



# **MACHAKOS UNIVERSITY**

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

**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF BUSINESS ADMINISTRATION**

**FIRST YEAR SECOND 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 AND MARKETING)**  
**BACHELOR OF EDUCATION (SPECIAL NEEDS EDUCATION)**  
**BACHELOR OF SCIENCE (INFORMATION TECHNOLOGY)**  
**BACHELOR OF SCIENCE (PUBLIC HEALTH)**  
**BACHELOR OF ENVIRONMENT SCIENCES**  
**BACHELOR OF EDUCATION (SCIENCE)**  
**BACHELOR OF SCIENCE (BIOLOGY)**  
**BACHELOR OF EDUCATION (ARTS)**  
**BACHELOR OF ARTS**  
**UCU 104: INTRODUCTION TO ENTREPRENEURSHIP**

**DATE: 10/5/2019**

**TIME: 11.00-1.00 PM**

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## **INSTRUCTIONS**

- i.     *The paper has five questions***
- ii.    *Question 1 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.

### **FRAME DESTINATION COMPANY**

Mark was an amateur photographer and was taking advantage of new Google technology that allowed him to print his own picture frame of 13x19. That prompted the idea as all the stores are selling prints of 13x19 paper but none for frames. It became obvious that this was a very attractive opportunity to build a business, he felt that the risk vs potential for success was within reasonable parameters. Frame Destination manufacturers of online picture frames focuses more on digital photos than other types of art. Over the years their product line has expanded and they now manufacture a wider line of frames with more sizes and quality material that offer options than in the early years. The business has also added sales of a variety of supplies that individuals may need when they purchase frames along with a patented special carrying pouch made from bubble-wrap that is ideal for artists who go to trade shows to sale their wares.

Frame Destination Company was started in 2004 in the garage of the founder, Mark Rogers. After 18 months the business took over not only the garage but much of the interior of the townhouse where Mark and his wife lived. In late 2005 Frame Destination Company moved to a 1500 sq.ft. facility near Texas Instruments. In 2006, the business expanded to occupy approx. 3, 000 sq.ft. of space and employed 3 full time employees. In 2010 the business took in additional space and currently have nearly 11,000 sq.ft. and approximately 14 full time employees.

Frame Destination Company strives to achieve the highest customer satisfaction possible. Our goal is perfection in our products and harmony in all of our business relationships. We believe a picture frame is more than just fashion; it's a safeguard for something you love. Frames Destination is committed to providing top notch customer service and the highest quality of workmanship.

Rapid manufacturing and delivery of a high quality products and the convenience of a fully automated online ordering system which is user friendly are the primary key success factors. Over the years the online system has been one of the major capital investments made by the Company. Each time the system is improved and becomes easier for customers to order products and therefore sales increase as a result. Naturally, frames that are shipped in either complete or a 'to-be-assembled' format, customer service issues are expected. But for Frame Destination Company customer service is provided by highly skilled staff and a great deal of effort goes into making sure that the products are easy to assemble when they arrive to the customer premise.

Frame Destination Company has well established competitors. Some are much larger and have corporate organizations that have synergies with the frame manufacturing business unit with which the company competes. Some of the competitors are manufacturers of mat paper and mat boards and other frame raw materials such as metal stock and wood stock used in the frame products. Also new entrants into the business can focus on sub segments of the market and produce a limited range of products at a lower cost and this represents a significant threat. PictureFrames Company is a significant competitor and is the oldest, largest and recognized company in Texas City, they have the best latest efficient computerized frame manufacturing

equipment with new technology that lowers cost per unit and improves resulting quality, due to this their prices are higher than any other Company in the vicinity. AmericanFrame company have been in business for about 40 years, they are 5-10 times larger with about 150 employees and about 50 000sq.ft business space larger so their economies of scale give them a cost and a process advantage, they have a similar product line and pricing model. Framesbymail company has a poor website for the user/customer, the supplier supplies low quality products and their products are highly priced. FrameFit.com have similar pricing model and product mix but not highly visible in the online photography forums. FramingSupplies tend to focus more on export than local market, they only encroach on Frames Destination Company's space in a minor way. Mark is accomplishing his goals; one specific goal is to have the business be debt free within the next 12 months. Another goal is to have the business be well organized that Mark and his wife can take vacations of 7-10 days without fear that the business will suffer while they are out of the office. However each time the business grows to a new level many challenges are encountered. The challenges include the increased debt load, employee turnover and supplier relationships have to be renegotiated. Mark is making progress towards the goal of having the office run efficiently while he is out on vacation or business related travel. One of the main difficulties the business is dealing with is financing where a good quality source has proved to be a challenge since financial statements and ratios that banks look for are unavailable.

### **QUESTIONS**

- a) Identify the Mission and Vision statement of the company. (4 marks)
- b) Describe the products/services that are being sold by the company. (4 marks)
- c) Explain the circumstances that motivated Mark to start the business (2 marks)
- d) Explain key factors of Frame Destination Company success (3 marks)
- e) Identify at least 4 competitors and compare each (in detail) to the company being interviewed (8 marks)
- f) Highlight the challenges that the entrepreneur is facing. (4 marks)
- g) Outline competitive threats faced by the entrepreneur (1 mark)
- h) From the case study, identify any two sources of business idea. (2 marks)
- i) Highlight the entrepreneurial characteristics that the entrepreneur possesses. (2 marks)

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

- a) Define the term 'entrepreneur' as given by different scholars. (4 marks)
- b) Differentiate between internal and external locus of control. (2 marks)
- c) Highlight any FOUR factors that hinder the growth of entrepreneurship in Kenya. (4 marks)
- d) Explain any FIVE myths that are associated with entrepreneurship. (10 marks)

### **QUESTION THREE (20 MARKS)**

Sessional Paper No. 2 of 2005 on ‘Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction’ is one of the most important efforts to develop the MSE sector in Kenya.

- a) The Session Paper provides a policy framework to address the challenges faced by MSMEs requiring policy interventions. Discuss any FIVE challenges (10 marks)
- b) Explain the role of each stakeholder towards the success of the policy. (10 marks)

### **QUESTION FOUR (20 MARKS)**

- a) Highlight FOUR reasons for developing a business plan as an entrepreneur. (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 FIVE sections of the Operation Plan component of a business plan. (10 marks)

### **QUESTION FIVE (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 FIVE legal issues involved in this form of business. (10 marks)
- b) Explain any FIVE reasons why an entrepreneur may decide to raise debit finance as opposed to equity finance. (10 marks)