

ANSWER KEY, ENTREPRENEURSHIP 2017

1. Types of trade:

- a) **Whole sale trade:** involves buying in large quantities from producers or manufacturers and selling in lots to retailers for resale to consumers. The whole seller is a link between the manufacturer and the retailer. A whole seller occupies a prominent position since manufacturers and retailers depend on them. A whole seller acts as an intermediary between producers and retailers.

Advantages include:

- Ability to move large amounts of produce with one transaction
- Contract for produce can sometimes be secured before production is done
- Diversification in marketing strategies

- b) **Retail trade:** Involves buying in smaller lots from the wholesalers and selling in very small quantities to the consumer for personal use. The retailer is the link in the chain of distribution. He establishes a link between wholesalers and consumers. There are different types of retailers, small as well as large. Small scale retailers include hawkers, pedlars, general shops etc.

Advantages include:

- It brings the goods closer to consumers
- A direct seller client contact builds personal relationship
- It allows the satisfaction of daily and repetitive needs.
- Retail knows the product that compose his/her product assortment

Other types of trade include:

- Retail trade
- Home trade
- International trade
- External trade
- Internal trade/Domestic trade

2. Conditions to succeed in selling:

- Knowing the behaviors of customers and their needs
- Listening to customer's opinions
- Satisfying the customer's needs
- Treat customers well
- Selling high quality goods
- Fixing affordable prices
- Giving discounts
- Offering after sales services
- Proper branding
- Proper packaging of products
- Credit facilities
- Government policy
- Selling fresh stock
- Proper display of products

3. - **Place:** These are channels of distribution that are selected to make the products available to customers or market. The product must be available to consumers where and when customers want to buy. The aim of place in the marketing mix is to make sure that the product is available at the right place, at the right time, in the right qualities.

- **Price:** This is what buyers pay for commodity. It is the monetary value of the product. The price should attract customers to buy, enable the entrepreneur to get profit and be able to compete with other businesses selling similar products.

- **Product:** The product is a good or service that a business offers to customers to satisfy their needs or wants. The product should be developed in consideration of the needs of the customers, good quality, properly packed, convenient in size and quality.

- **Promotion:** This is the dissemination of good information about a product. The main purpose of promotion is to raise awareness about a product, its price, its location, its qualities etc. The promotion should be done to make the product known to customers (inform customers), make the product attractive to customers (persuade customers) and stabilizing the sales of the business.

- **Positioning:** This is the position the product takes in the market and this determines the market share and the target audience. Does the product take the largest number of customers? Do customers give the product first priority when choosing what to buy? Is the product perceived as a necessity or a luxury?

- **Process of transportation**

- **Process of transformation**

4. a) A journal is often referred to as a Book of Prime Entry of the book of original entry. In this book transactions are recorded in their chronological order. Journalization is the process of recording transactions in a journal. The entry made in this book is called a "journal entry"

b) Advantages of a journal

- It shows the account to be debited/credited
- It acts a reference book
- Chronological record: it records transactions as and when it happens. So it's possible to get detailed day-to-day information
- Minimizing the possibility of errors: The nature of transaction and its effect on the financial position of the business is determined by recording and analyzing into debit and credit aspect
- Narration: explanation of the recorded transactions
- Helps to finalize the accounts: A journal is the basis of ledger posting and ultimate Trial balance. The trial balance helps to prepare the final accounts.
- It minimizes fraud by book keepers.

5. Types of bank accounts:

a) **Current account** is an account opened in the name of a person, group of persons or a company and on which funds are deposited and accessed at any time by owners. This account allows its owner to receive money like salary, different payments and to carry out payments or withdraw money.

OR

This is an account with a bank or building society from which money may be withdrawn without notice, typically an active account catering for frequent deposits and withdrawals by cheque. You will be able to withdraw cash whenever you need it using your ATM, debit card with the absence of a cheque book.

b) Saving account or account on a booklet because the operations were originally reported on saving booklet that the owner kept on him/her. He/she is obliged to have a credit balanced account. It's an account on which funds are also available whenever one likes them, but only under a form of withdrawal in cash. A savings account will enable you to receive interest gains on your deposits every month, with no maturity date such as a fixed deposit.

c) **Fixed account or fixed deadline account** is that one which the depositor fixes him/herself when he/she will withdraw his/her money. The interest rate is fixed at the moment of constitution of the deposit and remains unchanged until the end of the agree deadline.

A fixed deposit is a financial instrument provided by banks which provides investors with a higher rate of interest than a regular savings account, until

the given maturity date. It may or may not require the creation of a separate account.

6. Some factors that influence transport costs are:

- Distance: a long distance leads to much fuel consumption hence high transport costs
- Volume: goods that occupy big spaces take higher transport cost and vice versa
- Weight: goods that weigh much require a high transport cost
- Time: the more time goods take to be transported on the road, the more the cost
- Season: during festive seasons, transport costs tend to be higher because many people are moving up country
- Value of goods in transit
- Speed and urgency of transport
- Mode of transport: air transport is more expensive than other modes
- Relief
- Government policy.

7. Some methods of stock evaluation

- **First in, First out (FIFO)**

In this method, the earliest goods purchased are exhausted first and closing stock is out of the latest consignment received or goods manufactured and are valued at the cost of such goods.

- **Last in, first out (LIFO)**

The latest consignments of goods manufactured are exhausted first. Therefore, closing stock is valued at the cost of the earliest lot on hand and the cost of goods sold is based on the cost of recently purchased goods.

8. - Raw materials
- Market
 - Manpower
 - Technology
 - Communication
 - Transportation
 - Political and economic stability
- Availability of water supply
 - Electricity/power
 - Security
 - Capital
 - Government policy
 - Land
 - Presence of other businesses

9. - What to produce? The product or service you want to produce: consumption or export goods, the type of service.
- How to produce? Goods or service production process, the choice of technology.
 - Why produce? The needs to which the goods or services are going to respond: to produce for the market to make profit or for one's consumption.
 - When to produce? The choice of favorable moment for production
 - Where to produce? Choice and location of the enterprise
 - For whom to produce? Customers
10. a) Priority is the importance given to an object to the extent that it is done in the first place. It involves doing the first (urgent) things first. It brings the elements of choice as one has to select what is to be done first in an enterprise.
- b) The importance of priorities
- They show how to rank objectives according to their importance in business
 - They help in exploiting and following up the attainment of objectives
 - They minimize unnecessary human conflicts as everyone knows what is to be done.
 - They reduce confusion in an enterprise
 - They help minimize wastage arising from confusion in the enterprise
 - Making an action plan/calendar for activities
 - Help in decision making
11. - It helps in having complete records of business transactions
- It gives information about the profit or loss made by the business at the close of a year and its financial conditions. The basic function of accounting is to supply meaningful information about the financial activities of the business to the owners and the managers.
 - It provides useful information for making economic decisions
 - It facilitates comparative study of current year's profit, sales expenses etc. with those of the previous years.
 - It supplies information useful in judging the management's ability to utilize enterprise resources effectively in achieving primary enterprise goals.
 - It provides users with factual and interpretive information about transactions and other events which are useful for predicting, comparing and evaluation the enterprise's earning power.

- It helps in complying with certain legal formalities like filing of income, tax and sales-tax returns. If the accounts are properly maintained, the assessment of taxes is greatly facilitated.
- It's a job/career
- Helps to evaluate business assets and liabilities or financial position of a business
- It's a tool for planning
- It helps in auditing
- Helps in acquiring loan facilities from banks

SECTION B:

12. a) Types of needs:

- Primary needs (basic needs, prime needs, essential needs)
- Secondary needs (luxury needs, supplementary needs)

b) Aids to trade are:

- Banks: a bank is a financial institution whose goal is to assist the public, particularly economic agents in solving financial problems like borrowing to trade.
- Insurance: It concerns the protection of goods and persons against accident risks, fire, death theft, old age etc.
- Transport: The process by which passengers and goods move from one place to another.
- Marketing: It is the effort to sensitize the public by informing them the existence of a good or service.
- Warehousing: It concerns with storage of facilities and protection of goods that are waiting to be consumed or used.
- Communication: It is one of the services in commerce. It's the transmission and interpretation of information and payment from one place/person to another

13. a) Reasons for keeping records in an enterprise:

- It acts as a reference for business information
- It acts as a tool of management and control from the information provided by the books.
- It provides information on which one can determine whether a business is making profit or not.

- It helps government in assessing taxes
- Its easy to use the information to deal with creditors/debtors.
- It helps to access loans

b) i) The central bank (National Bank of Rwanda)

The central bank is a financial institution that plays an essential role in the country's economy and which objectives are to maintain monetary stability, search for credit policy and appropriate change to the harmonious development of the Rwandan economy.

ii) Commercial banks

A commercial bank is a financial institution intending to earn profit. This profit comes from the difference between interests paid on given credits and those paid on funds of depositors.

Examples include:

- Access Bank Rwanda
- Bank of Kigali
- Banque Populaire du Rwanda SA (BPR Part of Atlas Mara)
- Commercial Bank of Rwanda – In development
- Compagnie Generale de Banque (Cogebanque)
- Crane Bank Rwanda
- Eco bank
- Equity Bank (Rwanda)
- Guaranty Trust Bank (Rwanda)
- I&M Bank (Rwanda) – Formerly Commercial Bank of Rwanda (BCR)
- Kenya Commercial Bank (KCB)

iii) Rwanda Development Bank

The Rwanda development bank is a bank with help of public and private capital. It dedicates an important part of its resources on funding certain projects. It has a mission to participate in the preparation of the development budget and to encourage development of all kinds in Rwanda. This bank participates in the distribution of credit in all fields and it notably holds an important place in the financing and commercialization of agricultural products. The development bank gives funds to long term development projects in sectors not financed by commercial banks due to many risks that are involved in there.

14.

MUSINGI ENTERPRISE

BALANCE SHEET AS AT 31ST DECEMBER 2016

ASSETS			LIABILITIES + CAPITAL		
	Rwf	Rwf		Rwf	Rwf
<u>Fixed Assets</u>			Capital	650,300	
Buildings	500,000		Add net profit	30,000	
Furniture	250,000		Less drawing	18,000	
Motor van	315,000				662,300
Total Fixed assets		1,065,000			
			<u>Long term liabilities</u>		
<u>Current assets</u>			Long term loan		
Stock	7,300		Current Liabilities		350,000
Trade debtors	36,500		Trade creditors	85,000	
Prepaid insurance	5400		Salaries owing	10,000	
Cash in hand	5600		Bank overdraft	12,000	
Total current assets		54,800			107,000
		1,119,800			1,119,300

15.

MR. KAMULI ENTERPRISES TWO COLUMN CASHBOOK FOR THE MONTH OF OCTOBER

Dr					Cr				
Date	Details	F	Cash (Rwf)	Bank (Rwf)	Date	Details	F	Cash (Rwf)	Bank (Rwf)
Oct 2017	Capital		400,000	100,000	Oct 2017	Rent		120,000	
	Cash	C				Bank	C	100,000	
	Albert			100,000		Furniture			120,000
	Bank	C	80,000			Salaries		80,000	
	Sales		50,000			Cash	C		80,000
	Umwalim Sacco			300,000		Machinery			150,000
			530,000	500,000		Balance c/d		230,000	150,000
								530,000	500,000
Nov 1	Bal b/f		230,000	150,000					

END