



# **MACHAKOS UNIVERSITY**

**University Examinations for 2018/2019 Academic Year**

**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**FIRST YEAR SECOND SEMESTER EXAMINATION FOR**

**DIPLOMA IN ACCOUNTANCY**

**DACC 117: ENTREPRENEURSHIP**

**DATE: 9/5/2019**

**TIME: 8.30-10.30 AM**

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## **INSTRUCTIONS**

- i. The paper has five questions*
- ii. Question I is compulsory 30 marks.*
- iii. Answer any TWO questions each 20 marks*

### **QUESTION ONE (COMPULSORY) (30 MARKS)**

Read the case study below and answer the questions that follow it.

#### **ONYANGO CONSTRUCTION FIRM**

James Onyango was a building construction student at Kisumu Polytechnic. At the Polytechnic, James took courses in brick-laying, carpentry and plumbing. He completed his secondary school education at Kabula High School near his home in 2010.

After several jobs, James worked for 2 ½ years with construction firm as a foreman. He then joined the Kenya Army as a Cadet technician where he was deployed in the building and construction section. Upon discharge from the Army at the age of 25, James decided to return home.

However, the job market at home was not good. Because of his educational background coupled with his experience, James felt that opening his own small construction firm was the solution. He took that step and has been in the business for the last four years.

James used market surveys and personal contacts to enhance the volume of his business. Through this strategy, he was able to ascertain that the market for construction services was available and at the same time gain valuable information on the extent of his competition.

James chose to organize his business as a limited company. He felt this was best for tax purposes and also because a limited company can sell shares on the open market. James initially financed

his business through a bank loan. He however encountered a cash flow problem. To solve this problem, he sold shares. A second problem of increase new customer patronage was solved by moving to a new location.

James has developed an extensive business plan. This plan is a guide to help him reach his goals of future penetrating the market, increasing sales and forming a franchise. He credits his technical education for getting him started in the area of construction. In addition to the courses he took at Kisumu Polytechnic, he found his on- the job experience, as well as having a sister who was an entrepreneur, to be extremely helpful.

James' knowledge of construction, his ability to work with people, and his energy level enabling him to for work long hours, are assets to him as an entrepreneur. His life-style changed remarkably when he became an entrepreneur, he had to dedicate more time to his work. Much of his life is currently geared towards his business but he tries to make time for his wife and two children. He is looking forward to long-term financial stability and making his current business self-supporting. All of the profit currently goes back into the business. With 9 employees and a turnover of 10 million shillings as at last year, James is on his way up the ladder of entrepreneurial success.

### **CASE STUDY QUESTIONS**

- a) Explain reasons that prompted James to develop a business idea (3 marks)
- b) Identify the source of business finance for the business (1 mark)
- c) Highlight methods used to determine potential customers (1 mark)
- d) Describe the type of business ownership and state reasons for the choice (3 marks)
- e) Outline reasons for developing a business plan (5 marks)
- f) Highlight entrepreneurial qualities exhibited by James (5 marks)
- g) Enumerate the challenges that the entrepreneur faced when running the business and explain how he solved each challenge (4 marks)
- h) Explain any FOUR challenges that James is likely to face in future. (8 marks)

### **QUESTION TWO (20 MARKS)**

- a) Explain 'brainstorming' in entrepreneurship (4 marks)
- b) Describe the entrepreneurial process (10 marks)
- c) Highlight contribution of entrepreneurship to the development of the country (6 marks)

**QUESTION THREE (20 MARKS)**

- a) Define 'leadership' (2 marks)
- b) Explain any FIVE techniques that high oriented leaders would use to motivate staff. (10 marks)
- c) Differentiate between a leader and a manager (8 marks)

**QUESTION FOUR (20 MARKS)**

- a) Define "business opportunity" (2 marks)
- b) Mrs Kariuki an Information Technologist expert has found a new idea in business accounting. However he is very apprehensive that his invention may be copied by other entrepreneurs for commercial gain. Explain FOUR actions that she should take to protect her invention. (8 marks)
- c) Explain any FIVE factors that hinder the growth of entrepreneurship in a country. (10 marks)

**QUESTION FIVE (20 MARKS)**

- a) Explain the meaning of the following terms
  - i) Family business
  - ii) Organizational culture (4 marks)
- b) Highlight five benefits of involving family members in a business. (10 marks)
- c) Outline any SIX that can be used to avoid conflicts in a family business. (6 marks)