



PAN AFRICA CHRISTIAN UNIVERSITY

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: DICT0213

CAMPUS: ROYSAMBU

COURSE TITLE: ENTREPRENEURSHIP SKILLS

EXAM DATE:

TIME:

INSTRUCTIONS

- This exam script has **TWO (2)** sections.
- Read all questions carefully before attempting.
- Answer All questions in Section **A** and any other THREE questions in Section **B**.
- None programmable calculators permitted
- Calculators on phones, tablets and computers are NOT permitted in Theory Papers

SECTION A

(Answer ALL questions in this section)

QUESTION 1

Read the case below and answer the following:

DB BIKES

David recently opened a small Bike shop after completing a course in small business management at a local Community College. At first, he needed no assistance as business was slow and he had all the skills needed to run the business. As the business began to flourish, however, he could no longer do everything himself. Also, he was frequently in a financial bind.

To solve both problems - but especially, to gain more capital - David asked Becky to join him in the venture. They formed DB bikes as a general partnership. They each had an equal share in the business and drew the same amount of salary. They used the profits from operations to expand the business. They also shared liabilities equally as they arose. As the business continued to expand, however, they realized they could not manage it alone, as they did not have enough funds to meet the growing customer demand. So, they decided to incorporate and sell shares to the public. Because there were only 15 stockholders, David and Becky decided to become an S corporation. The business became DB Bikes Incorporation.

- a) Describe the form of business was DB Bikes when David owned it alone. **(1 Mark)**
- b) Explain the kind of business did it become when Becky joined the business. **(1 Mark)**
- c) Explain the type of partnership did David and Becky have. **(1 Mark)**
- d) Discuss THREE disadvantages of David and Becky joining together. **(3 Marks)**
- e) Describe the kind of business it become when they sold shares and became an S corporation. **(1 Mark)**
- f) Discuss THREE advantages of forming DB Bikes Incorporation. **(3 Marks)**

SECTION B

(Answer any THREE (3) questions in this section)

QUESTION 2

The Kenyan economy is driven by the Micro, Small and Medium enterprises (MSMEs) which belong to entrepreneurs and the Government has been trying to offer financial lending services to the same but have not been very successful. Using relevant examples, describe FIVE factors that have been constraining lending to small enterprises in Kenya. **(10 Marks)**

QUESTION 3

- a) Using examples, discuss THREE roles of innovation in entrepreneurship. **(6 Marks)**
- b) Mary is a young artist who has decided to sell her paintings while she finishes college. She does not know much about promoting her business and she has asked you for advice about promoting her work. Explain TWO promotional tools she can use to connect with the ultimate customer. **(4 Marks)**

QUESTION 4

- a) Discuss THREE advantages and THREE disadvantages of financing a business through debt. **(6 Marks)**
- b) Solomon started a garage in Lavington but the business closed down after two years. Describe FOUR possible causes of this. **(4 Marks)**

QUESTION 5

- a) Harriet is planning to start up a catering business called Tamu-Tamu Catering. The business would focus on preparing food for parties and business functions. Harriet has been saving money for 10 years to buy a home, but instead plans to use this money to start Tamu-Tamu Catering. Explain the pros and cons of using personal savings as a source of finance to start this business. **(6 Marks)**
- b) Explain TWO social factors promoting entrepreneurial growth in Kenya.

(4 Marks)

QUESTION 6

- a) As an entrepreneur, describe FIVE ways you could utilize the internet as a resource tool. **(5 Marks)**
- b) Explain why the following are considered key components of the business plan:
- i. Executive summary **(2 Marks)**
 - ii. Financial plan **(3 Marks)**

End of Exam