

ACC – Entrepreneurship A

T036

Tuesday, 15/11/2016

14:00 – 17:00

WORKFORCE DEVELOPMENT AUTHORITY



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**ADVANCED LEVEL NATIONAL EXAMINATIONS, 2016,
TECHNICAL AND PROFESSIONAL STUDIES**

EXAM TITLE: Entrepreneurship A

OPTION: Accountancy (ACC)

DURATION: 3hours

INSTRUCTIONS:

The paper is composed of **three (3) main Sections** as follows:

Section I: Fifteen (15) compulsory questions. 55 marks

Section II: Attempt any three (3) out of five questions. 30 marks

Section III: Attempt any one (1) out of three questions. 15 marks

Note:

Every candidate is required to carefully comply with the above instructions. Penalty measures will be applied on their strict consideration.

Section I. Fifteen (15) Compulsory questions**55marks**

- ✓ 01. Entrepreneurship plays a key role in economic development of a country. Exemplify this assertion bearing in mind Rwandan reality. **5marks**
02. The purpose of a business plan executive summary is to provide a quick and concise overview of the business. Indicate the key elements that must be highlighted in the summary. **5marks**
- ✓ 03. As a young and growing entrepreneur, you should know the sources of business capital. Where do you think your business capital will come from? **3marks**
04. Business activities are hindered by various factors. Enumerate three internal factors and two external factors that hinder business growth? **5marks**
05. What do you think are the characteristics of good business ideas? **5marks**
- ✓ 06. Why do entrepreneurs need to carry out business research before starting their activities? **3marks**
- ✓ 07. Indicate the difference between an entrepreneur, an intrapreneur and a manager. **3marks**
- ✓ 08. Financial institutions play an important role in entrepreneurship. Indicate the role of financial institutions in entrepreneurship. **3marks**
- ✓ 09. Give the meaning of the following concepts:
a) Entrepreneurship
b) Franchising **4marks**
- ✓ 10. According to you, as a future entrepreneur, what are the qualities of a good entrepreneur? **2marks**
- ✓ 11. Some criteria are taken into consideration when choosing people to work within a business organization. Indicate three criteria of your choice? **3marks**
- ✓ 12. Identify the products and services offered by financial institutions in Rwanda. **2marks**
- ✓ 13. Assume that you are in conflict with one of your partners in business. Indicate the methods that can be used to sort out the conflict. **5marks**
14. One of important components of a business plan is a financial plan. Indicate what must be included in that component. **5marks**
15. Competition is inevitable in any kind of business. Assume that you plan to start a business, what should you do about competition? **2marks**

Section II. Choose and answer any three (3) questions.**30marks**

16. Discuss the sources of financing that are available to the entrepreneurs. **10marks**
17. Explain the role of managing entrepreneurial growth and venture life cycle and as different pricing strategies throughout the product life cycle. **10marks**
18. Classify the functions of an entrepreneur and discuss the nature of small scale units. **10marks**

19. (a) C. Newman started in business on 1st Jan. 2014 and paid 2,000,000 FRW into his business bank account. On 30th June, he transferred to the business his car valued at 1,400,000 FRW. During a 52 weeks year, he withdrew 60,000 FRW from the business in cash each week. The accounts prepared for 2014 showed that his business had earned a profit of 4,100,000 FRW during the year. Prepare the Capital section only of the balance sheet and then write a brief paragraph to Newman explaining what drawings are in relation to a small business.
- (b) An amount of 100,000 FRW is invested at a rate of 5.5% per annum compound interest. What will be the amount of this investment after five years?
- (c) A business is comparing two alternative investment projects. Project 1, an investment in new machinery costs 90,000 \$, Project 2, purchase of a retail outlet costs 110,000 \$. The expected net cash flows from each project are as follows:

Years	Project 1	Project 2
Year 1	20,000 \$	10,000 \$
Year 2	30,000 \$	20,000 \$
Year 3	40,000 \$	40,000 \$
Year 4	20,000 \$	60,000 \$
Year 5	20,000 \$	50,000 \$

Use the payback to analyze the above investment projects and advise on which one to go ahead? **10marks**

20. (a) Fashion Equipment company purchases inventory from Andrew for 300,000 FRW on January 7, 2011. Andrew requires a cash payment of 100,000 FRW and Fashion Equipment company must pay the remaining balance in 60 days. Show the journal of entries assuming that the company uses the periodic inventory system and then the perpetual inventory system.
- (b) On January 12, 2011, Mr John (owner of Fashion Equipment company), remodels his family home for 350,000 FRW, paying by cheque from his business bank account.
- (c) A company sold goods to the following people on credit:
 Sept. 1 GIHANA for 450,000 FRW invoice No. 301
 Sept. 4 Black for 1,000,000 FRW invoice No. 303
 Sept. 6 SANA for 900,000 FRW invoice No. 305
 Sept. 7 SABA for 500,000 FRW invoice No. 404
 Record the above transactions into a sales daybook.
- (d) A company purchased goods from the following people on credit:
 Feb. 1 Bought goods on credit from Tom for 2,000,000 FRW invoice No. 199
 Feb. 2 Bought goods on credit from Musabe be for 4,000,000 FRW invoice No. 200
 Feb. 8 Bought goods on credit from Noheri for 5,000,000 FRW invoice No. 201
 Feb. 10 Bought goods on credit from Joy for 10,000,000 FRW invoice No. 202
 Record the above transactions into the purchases daybook.

10marks

Section III. Choose and answer any one (1) question.

15marks

21. After defining inventory and inventory management, explain the objectives of a good inventory management. If inventory levels are kept too low, the business faces different problems. With tangible examples explain those problems.

22. Robert is a businessman based in Kigali and needs a loan from the Bank of Kigali. The bank wants his financial position before approving his request. Consider the last year's information below and prepare for him a balance sheet as at 30th June 2016.

Net profit	17,656 FRW
* Equipment	9,870 FRW
* ✓ Inventory	9,020 FRW
✓ Purchases	65,264 FRW
Closing inventory	9,810 FRW
Commission received	1,045 FRW
* ✓ Property	56,000 FRW
* ✓ Trade receivables	3,422 FRW
Sales	87,450 FRW
* ✓ Bank	1,878 FRW
Trade payables	4,321 FRW
Capital	67,000 FRW
Marketing expanses	7,866 FRW
Wages and salaries	11,721 FRW
Drawings	8,787 FRW

23. A business is comparing two alternative investment projects. Project A, an investment in new machinery costs 90,000 \$, Project B, purchase of a retail outlet costs 110,000 \$. The expected net cash flows from each project are in the table below:

Years	Project A	Project B
Year 1	20,000 \$	10,000 \$
Year 2	30,000 \$	20,000 \$
Year 3	40,000 \$	40,000 \$
Year 4	20,000 \$	60,000 \$
Year 5	20,000 \$	50,000 \$

- (a) With your knowledge help the business owner to analyse and select the best investment project, using net present value method. Assuming the cost of capital is 12%.
- (b) Explain briefly the relationship and difference between NPV and payback period