

**W1-2-60-1-6**

## JOMO KENYATTA UNIVERSITY

**OF**

**AGRICULTURE AND TECHNOLOGY**

# University Examinations 2014/2015

**FOURTH YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE/BACHELOR OF BUSINESS OFFICE MANAGEMENT/BACHELOR OF PURCHASING AND SUPPLIES MANAGEMENT/ BACHELOR OF DEVELOPMENT STUDIES**

**HRD 2401 : ENTREPRENEURSHIP SKILLS**

**DATE: AUGUST 2015 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER**

**TWO QUESTIONS.**

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**QUESTION ONE (30 MARKS)**

**CASE STUDY**

As the entrepreneur of a multi-million company in the USA, Belinda has been recognized as business woman of the year 2002 and also a runner-up for national small scale business person of the year. Although today she is a successful entrepreneur, the journey was a long and arduous process. After graduating from the university, she got a job but like many others, she arrived at work one day to find a note on the door indicating that the business was closed. At that point, Belinda made a decision to start her own business. She felt it was time to take some risk since she had no job.

To raise the initial capital and money for other expenses while a business plan was being developed, she sold her house and cashed in her retirement benefits. She made a conscious decision to put everything on the line. Eventually, with the business plan in hand, she began knocking on doors to try and raise money for the start-up. It was then that she realized it was not easy as she faced rejection after another from lenders. She persisted until she came upon the small business administration loan program which helped her secure a loan after submitting her business plan.

Raising the start-up capital was only one of the early obstacles that she overcame. Being a woman and from a minority tribe, she had to overcome many negative stereotypes. However, her hard work and persistence paid off and at the end of the first year of business, the company had attained so much in terms of revenue. Other successes followed and soon she was pursuing contracts with the US department of defense where she discovered contractual obstacles as concerns minority owned businesses. She pursued the matter in court and this brought her business in jeopardy as the case dragged on for several years.

Eventually, she won the case and her reputation as someone not afraid to take a stand and with strong leadership skills spread throughout the industry.

(a) Belinda’s success is a tribute to her strong entrepreneurial character. Explain.

[5 marks]

(b) She faced difficulties in raising capital despite her personal contribution. Enumerate sources of capital and explain the factors constraining lending to small scale businesses. [6 marks]

(c) A business plan has to be attractive for one to use it as a source of capital just like Belinda did. Discuss the contents of a good business plan. [8 marks]

(d) Like Belinda’s first employment, many small businesses suffer a high mortality rate. Explain circumstances surrounding their failure. [6 marks]

(e) There are a multitude of legal issues in business which an entrepreneur must be aware of like Belinda. Besides contracts, explain five legal issues in a start-up. [5 marks]

**QUESTION TWO (20 MARKS)**

(a) A number of factors determine the form of business a potential entrepreneur would opt for. Examine these factors. [10 marks]

(b) Discuss the process of buying a new business and state the advantages and disadvantages of buying. [10 marks]

**QUESTION THREE (20 MARKS)**

(a) Define ‘franchising’ and state the benefits of a franchise to a franchisee.

[10 marks]

(b) Explain the importance of small scale business to a developing economy like Kenya. [10 marks]

**QUESTION FOUR (20 MARKS)**

(a) Distinguish entrepreneurship from small scale business. [10 marks]

(b) As business grow, professional management is required. Explain how an entrepreneur would ensure sustainable growth. [10 marks]

**QUESTION FIVE (20 MARKS)**

As a business consultant, you have been approached by an investor who would like to start a small business. Advise on the process of starting a small business.

[20 marks]