PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF BUSINESS LEADERSHIP

END TERM EXAMINATION-ONLINE

DEPARTMENT: BUSINESS

COURSE CODE: CEN 401BUE 3213 SMALL BUSINESS DEVELOPMENT

ANSWER FOUR QUESTIONS ONLY ***{10 MARKS EACH}***

SECTION A

QUESTION ONE { COMPULSORY} ***{30 MARKS}***

QUESTION ONE ***{30 MARKS}***

1. A business plan is important to a small business owner because it
A. Guarantees profit
B. Replaces the need for marketing
C. Focuses only on financial issues
D. Helps in planning and attracting investors

2. Which source of finance is most common for new small businesses?
A. Personal savings and family loans
B. Venture capital
C. Micro finance
D. Uwezo fund

3. Market segmentation helps small businesses by:
A. Reducing total production
B. Identifying specific customer groups
C. Increasing government support
D. Avoiding competition

4. The process of developing a new product or improving an existing one is called:
A. Globalization
B. Innovation

C. Diversification
D. Formalization

5. The main goal of small business development is to:
A. Promote large-scale industrialization
B. Increase government regulation
C. Enhance entrepreneurship and job creation
D. Limit competition in the market

6. Which is the odd one out question in marketing for a small business owner?

A. What is the source of your finances?
B. What is unique about your business idea?
C. Who is your target buyer?
D. Who are your competitors?
E. What positioning message do you want to communicate to your target buyers?

7. A business opportunity is most attractive when:
A. Competition is intense
B. Customers are uninterested
C. There is unmet market demand
D. There are less entry barriers to the industry.

8. In small business marketing, the "4 Ps" stand for:
A. Plan, Product, Promote and Price
B. Product, Price, Promotion, Place
C. Product, Profit, People, Place
D. Product, Price, Place, People

9. Which of the following practices help in ensuring small business sustainability?
A. Ignoring environmental issues
B. Short-term profit maximization
C. Responsible resource management
D. Reducing product quality

10. The double-entry system in bookkeeping means*:*
A. Every transaction affects two accounts
B. Every transaction is recorded twice
C. Every account affects two transactions
D. Only cash transactions are recorded

11. The financial feasibility section of a study mainly examines:
A. Profit distribution among owners
B. Cost estimates, funding sources, and expected returns
C. Competitors' advertising budgets
D. Pricing, promotion and sales

12. Which factor is most important for selecting a location for a manufacturing business?

A. Near competitors
B. Close to raw materials and transport facilities
C. In high-rent city centers with low electricity costs
D. Accessibility to customers

b) Choosing a name for your business is critical. This means that there are some type of names which you should avoid during that exercise. Discuss **two** of them **(2mks)**

c) David has invited you as his electronics business consultant to advise him effective ways he may use to promote his business. Studying his type of business, you recommend **two** different ways. Explain your answer using an example in each case (**4mks)**

d) Your friend Brian started a small business but after three years of its operation, it begun to fail. Explain **two** possible internal factors which could have led to this state of affairs **(4mks)**

e) You and some other two friends are at an advanced stage of starting a retail business together. The only remaining part which you are yet to agree on is the business location. Explain **two** factors which would affect the selection of the location for your new business **(4mks)**

f) You have been asked to prepare a presentation on **two** different sources of finance which you would consider for your small mobile phones business. Give a reason for each choice **(4mks)**.

SECTION B: ANSWER THREE QUESTIONS ONLY {10 MARKS EACH}

QUESTION TWO ***{10 MARKS}***

a) Citing relevant examples, describe **four** types of operational risks you are likely to face in your small business **(4mks)**

b) Wayne a small retail business owner, has been struggling with declining sales. His friend who is your client referred you to Wayne, to help him with solving his current challenge. After a short interview, you found out that the cause of his business struggles is poor marketing. You therefore recommend three key technological marketing tools which when implemented, would help improve his business performance. Giving a reason in each case, discuss your **three** recommended technological marketing tools

(6mks)

QUESTION THREE ***{10 MARKS}***

Mapeni greens is a small agribusiness in Kenya specializing in organic vegetables for local supermarkets. The business started with three employees and a small farm. With growing demand, the owner, Martha, wants to expand production and introduce online sales. However, she faces challenges such as limited capital, unreliable supply chains among others.

a) Discuss **two** strengths and **two** weaknesses of Mapeni greens **(4 mark**s)

b) Advise Martha on **three** innovative strategies she should put in place to grow her business's sustainability

(6mks)

QUESTION FOUR
{10MARKS}

As a recent an entrepreneurship graduate who wants to start a small bakery in your hometown, you are planning to produce and sell cakes, pastries, and bread under the brand name Mapema Sweet Bakery. You have received Kes 200,000 from your parents and friends and you are considering to top up that money by applying for a small business loan of Kes 300,000 to start the business. Before committing the money, you decide to carry out a feasibility study to determine whether Mapema Sweet Bakery is a viable business idea.

a) Highlight **two** objectives you would have for your business **(2mks)**
b) Explain any **two** key components of the feasibility study for your small bakery **(4mks)**
c) Discuss the importance of feasibility study to the success of Mapema Sweet bakery **(4mks).**

QUESTION FIVE {10 MARKS}

Mary is the owner of Tamu Fresh Juices, a small business she started in Thika two years ago. The business produces and sells fresh fruit juices to supermarkets and schools Thika and a few in along Thika road. Initially, Mary handled all operations herself including production, sales, and record keeping but as her customer base grew, she began facing challenges in managing her finances. She often mixed personal and business money, did not record some cash sales, and sometimes forgot to track payments owed by customers. Recently, she applied for a bank loan to expand her business, but her application was rejected because she could not provide proper financial statements.

Mary has now decided to improve her bookkeeping system. She hired you as an accounting student on part-time basis to help her set up a proper record-keeping structure. She wants to understand what kind of records she should keep and how they can help her manage and grow her business.

a) Discuss **two** simple bookkeeping methods you would recommend to Mary **(2mks).**

b) Suggest any **two** basic financial records that Mary should maintain to improve her business operations **(4mks)**

c) Explain the significance of proper bookkeeping in small business development **(4mks)**

End of exam