6. Evaluate the solution

Marks Allocation

- Any five process of conflict resolution well explained** (15marks)
Any five strategies of conflict resolution well explained (15marks)
Any five problem solving process well explained = 5x3= (15marks)
Any five outlined = 5x 1.5= (7.5marks)

Question 14. Suppose your friend Kagabo Robert want to run a new business of service delivery. Show him how to prepare operational plan for his business.

(15marks)

ANSWER

Elements of Operational Business plan

1. Production plan
2. Business operational and cost plan
3. Financial plan
4. Risk assessment and contingency plan
5. Action plan

1. Production plan

- ✓ Location plan of the business: where the business factory will be located
- ✓ Production staff
- ✓ Types, nature and capacity of equipment
- ✓ Quality control: measure to control the quality of product or service
- ✓ Source of raw materials
- ✓ Packaging materials,
- ✓ Production utilities
- ✓ Production process
- ✓ Production output
- ✓ Production objectives

Estimated production plan

- Types, nature and capacity of equipment

Item	Quantity	Price/unit	Amount
Computer	10	400,000	4,000,000
Printer	2	500,000	1,000,000
Total			5,000,000

- Production staff

Position	Number of workers	Salaries	Total
engineers	2	100,000	200,000
Production manager	1	500,000	500,000
Production staff	10	20,000	200,000
General total			900,000

Business operation and cost plan / startup cost plan

- ✓ Investment capital
- ✓ Working capital
- ✓ Source of capital
- ✓ Sales plan
- ✓ A monthly forecast plan

2. Startup cost plan

Items	quantity	Price/unit	Total/amount
Construction			
Working building	1	2,000,000	2,000,000
Canteen	1	500,000	500,000
Market research			
Research fees		50,000	50,000
Transport		50,000	50,000
Machines and installment	3	1,000,000	3,000,000
Machinery		1,000,000	1,000,000
Engineering fees			
Total start cost			6,600,000

3. Financial Plan

- ✓ Start up budget
- ✓ Source of capital
- ✓ Fixed capital requirement
- ✓ Working capital requirement
- ✓ Trading, profit and loss account requirement
- ✓ Balance sheet

- ✓ Cash flow statement
- ✓ Payback period
- ✓ Break Even Point
- ✓ Return on investment

4. Risk assessment and contingency plan

- ✓ Risks related to the business (Internal and External)
- ✓ Strategies to minimize the risks

5. Action plan

- ✓ Types of activities to be done
- ✓ Time to do those activities
- ✓ People responsible to implement those activities
- ✓ Observations/ indicators/evaluation
- ✓ Resources requirements.

Marks allocation:

a) Pick one of the element of Operational plan: 5 elements from selected elements

- Title of the element: *(1mark)*
- Any 2 items 2x1 = *(2marks)*
 - Total marks: 5x3 = *(15marks)*

b) Defining all elements of operational plan: 5x3 = *(15marks)*

- ✓ Cash flow statement
- ✓ Payback period
- ✓ Break even point
- ✓ Return on investment
- 4. Risk assessment and contingency plan
 - ✓ Risks related to the business (internal and external)
 - ✓ Strategies to minimize the risks
- 5. Action plan
 - ✓ Types of activities to be done
 - ✓ Time to do those activities
 - ✓ People responsible to implement those activities
 - ✓ Observations, indicators, evaluation
 - ✓ Resources requirements

Make allocation:

a) Pick one of the element of Operational plan: B elements from selected elements

Title of the element	Any 2 items 2x1 =	Total mark: 2x3 =
(Insert)		
(Insert)		
(Insert)		

b) Define all elements of operational plan: 2x3 = (6 marks)