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**CERTIFIED PUBLIC ACCOUNTANT
FOUNDATION LEVEL 1 EXAMINATIONS
F1.4: BUSINESS MANAGEMENT, ETHICS AND
ENTREPREURSHIP**

DATE: MONDAY, 28 NOVEMBER 2022

QUESTION ONE

Marking guide

QN	Description	Marks	Total Marks	
1. (a,i)	The advantages of decentralization of authority in an organization;			
	Strategic responsibilities	1		
	Speeds up operational decisions	1		
	speeds up operational decision	1		
	Responsibilities among junior Managers	1		
	Flexibility	1		
	Staff motivation	1		
	Better control and supervision	1		
	Coordinate work and put all activities on track	1		
	Avoid duplication	1		
	No wastage of resources and energies	1		
	Maximum marks	5		
	ii.	The drawbacks /disadvantages of decentralization of authority in an organization:		
Control and co-ordination		1		
Communication challenge		1		
Individual vs organization goals focus		1		
Requires well-trained, capable, and motivated managers		1		
Creates Conflicts among the departments		1		
Requires more financial burden		1		
Difficult to handle emergency		1		
Maximum Marks		5		
b	The difference between management and leadership in the organization			
	Leadership	Management		
	Creating a vision for the future	Organizing, planning, directing	2	
	Developing a strategy to realize the vision	Developing a strategy to realize the vision	2	
	Focus on bringing about change	Operation of current procedures	2	
	Inspiring people	Achieving goals	2	
	Visionary, passionate, creative	Rational, consulting, persistent	2	
	Personal power	Positional power	2	
	Maximum Marks		10	

QN	Description	Mark s	Total Marks
	Total Marks		20
<i>Note: Marker must consider other valid point identified by students not captured in the model answer</i>			

Model answers

(a) The advantages and disadvantages/drawbacks of decentralization of authority in an organization:

i. The advantages of decentralization of authority in an organization:

1. Top management is free to concentrate on their strategic responsibilities.
2. It speeds up operational decisions as they can be made nearer to where they apply.
3. It allows local management to be flexible and enhance service delivery.
4. It can contribute to staff motivation and increase morale at work place.
5. It encourages responsibility among junior managers.
6. it promotes better control and supervision
7. It helps to coordinate work and put all activities on track.
8. Actions can be focused on what needs to be done and duplications can be put to rest.
9. It becomes easy to get all units and people do the same thing in the same way at the same time without wastage of resources and energies.
10. It increases experience among staff at low level and this contribute to sustainable company success

ii. The disadvantages/drawbacks of decentralization of authority in an organization:

1. Control and co-ordination by management (top management in particular) is more difficult to accomplish.
2. Communication channel become long and decision implementation could be delayed due to long channels.
3. It can encourage people to focus on their own individual goals rather than organization's goals.
4. It requires well-trained, capable and motivated managers.
5. It creates conflicts as it puts more pressure on divisional heads to realize profits at any cost
6. It requires more financial burden
7. It is difficult to handle emergencies that requires involvement of top management due to long bureaucratic processes.

(b) The difference between leadership and management in the organization

S/n	Leadership	Management
1	Creating a vision for the future	Organizing, planning, directing
2	Developing a strategy to realize the vision	Controlling through formal authority
3	Focus on bringing about change	Operation of current procedures
4	Inspiring people towards higher levels of performance	Achieving goals
5	Visionary, passionate, creative	Rational, consulting, persistent
6	Flexible, inspiring, innovative	Problem solving, analytical
7	Courageous and imaginative	Tough minded
8	Personal power	Positional power

QUESTION TWO

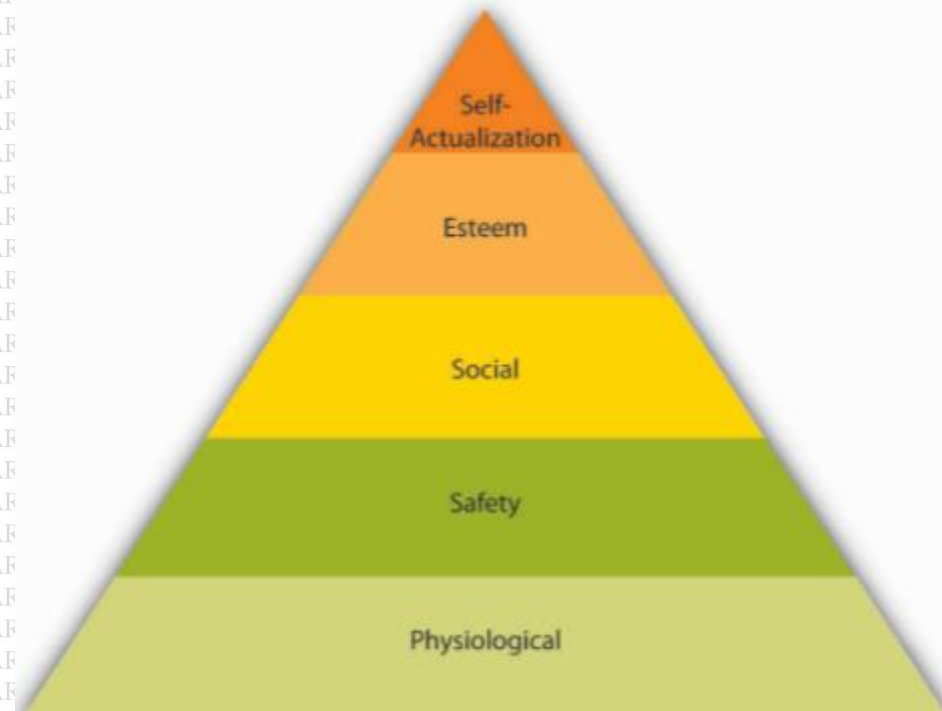
Marking guide

Qn	Description	Marks	Total Marks
a	Maslow hierarchy of needs and Herzberg's Two Factor motivation theory in an organization		
a (i)	A correct Maslow hierarchy of needs: physiological needs, safety needs, social needs, esteemed need, self –actualization. A correction answer with explanation and example (1mark for each=5marks)	5	
a (ii)	Herzberg's Two Factor motivation theory It includes Interpersonal relations, Salary, Company policies and administration, Supervision and Working conditions. A correction answer with an explanation (1mark each = 5marks)	5	
	Maximum Marks	10	
b	The drivers of good communication in an organization Channels of Communications, Medium of communication, Organizational culture, Personality, Frame of reference, avoid the use of Jargon, Check the grammar, strive for clarity, Be consistent, Match tone with audience and topic. Any correct answer with explanation (any 5 *2marks for each=5marks). Maximum marks		
		10	

Model answers

(a) Maslow hierarchy of needs and Herzberg's Two Factor motivation theory in an organization

Figure 1.1



i. Maslow's hierarchy of needs is a motivational theory of psychology comprising of a five-tier model of human needs, often depicted as hierarchical levels within a pyramid as follows:

- **Physiological needs**

Refer to the biological requirements for human survival. Example include air, food, drinks, shelter, clothing, warmth, sex, sleep etc. These needs are basic because when they are lacking, the human body cannot function optimally.

- **Safety needs**

Once the physiological needs are satisfied, there is a need of security and safety. Individuals here want to be concerned about their security. They want to be free from the threat of danger, pain, or an uncertain future. For example, emotional security, financial security (e.g., employment,

social welfare), law and order, freedom from fear, social stability, property, health, and wellbeing (for example safety against accidents and injury).

- **Social needs**

Social needs refer to the needs to bond with other human beings, be loved, and form lasting attachments with others. This involves the feeling of belongingness. Belongingness is referred to a human emotional need for interpersonal relationships, affiliation, connectedness, and being part of a group. Examples of belongingness needs include friendship, intimacy, trust, and acceptance, receiving and giving affection, and love.

- **Esteem needs**

These are referred to as the desire to be respected by one's peers, feel important and be appreciated. Maslow classified esteem needs into two categories: esteem for oneself (dignity, achievement, mastery, independence) and the desire for reputation or respect from others (example status, prestige).

- **Self-actualization needs:**

Self-actualization is the highest level that refers to realization of a person's potential, self-fulfillment, seeking personal growth and peak experiences. Individuals may perceive or focus on this need very specifically. For example, one individual may have a strong desire to become an ideal parent. In another, the desire may be expressed economically, academically or athletically. For others, it may be expressed creatively, in paintings, pictures, or inventions.

ii. Two-Factors Theory: According to Herzberg's Two Factor motivation theory, are Hygiene factors and Motivators.

Hygiene factors: This include dissatisfying factors as they are part of the context in which the job was performed as opposed to the job itself. Hygiene factors include company policies, supervision, working conditions in unpleasant work environment for example.

Interpersonal relations

This involves the relationship with personal and working relationships between an employee and his supervisors, subordinates, and peers. This can manifest in, for example, job-related interactions as well as social discussions in both the work environment and during informal break times.

Salary

It includes wage or salary increases, and negatively, unfulfilled expectations of wage or salary increases.

Company policies and administration

It includes organization's policies and administration factors such as the extent to which company and management policies and guidelines are clear or unclear that may lead to job satisfaction or

dissatisfaction. For example, a lack of delegation of authority, vague policies and procedures and communication.

Supervision

It involves an employee's judgments on the competence or incompetence and fairness or unfairness of the supervisor or supervisions. For example, this could include a supervisor's willingness to delegate responsibility. Poor leadership and management can increase job dissatisfaction.

- **Motivators:** This is taken as satisfying factors linked to the job itself. Among these are; personal recognition, achievements, engaging at work, meaningful responsibilities, career advancement and personal growth opportunities.

(b) The drivers of good communication in an organization

i. Channels of Communications:

The organizational structure may encourage good communications. Managers and employees may be aware of the information needs of other sections of the organization.

ii. Organizational culture

The culture of the organization may allow for sufficient opportunities for communication to take place. Meetings may be arranged frequently in a conducive environment that allows free speech and openness.

iii. Personality

Personality differences between individuals or rivalry between departments can be removed to support teamwork thereby encouraging communications.

iv. Medium of communication

Information should be specific not generalized and expressed clearly. A medium such as written communication is more suitable for detailed communication while verbal communication is more appropriate when persuasion and clarification are necessary.

v. Frame of reference

Individuals need to avoid interpretation basing on past experience. This is a common cause of breakdown in communications as the information may be interpreted differently.

vi. Avoid the use of Jargon: Using simple language to make communication complete or comprehensible.

vii. Check the grammar

Speed and efficiency make emailing, texting and messaging appealing. Thanks to technology, communicating in shorthand is not only acceptable but expected. But the rules of grammar, spelling, punctuation, and proper word use still matters in formal business communication. Written messages need checking for correct grammar, misspellings, and punctuation errors.

viii. Strive for clarity

Don't mystify readers; tell them the message's purpose up front. Too much or too little information being communicated directly affects receiver comprehension. Too little generates a feeling of mistrust, while too much information may produce mental overload or stress.

ix. Be consistent: organizations must maintain their brand whether communicating with employees or customers. Use text and visuals of the same style and quality for employee benefits.

x. Match tone with audience and topic

Courteous, sincere communication helps strengthen employee and customer loyalty. A social networking blog should showcase an organization's unique qualities and offer useful information in a friendly, and professional tone.

QUESTION THREE

Marking Guide

Qn	Description	Marks	Total Marks
a.	Factors that may affect business growth in the organization		
	Customer loyalty, smart adoption of technology, commitment to employee training, social responsibility, leadership. Any valid answer with correct explanation (any 3 points *2marks = 6marks maximum. Poorly explained factors are awarded 1 mark		
	Maximum Marks	6	
b.	The strategies entrepreneurs can use to manage growth under the current changing environment		
	Increasing market share, new product development, improving existing products or services, international expansion, strategic alliances, licensing, acquisitions. Any 3 valid answers with correct explanation is awarded 2 marks each, if not		

appropriately explained award 1mark. And maximum marks equal to 6 marks

Maximum marks 6

c Possible source of finance-to-finance growth for an organization like Inshuti supermarket

Personal Savings, selling unused assets, Bank loans, 8

Government programs, hire purchasing and leasing, Issuing shares. Any 4 valid sources of finance with explanation award 2 marks each.

Maximum Marks 8

Total Marks 20

Model answers

(a) Factors that may affect business growth in the organization

i. Customer Loyalty

When company leaders strategize about sales growth, the focus is often on how to bring in new customers. While it is important to increase brand awareness and expand your customer base, you must also work towards increasing sales potential with your current customers. Look for opportunities to grow your profits with the customers you already have through add-on sales, customer loyalty programs, and referral business.

Inshuti Supermarket proposed to expand their operation toward offering private stock. They should ensure that existing customers are served better not merely focusing on new business line. The new customers also should be given priority to ensure sustainability of new business line

ii. Smart adoption of technology

Technology is like a fertilizer for the growth of your business. It can help you tackle tasks more efficiently, save on labor costs, and streamline processes. The challenge comes with selecting the right technology tools for your specific business goals. Proper alignment with the various facets of your business strategy is key. Look at the Return on Investment (ROI) from multiple angles when choosing technology partners.

Insuti supermarket should learn something new about using technology in their service delivery. They can consider way the customer can place orders online and track those orders. This will motivate customers and reduce costs of labor initially incurred by Insuti supermarket ltd

Provided that they are about to launch stock offering to private client. They should ensure that technology to manage those stocks is available and each customer is assured of system security of their stored items to cases where unauthorized personnel access these items

iii. Commitment to Employee Training

Business growth doesn't occur in a vacuum. All your employees must have a standard baseline of knowledge from which they cultivate their own growth. This requires an online training platform that meets your needs today and can grow with you.

With environment changes, everything changes unexpectedly. Insuti supermarket Ltd's staff should be trained in different field specifically those linked to customer services delivery and stock management.

iv. Social responsibility

You may not see the direct line between social responsibility and business growth but think of it this way: you get back what you put out. When your company adopts policies of social responsibility, you're impacting your community – and therefore your customers – in a positive way.

Inshuti Supermarket Ltd might analyses how their business affect surrounding society. Their stock should be well safeguarded and protect such that the community feels in the business than looking them as bad merit to society. The disposal of expired item is key to Inshuti Supermarket, they should develop disposal policy to comply with any environmental guidelines. Additionally, they should try to reach out to their customers in regard to social activities.

v. Leadership

How your employees perceive you and your company mission determines their motivation to help you reach your goals. As a leader, you must pave the way to success for everyone.

(b) The strategies entrepreneurs can use to manage growth under the current changing environment

i. Increasing market share

When they first begin, most new ventures capture only a small portion of the market they enter. A useful growth strategy, therefore, involves increasing this share through greater marketing efforts of increased production capacity and efficiency. In a manufacturing context, an increase in product capacity can occur by expanding plant and equipment, or by outsourcing a portion of the production process to another company. For example, a firm that previously manufactured and

packaged its products may outsource the packaging function to another company, and as a result free up factory space to increase production of the basic product.

Inshuti Supermarket Ltd has market share than their competitors, they need to design strategy that will enable them keep this market share.

ii. New product/Service development

new product development involves designing, producing and selling new products or services as a means of increasing firm revenues and profitability. In many fast-paced industries, new product development is a competitive necessity. New products must be developed to replace existing ones and to keep ahead of competitors as the customers' expectations develop.

Inshuti Supermarket Ltd proposed new service of private stocking to client. This new service will enable them penetrate new market and increase they investment portfolio

iii. Improving existing products or services

In order to attain high growth, it's not always essential to have completely new products or services; significant improvements in the existing ones may be as, or even more effective. Improving an item means increasing its value and price potential from the customer's perspective. There are different ways to improve a product or service, such as enhancing quality, making it larger or smaller, making it more convenient to use, improving its durability or making it more up to date.

iv. International expansion

In the early stages a business tends to serve a local geographic area. Many entrepreneurial businesses grow simply by expanding from their original location to additional geographic sites. Ultimately, this might include expansion into the international arena through exporting, alliances or even setting up subsidiaries overseas.

v. Strategic alliances

A strategic alliance is a partnership between two or more firms that is developed to achieve a specific goal. Various studies show that participation in alliances can boost a firm's rate of patenting, product innovation and foreign sales. Technological alliances and marketing alliances are two of the most common forms of alliances.

vi. Licensing

Licensing is the granting of permission by one company to another company to use a specific form of its intellectual property under clearly defined conditions. Virtually any intellectual property a company owns, that is protected by a patent, trademark, or copyright can be licensed to a third party. The terms of a license are spelled out through a licensing agreement, which is a formal contract between a licensor, the company that owns the intellectual property and the licensee - the company purchasing the right to use it.

vii. Acquisitions

Another way to grow externally is to acquire other businesses in their entirety and 'add' them onto the existing business venture. There are three sorts of acquisition, and these differ in the way in which the integrated firm sits in relation to the venture in the value chain.

The first type of acquisition is vertical integration. The second type of acquisition occurs when the venture integrates a business that is at the same level of value production. The third type of acquisition occurs in the remaining cases when the integrated business is not a supplier, nor a customer nor a competitor.

Inshuti Supermarket should analyse possibilities to acquire some existing companies that specialize in private stock offering to capture market share easily to their new market.

(c) Possible source of finance-to-finance growth for an organization like Inshuti Supermarket

i. Personal Savings and retained earnings

With a successful start, the business provided him the opportunity to grow further; this means that Inshuti Supermarket Ltd has retained earnings which can finance new investment opportunities. This way would be internal and it is the cheapest source of funds

ii. Issuing shares

This is yet another source an entrepreneur can use to finance business growth via the issuing of shares into secondary markets in exchange of cash.

This finance would be raised if Inshuti Supermarket Ltd decided to sell shares to the public such that their existing decision power and right be diluted to other new investors. This option is among the cheaper source of finance as the shareholders do not have attached financial obligation except dividends in case company has profit to share.

iii. Venture capitalists

Refers to equity investors to high growth business potentials in exchange for an equity stake.

This fund would be considered as the company has potential for growth

iv. Selling unused assets

Inshuti Supermarket Ltd should first consider this option as it has two advantages as follows:

- 1. This source will be cheaper
- 2. And it will reduce cost of absence due to unused assets

v. Bank loans

Banks are the principal and most frequently used source of finance for business growth. It can be short, medium, or long-term loans, depending on availability of money, availability of collateral, and credit worthiness of the borrower.

Other sources of finance that Inshuti Supermarket need to analyses

vi. Government programs

Government can provide finance to support business growth in form of for example input or livestock for agribusiness entrepreneurs or in form of cash through Private Sector Federation (PSF) or through grants.

vii. Hire purchasing and leasing

It is a deal in which an entrepreneur through an agreement can use the assets of another party for a payment of equal monthly installments. While leasing is referred as an agreement where one party buys the asset and allows the other party to use it by paying the consideration over a specified period.

QUESTION FOUR

Marking guide

Qn	Description	Marks	Total Marks
a	The necessary combination of marketing mix elements in Agasaro Ltd		
	Product, Price, Promotion, Place. Any valid answer well explained is awarded 2marks each. (Any 4*2Marks)		
	Maximum Marks	8	
b	Ethical issues that may arise where a firm is marketing its products and why such issues arise		
	Product: Consumer safety, Product liability and reliability	2	
	Price : Bid rigging, Supra competitive pricing, Price fixing, and	2	
	Price skimming		

Qn	Description	Marks	Total Marks
2	Place (Distribution): Distribution of product or service to the customer	2	
	Promotion (advertising & branding)	2	
C	Reasons why ethical marketing is practiced in the organization		
	Customer develop positive attitudes about the firm, the products and services	2	
	To create Values or trust with key stakeholders	2	
	To build good image about the organization		
	Maximum Marks	12	
	Total Marks		20

Model answers

(a) The necessary combination of marketing mix elements in Agasaro Ltd

i. Product:

Product refers to the goods and services offered by the organization. In this case Agasaro provides wines manufactured in Rwanda and produced from local beetroots, banana, fermented white and black grapes that are affordable to different customers.

Agasaro Ltd must design a wine of high quality and high perceived value-added is a vital. Marketers of Agasaro Ltd must communicate with consumers and constantly adapt the products to meet changing market demands.

Product offer: Agasaro Ltd consists of all the tangible and intangible benefits consumers evaluate when deciding whether or not to buy Agasaro wine product. In addition to the product itself, this evaluation may also include the products price, packaging, shop surroundings, the image created by advertising, the reputation of Agasaro Ltd, the brand name and the level of customer service.

Product Differentiation: Product differentiation is an attempt to create the impression in the mind of the consumer that Agasaro wine is distinctive from others. Consumers will perceive the importance of various products and services according to their needs. It is important therefore that Agasaro Ltd is careful when selecting the target audience for its marketing efforts.

Consumer Goods and Services: This strategy vary according to the type of end market.

ii. Price

Price is the amount charged for a product. It is the second most important element in the marketing mix. Agasaro Ltd management must keep in mind that fixing the price of Agasaro wine is a tricky

job because there are other many types of wines at the market, so if the price of Agasaro wine will be high the consumers will refuse to buy this wine. Agasaro Ltd management have to keep in mind factors like demand for a product, cost involved, consumer's ability to pay, prices charged by competitors for similar products, government restrictions etc by the time of fixing the price of Agasaro wine. In fact, pricing is a very crucial decision area as it has its effect on demand for the product and also on the profitability of Agasaro Ltd.

iii. Place

Agasaro wine is produced and must be made available to the consumers at a place where they can conveniently be purchased. This involves a chain of individuals and institutions like distributors, wholesalers and retailers who constitute a Agasaro Ltd.'s distribution network (also called a channel of distribution). Agasaro Ltd management must ensure that Agasaro wine are availed in every location in order to increase consumptions. Agasaro Ltd can use marketing intermediaries, physical distribution and logistics.

iv. Promotion

If the Agasaro wine is manufactured keeping the consumer needs in mind, is rightly priced and made available at outlets convenient to them but the consumer is not made aware about its price, features, availability etc. Marketing effort OF Agasaro Ltd may not be successful. Therefore, for Agasaro Ltd promotion is an important ingredient of marketing mix as it refers to a process of informing, persuading, and influencing a consumer to make choice of Agasaro wine at the market. Promotion of Agasaro wine is done through means of personal selling, advertising, publicity, and sales promotion.

(b) Ethical issues that may arise where a firm is marketing its products and why such issues arise. These issues are discussed by using 4Ps of marketing: product & packaging, price, placing (distribution), and promotion (advertising & branding).

i.Product: Consumer safety, Product liability and reliability, and designing for special needs

Packaging: Label information, Packaging graphics, Packaging safety, and Environmental implication of the packaging.

ii. Price: Bid rigging, supra competitive pricing, Price fixing, and Price skimming

iii.Place

- Product distribution (or place) is one of the four elements of the Marketing Mix

- Distribution of product or service while transporting them from the manufacturer to the warehouse, wholesalers, retailers and then to consumers.

iv. Promotion (advertising and branding)

It is the communication link between sellers and buyers for the purpose of influencing, informing, or persuading a potential buyer's purchasing decision.

To present information to consumers as well as others

To increase demand

To differentiate a product

(c) Explain any 2 reasons that motivate companies to act ethically in marketing

- When an organization behaves ethically, customers develop more positive attitudes about the firm, its products, and its services. This increase turnover of Agasaro Ltd because many customers buy Agasaro wine to the company behave ethically to the public.
- To create Values or trust with key stakeholders: When the company loose values they lost their identity. They act ethically to protect their trust with different stakeholders
- To build good image about the organization in the minds of customer, employees, shareholders and the society. Ethical actions for company create a positive and vibe image in minds of customers and other stakeholders

QUESTION FIVE

Marking guide

Qn	Description	Marks	Total Marks
a	The challenges that RPL may face arising from the contemporary environment Globalization, ethics and governance, diversity, technology, ownership, competition, change, employee, empowerment. Any 5 valid answers with valid explanation award 2 marks each. Poor explanation award 1mark		
	Maximum Marks	10	
b	The role of controlling function in an organization like Rwanda Plastics Limited (RPL) Accomplish organizational goal, judging accuracy of standards, making efficient use of resources, order and discipline, help update plans. Any 5 well stated and explained role is awarded 2 marks each. Poorly explained role, award 1mark.		
	Maximum Marks	10	
	Total Marks		20

Model Answer

(a) The challenges that RPL may face from the contemporary environment

i. The Challenge of Globalization

It refers to the intercultural ideas, perspectives, products and services, culture and technology.

The speed of modern globalization is often attributed to technological developments in communication and transportation, tasking managers to appropriately leverage on these technologies internally.

ii. The Challenge of Ethics and Governance

Firms which do not adhere to ethical standards and social responsibilities are not accepted by the society. It is, therefore, a challenge for managers to define relationships with the social environment. Organizations that violate social expectations may encounter the risk of legal interference, loss of goodwill and even loss of business.

iii. The Challenge of diversity

Diversity poses various challenges in communication, from differences in language to differences in culture. As a manager, understanding these cultural differences and what they mean is critical for effective communication. The ability to manage diversity as well as refine actions to communicate accurately and intentionally, are valuable and important aspects of effective management.

iv. Technology

Technology management is important in offsetting the risks of new technologies while acquiring the operational benefits it provides. Implementing new technologies requires retraining staff and eliminating the natural friction that results from making operational changes. Managers should be aware of the value in research, development, and forecasting future technological innovations to keep ahead of the competition.

v. Challenge of competition

The Company needs to understand competitive advantage and build a strategy that takes into account the competitive landscape. It must know the business's strengths and integrate them into the appropriate strategy to remain competitive. Managers must understand all of these competitive strategies and align them with their perceived strategic advantage to stay competitive.

vi. Challenge of change

If firms want to compete in the complex, dynamic and diverse environment as they are facing today, where expectations from managers and their organizations are on an ever-increasing rate, they must accept the changes that confront their everyday life. Firms which do not change their operations with the changing environment (internal and external) may have to close their operations. Managers have to continuously respond to change and look to the future with hope and optimism.

vii. Challenge of Empowerment

Even if management is “The art of getting things done through others” the others /subordinates will not do things if they have to merely carry out the orders and instructions of managers. Workers want more information about the organization to perform and control their jobs. Participative decision-making and formation of groups and work teams help in fulfillment of individual, group, and organizational goals.

(b) The role of controlling function in an organization like Rwanda Plastics Limited (RPL)

i. Controlling function helps to accomplish Organizational Goals

Control is implemented to take care of the plans. In this case, with the help of controlling function, deviations are immediately detected, and corrective actions are taken. Therefore, the difference between the expected results and the actual results is reduced to the minimum. In this way, controlling is helpful in achieving the goals of the organization.

ii. It helps in judging accuracy of standards

The Controlling function when performed helps managers to compare the actual work performed against the set standards. The manager may wish to find out whether the laid down standards are not more or less than the general standards.

iii. Making Efficient Use of Resources

Controlling in the organization makes it possible to use human and physical resources efficiently. Managers ensure that no employee deliberately delays his work performance. In the same way, wastage of physical resources is checked.

iv. Ensures order and discipline

Controlling function ensures order and discipline. With its implementation, all the undesirable activities like theft, corruption, delay in work and uncooperative attitude are checked.

v. It helps update plans - actual organization progress against planned progress are updated and any delays are checked and addressed.

QUESTION SIX

Marking guide

Qn	Description	Marks	Total Marks
a	The information Mr Gatabazi should include in a business plan Situational analysis, SWOT analysis statement, Goals and objectives, target marketing strategy, product/service strategy, Pricing strategy, distribution strategy, promotion strategy, Company positioning, marketing budget, Implementation of the marketing plan. Any 6 valid points award 2marks for each.	12	
	Maximum Marks	12	
b	Potential risks Gatabazi's business may face Social and ethics risk, Information Technology risk, Compliance to law and regulations risk, Market risk, Operational risk, financial risk: and Opportunity risk. Any 4 risks well explained award 1mark each. Any poorly risk explained award 0.5mark each.	4	
	Maximum Marks	4	
c	Mitigation risk measures Risk acceptance, risk avoidance, retaining the risk, risk reduction and risk transfer. Any 4 mitigation risk measures well stated and explained award 1mark each. Poorly explained risk award .05 mark	4	
	Maximum Marks	4	
	Total Marks		20

Model answer

(a) Mr Gatabazi may include in the marketing section of a business plan the following information:

i. Situational analysis

This provides background information on the marketing environment, the market itself, as well as competitors and the marketing strategies being used in the market. The situational analysis is intended to understand the current state of affairs in the market of interest to align strategies to existing resources and the competitive environment. The situational analysis may further evaluate the 4Ps of the market.

ii. SWOT analysis statement

This identifies the main opportunities and threats that face the firm or the product in question and the strengths and weaknesses of the firm.

iii. Goals and objectives

Before any marketing strategy can be outlined, Gatabazi must establish realistic and specific goals and objectives. These marketing goals and objectives respond to the questions: "Where do we want to go" and should specify things such as market share, profits, sales, market penetration, number of distributors, awareness level, new product launching, pricing policy, sale promotion, and advertising support. All these goals and objectives are quantifiable and can be measured for control purposes. They should represent key areas to ensure marketing success.

iv. Target marketing strategy

This marketing section of the business plan should describe the market. There is need to distinguish between the consumer of the product/service and your direct customer (the one who pays you money). By describing the target market, Gatabazi should profile the characteristics of the target customers in relation to the unmet needs.

v. Product/service strategy

In this marketing section of the business plan, Gatabazi should describe the product or service strategy that addresses the product/service offer, the planned design, the expected uniqueness, the customer service, the strengths and weaknesses of the product.

vi. Pricing strategy

Here Gatabazi needs to explain the pricing strategy to be used and what he thinks is the most appropriate for the target market.

It is important to compare this proposed pricing strategy to that of major competitors otherwise when the market establishes that his pricing strategy is higher in the market, then they may resist his product offer.

vii. Distribution strategy

In this marketing section, Gatabazi should stipulate the proposed strategy for reaching the product/service to the target market. Unless the entrepreneur plans to sell directly to consumers there are many different channels that one can use, depending on the industry practice. The potential channels include distributors, wholesalers and retailers, e-commerce or even outsourcing.

viii. Promotion strategy

Gatabazi needs to describe how he intends to carry out the sales activities of the business. This is a critical component because it is the only one that brings money to the business. Gatabazi can consider alternative sales strategies, such as personal selling, TV commercials, direct mail and others. It is also important to decide on who will be responsible for selling for instance, the company's sales force, company's representative or service providers.

ix. Company positioning: this component entails designing a statement that positions the product/service in the minds of the target customers relative to the competition. The statement describes the market you are considering, identifies the target customer, describes important features and explains why the customer should buy from your business.

x. Marketing budget

The section should contain the resultant total budget for promotional activities. Promotion and product strategy attract costs therefore it is important for Gatabazi to draw a budget for such activities for better planning. These costs are later transferred to the financial section as part of operational costs.

xi. Implementation of the marketing plan

The marketing plan is meant to be a commitment by Gatabazi to a specific strategy. It is not a formality that serves as a superficial document to outside financial supporters or suppliers. It is meant to be a formal vehicle for answering the questions posed earlier and a commitment to make adjustments as needed or dictated by market conditions. Gatabazi should assign someone in the venture, the responsibility of coordinating and implementing the plan.

(b) v. Potential risks Gatabazi Business may face

i. Social and ethical risks

Social and ethical risks are associated to problems or issues caused by individuals themselves and have negative influence over the individual him/herself as well as the society.

ii. Information Technology risk

It is referred to as any threat to the business data, critical business system and business processes that relate to information technology. For example, IT risks include hardware and software failure, human error, spam, viruses and malicious attacks.

iii. Compliance to law and regulations risks

It involves the company not complying to new laws and regulations that are set by the government or any regulatory body. For example, a minimum wage that must be executed immediately.

iv. Market risks

It is defined as the loss of financial investments due to adverse of price movements at the market. For example, changes in commodity prices.

v. Operational risks

Operational risks occur within the business system or processes. For example, weather changes, fruits maker machine breakdown while the customer is waiting for delivery of the product.

vi. Financial risks

It is the possibility of losing money on an investment or business. For example, changes in market interest rates.

vii. Opportunity risks

The opportunity cost of the entrepreneur: What's the alternative to setting up the business in question?

(c) Risk mitigation measures

i. Risk acceptance

It comes to the terms that the risk exists, and the organization has nothing to do or change it. It is the best strategy in case the cost of mitigating or avoiding it will be higher than merely accepting it and leaving it to chance. Here Gatabazi has to review the risk hand has to determine the amount of loss that would not have a significant in his business button line, then he must accept the risk. Gatabazi could have a certain policy in place to reduce the risks of loss that can face.

ii. Risk avoidance

If the risk from starting the project is too high, it may be better to avoid it. Risk avoidance in this case means not performing a particular activity that causes the risk. Gatabazi may take decision to avoid risk altogether, for example Gatabazi may decide to avoid opening a store of fruits for crime and break-ins, and where target is a small part of the demographic.

iii. Retaining the risk

An organization may consider that if a particular risk incident occurs, ‘worst case scenario’ damage would not be sufficient to divert the organization from its objectives and responsibilities. In addition, this would not adversely affect stakeholders’ expectations to an unacceptable level. If this is so, a decision could be made to accept the consequences if a risk incident were to occur.

iv. Risk reduction

Businesses can assign a level at which risk is acceptable, which is called the residual risk level. Risk reduction is the most common strategy because there is usually a way to at least reduce risk. It involves taking countermeasures to decrease the impact of consequences. For example, one form of risk reduction is risk transfer, like that of buying insurance.

v. Transferring the risk

Insurance is often the first thought when transferring the risk of financial loss. It is a valuable tool in transferring to another organization those exposures that cannot safely be managed internally. There are, however, other ways of transferring risk. Gatabazi have to pay premium to the insurance Company to protect against large losses that can face with his business.

QUESTION SEVEN

Marking guide

Qn	Description	Marks	Total Marks
a	<p>Characteristics of a good business opportunity</p> <p>Low capital requirements, passionate, matches individual skills, Growth, Reflect environmental realities, market size. Any 4 valid and well explained characteristics award 2marks for each. Poorly explained characteristic award 1mark.</p> <p>Maximum Marks 8</p>		
b	<p>The main sources of business Idea according to Vesper (1990).</p> <p>Prior employment, licensing, collaboration or invention with inventor or creator, hobbies, social and business networks encounter, chance observation, deliberate search for ideas. Any 6 valid and well explained source of business idea award 1mark for each. Poorly explained source of idea award 0.5 mark</p> <p>Maximum Marks 6</p>		
c	<p>Challenge's entrepreneurs face in generating and implementing business ideas</p> <p>Economic factors, Interruptions in supplies, Labor market trends Government regulations, Career risk: unemployment when business collapses, Psychic risks when collapse of business can lead to depression and/or low self-esteem. Social risk when entrepreneur may give up social life which affects family and relations, The owner lack of skills and experience, mismanagement, poor business ethics. Any 6 valid challenges award 1mark each.</p> <p>Maximum Marks 6</p>		
Total Marks			20

Model answers

(a) Characteristics of a good business opportunity

i. Low capital requirements

A good business opportunity should be cheap to finance. Access to capital is a major challenge to entrepreneurship implying that entrepreneurs should focus on ideas that are cheap to finance. Entrepreneurs exploit financing methods such as loans, venture capitalists and contributions from friends and family among others. Investors are reluctant to finance new businesses with huge capital requirements.

ii. Passionate

A good business opportunity is one that aligns with the individual's passion. The founder's motivation is a key determinant of the success of a start-up. A passionate founder has an internal motivation towards building a bright future for the business.

iii. Matches individual skills

Individual's capabilities are a key determinant of the fitness of a business proposal. A good business opportunity aligns with the entrepreneur's skills that ensures familiarity with the intricacies of the business process.

iv. Growth

A good business opportunity allows growth regarding profitability, revenue size, and other yardsticks of evaluating growth are verifiable. Growing a business is one of the principal goals of an entrepreneur. It is therefore paramount to ensure the scalability of an opportunity before committing resources.

v. Reflect environmental realities:

A business opportunity should be relevant to the prevailing environment. The business environment is dynamic, and entrepreneurs should understand how changes in the environment affect customer needs and business operations. An entrepreneur should have a deep understanding of the environmental trends to ascertain the opportunity's long-term viability

vi. Market size

One of the most important factors when evaluating a business opportunity is market size. Do a little market research.

Figure out if there is a market for the opportunity and how big that market is. Additionally, knowing how engaged the market is and how likely they are to pay for what's being sold can help.

(b) Sources of the business ideas as identified by Vesper (1990)

i. Prior Employment

Many new venture ideas come from the experience gained in former jobs. Some employees start their own business to fill a gap they found in the market that is now being served by the industry.

ii. Obtaining Rights

Acquiring a license to produce and sell a product or service developed by others is another way of developing a new business venture.

iii. Collaboration or Invention:

An inventor or creator of an idea who lacks some necessary skill in sales, finance, production etc. may be willing to let an appropriate person collaborate with them to form a new venture.

iv. Hobbies

These can be a source of new venture ideas. For example, an avid part-time gardener may decide to open their own garden centre.

v. Social and Business Networks Encounter

Social and Business networks play an important role in the commercialization of new venture ideas.

vi. Chance Observation

Sometimes the inspiration for a new product or service will come simply from seeing a need in one's daily life.

vii. Deliberate Search

This approach involves the entrepreneur searching for ideas. The internet is a growing source of ideas with its extensive search capabilities.

(c) Challenge's entrepreneurs face in generating and implementing business ideas

i. External Challenges

Entrepreneurs face economic cycles changes: recession, boom, depression and recovery, fluctuating interest rates, interruptions in supplies, labor market trends, Government regulations e.g., tax laws, natural catastrophes

ii. Career risk: unemployment when business collapses

iii. Psychic risks: collapse of business can lead to depression and/or low self-esteem.

iv. Social risk: entrepreneur may give up social life which affects family and relations

v. The owner 's lack of skills and experience: Inability to see the business through, even when it is a good business opportunity

vi. Mismanagement: Misuse of resources, wastage of stocks, embezzlement

vii. Poor business ethics: Unfair business practices, conflict with the law.

END OF MARKING GUIDE AND MODEL ANSWERS