# MACHAKOS UNIVERSITY

**University Examinations for 2019/2020 Academic Year**

**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**……..YEAR FIRST SEMESTER EXAMINATION FOR**

**BACHELOR OF ENVIRONMENT STUDIES (COMMUNITY DEVELOPMENT)**

**BACHELOR OF ENVIRONMENT STUDIES (RESOURCE CONSERVATION)**

**BACHELOR OF EDUCATION (EARLY CHILDHOOD EDUCATION)**

**BACHELOR OF SCIENCE (FASHION DESIGN & MARKETING)**

**BACHELOR OF EDUCATION (SPECIAL NEEDS EDUCATION)**

**BACHELOR OF SCIENCE IN ACTUARAL SCIENCE**

**BACHELOR OF SCIENCE IN PUBLIC HEALTH**

**BACHELOR OF EDUCATION (SCIENCE)**

**BACHELOR OF EDUCATION (ARTS)**

**BACHELOR OF ARTS**

**UCU 104: INTRODUCTION TO ENTREPRENEURSHIP**

**DATE:** **TIME:**

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**INSTRUCTIONS:**

**Answer Question one and any other two Questions.**

**QUESTION ONE (30 MARKS)**

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

**SHANTI BATTERIES LIMITED**

Shanti Batteries Ltd was established by the late Mr Santosh Kumar way back in 1961. At that time it mainly manufactured batteries for four-wheelers. It had made its name in the local market, was getting good clientele, was obtaining good return on investment and Santosh was quiet happy with his earnings. But in 1994 he met with a fateful accident on the road and after a series of operations,

in order to save his life doctors had to amputate his legs. It was a real testing time for the family, for the sole earning member of the family was completely bedridden. He had a family of six – his wife, three children (John 25, Steve 24, Mary 12) and an old mother all dependent on the earnings coming from Shanti Batteries. It was during this period that Steve left his studies in Masters of Business Administration and took over his father's business. Steve, with his sharp business acumen and father's guidance, was able to bring back the business in running condition within a year. But Steve was not satisfied as he was looking for more opportunities. After a market survey he found out that power cuts (load shedding) were a problem growing day by day. The reasons for power cuts were rising consumption and the government's inability to supply enough power to the people. Steve found an opportunity in this problem and decided to expand his business from just manufacturing batteries to manufacturing and assembling inverters. He discussed the business plan with his father and got a go ahead from him.

The inverter industry along Mombasa road (Hapur Ltd) was in its nascent stage. There were a very few local and national brands. But since the entry barriers were very low, the number of small operators had grown drastically within a period of one year. Hapur Ltd at present has 28 inverter manufacturers in all and three of them were in the same local area as Shanti Batteries.

The key features of the Shanti Batteries product include: MOSFET based PWM Technology, SCR Phase control Constant Current & Constant Voltage (CC/CV) Charging to give longer battery life, New Technology SCR + Transformer Electronic Controlling. (long battery life & charging even at low voltage 140V), Battery Status on front panel, Automatic overload reset with buzzer warning and Automatic Inverter ON at input below 110 VAC and above 290 VAC. The key services by Shanti Inverters include: Annual maintenance contract, Warranty repair, Out of warranty repairs, Factory parts, Extended warranties, Technical assistance, UPS start-up assistance.

The pricing plan was that since competition was growing, the best strategy for pricing would be – maintaining prices that were neither priced too high (to skim the competition thrown up by national players) nor too low (to lose its premium quality image that the company had earned in the last 35 years). The price that was originally set was ` 12,000 but due to rising demands and markets it was further raised to ` 15,000. The price package included the inverter, free trolley and installation.

Manufacturing was done at the same place because the main component was still batteries and hence the present plant capacity was able to sustain the manufacturing of the major components, the secondary components i.e., inverters cabinet and trolley parts were purchased and assembled in the factory. The cost of setting up the new machines and assembly plant was as low as ` 1,25,000. The Growth Shanti Inverters witnessed immediate returns. The company started getting corporate and residential orders and all appreciated the product. Steve shifted the factory to a new premise four times the present size in terms of area and capacity, bought few more sophisticated machines and became the leader in the inverter market in Hapur. He also went ahead and got ISO 9000 quality certification for the product and since then there has been no looking back. But Steve's quest for more has not yet ended and he wants to venture into something else.

**QUESTIONS**

a) Explain FOUR factors that have contributed to Mr. Steve's success in the Batteries Manufacturing Industry. (8 marks)

b) With reference to Shanti Batteries Ltd., express how the following factors affect the growth of the business.

   i. Inheritance

   ii. Creativity and innovation (8 marks)

c) Analyse the entrepreneurial characteristics of Mr. Steve. (6 marks)

d) Identify any THREE products and services that the company is offering to customers. (3 marks)

e) Explain to Steve benefits of writing a business plan (5 marks)

**QUESTION TWO (20 MARKS)**

a) The MSE sector in Kenya has received a fair amount of policy and program support since the early 1980's. In view of this, explain THREE constraints facing MSEs development in Kenya and FOUR areas for policy intervention. (10 marks)

b) Explain any FIVE external entrepreneurial motivation factors that are associated with growth of entrepreneurship in Kenya. (10 marks)

**QUESTION THREE (20 MARKS)**

a) Explain Memorandum of Association in entrepreneurship. (2 marks)

b) Mr. Onyango had been contracted by Beta consultants to write a business plan for milk bar business. Explain any FOUR qualities of such a business plan. (8 marks)

c) Describe sections of the Marketing Plan component of a business plan. (10 marks)

**QUESTION FOUR (20 MARKS)**

a) Mr. Juma and Mr. Sukuma who recently graduated from Machakos University have decided to combine their financial resources and start Jusu College of Entrepreneurship Development. Explain to Mr. Juma and Mr. Sukuma the items that are common in the partnership

agreement. (10 marks)

b) Examine how creativity and innovation enhance business growth and development. (10 marks)

**QUESTION FIVE (20 MARKS)**

a) Explain the following theories in entrepreneurship.

i. Economic theory of entrepreneurship

ii. Sociological theory of entrepreneurship (10 marks)

b) Using an illustration, describe the process of the enterprise life cycle explaining the challenges encountered by entrepreneurs at each stage.

(10 marks)