

MATIGO EXAMINATIONS BOARD



845/1

ENTREPRENEURSHIP EDUCATION MARKING GUIDE 2023 PAPER 1

Qn	Answer	Marks
1(a)(i)	<p>Distinguish between self-employment and paid employment.</p> <ul style="list-style-type: none"> • Self-employment. This refers to an individual's fulltime involvement in his own occupation / business. While paid employment Involves taking up a job in which a person is paid a uniform wage / salary daily, weekly, monthly or annually for a specific assignment given by the employer or government. 	02
(ii)	<p>Give two causes of unemployment in your country.</p> <ul style="list-style-type: none"> • Rapid population growth rate. The population rate is too high compared to the job creation rate. This creates surplus of labor over demand for labor leading to unemployment. • The high levels of rural-urban migration. Many people in Uganda move from villages to urban areas looking for jobs but these jobs are not there. Such people end up being redundant in cities thus creating open urban migration. • Existence of a defective education system, the education is very defective being theoretical in nature hence preparing job seekers and not job makers. • Rapid technological advancement and increased use of capital intensive techniques of production which causes technological unemployment for example introduction of computers. 	02

	<ul style="list-style-type: none"> • Changes in seasons/ climatic conditions. In the agricultural sector, farmers are seasonally employed. During times of bad weather, farming cannot go on and therefore the workers stay unemployed. • The negative attitude towards work among some people. Some people have a poor attitude towards work. They feel lazy to work; they're not willing to take on any job because they regard the jobs to be of low status. They become voluntarily unemployed <p>Retrenchment policies like restructuring civil service cause many civil servants to be laid off from work.</p>	
(b)(i)	<p>Define the term degraded environment.</p> <ul style="list-style-type: none"> • Refers to the depletion of resources which included all biotic and abiotic elements that form our surrounding, e.g. air, water soil and the non-living elements of the earth planet. 	01
(ii)	<p>Mention any three consequences of degraded environment.</p> <ul style="list-style-type: none"> • It leads to air and space degradation • It leads to water and degradation on earth. • It also leads to land and vegetation degradation. • It leads to climate changes in the environment. 	03
(c) (i)	<p>Define the term risk</p> <ul style="list-style-type: none"> • A risk is a situation where one is required to make a choice between two different alternatives which may result into differing rewards for success or penalties for failure. • A risk refers to the possibility of suffering harm/loss/danger 	01
(ii)	<p>Mention three factors considered during assessment of risks.</p> <ul style="list-style-type: none"> • Experience and abilities of management: If the persons involved in managing the business possess the required knowledge, experience and technical abilities, then chance of success are greater and the risk is lower. • Availability of market: When there is assurance of high and growing market in an area, chances of success are likely to be greater. • Viability of the idea: Chance of success in the business are greater and the risk is lower if the selected business idea would profitably be done in the selected business area given the available resources. 	03

	<ul style="list-style-type: none"> • Flexibility of the business: If the business can easily be changed in response to changes in consumer's tastes and preferences without causing negative effects, then the chances of success will be greater and risk is lower. • Level of consistency of cash flow: This considers the ability of the business to generate enough cash to finance the planned business expenditures. If the business has enough cash (inflow) to finance the planned business expenditures (cash out flow) for success of any business, the cash inflow should always be greater than the cash out flows • Honesty and reliability of people involved: If the person the business deals with such as suppliers, reliable, then chances are honest and reliable, then chances of success will be higher and the risk is lower. • Marketing and pricing policies: Given the prevailing competition, chances of success will be greater and the risk lower if the prices charged and marketing strategies used by the entrepreneur are effective and competitive. 	
(d)(i)	<p>Distinguish between a profit and a loss.</p> <ul style="list-style-type: none"> • A profit is the amount of money earned from a certain product or service which is determined by subtracting costs from sales and setting the profit margin. 	02
(ii)	<p>Mention two factors that bring change in the business.</p> <ul style="list-style-type: none"> • Efficiency: This is the ability of the business to achieve its objectives within the shortest time possible without losing quality and wasting any other raw materials. A successful manager would therefore develop business methods that are efficient in utilizing the available resources. • Environmental change: With increasing pollution resulting from industrialization and excessive exploitation of natural resources, managers and academicians are now showing great interest in the area of change. • Social changes: These are behavioral changes that can be brought about by growth in population which results into change of needs of the community and various development aspects; hence an entrepreneur must make changes that satisfy the growing needs of the society. • Competition: This includes those businesses that sell similar products or give similar services as well and they compete for the same customers, therefore companies must be considered as competitors because the products produced and put on market are similar and target the same customers. • Change of technology: Technology is constantly changing the demand of consumers hence businesses need new technological developments to produce new products and services. 	02

	<ul style="list-style-type: none"> • Change of Desires: Entrepreneurs use their altitudes to control conditions hence opposite mental altitude helps to focus on desired activities and events that result into better use of available resources. • Government directives: Sometime governments issue policy statements which cause entrepreneurs to develop enterprises that meet the identified needs of the economy e.g. government of Uganda directing schools and students take all sciences compulsory. 	
(e)	<p>What is meant by the term quality planning?</p> <p>Refers to the establishment of what the business /enterprise to do so to achieve quality or refers to establishment of measures of what an enterprise is going to do so as to achieve quality.</p>	01
(f)	<p>Give three reasons why quality planning is important.</p> <p>It helps to improve on the image of the business.</p> <p>It helps to standardization of the business.</p> <p>It helps to reduce costs in the business.</p> <p>It enables the entrepreneur to comply with the standards for UNBS.</p>	03
(g)(i)	<p>Define the term personal selling.</p> <p>This is where a team of sales persons are employed to sell goods directly to consumers</p>	01
(ii)	<p>State three circumstance under which personal selling may be needed.</p> <ul style="list-style-type: none"> • When the product is still new on the market • When the competition is high • When there is a need to extend after sales services to potential customers • When goods are very expensive • Where the market consists of few customers who can easily be accessible • When the firm is financially capable of hiring a large number of sales persons • When demonstration is needed • When goods need minimum handling 	03
(h)(i)	<p>What is the term tax compliance?</p> <p>This is the degree to which the tax paying community meets the tax obligation as set up in appropriate legal and regulatory provisions.</p>	01

(ii)	<p>Outline three factors that influence tax compliance in your country</p> <ul style="list-style-type: none"> • The extent to which the tax is equitable. An inequitable tax system discourages tax compliance while equitable tax system encourages tax compliance. • The extent to which tax laws and regulatory framework is simple and easy to understand. Complicated tax laws make compliance costs high while easy tax laws promote tax compliance. • The level of consistency and fairness in application of tax laws and rules. Laws and rules that are applied consistently and fairly promote tax compliance while those which are inconsistent lead to non-compliance. • The extent to which the tax burden is spread to all potential payers. Fairly distributed tax burden lead to tax compliance while un fair distribution of tax burden makes compliance difficult. • The tax rate. Higher tax rate makes taxation costly and compel tax payers to avoid payment of tax while low tax rate will encourage tax compliance. • The quality of management by the tax payers. Through record keeping, where managers are clear and ethical; it leads to compliance. On the other hand, unethical behaviors of the manager's limit tax compliance. • Popularity of the government and quality of governance. Unpopular governance associated with corruption discourages tax compliance. On the other hand, government's popularity and good governance encourage people to pay taxes. • The quality of tax administration. High levels of professions, integrity and customer care exhibited by the tax collectors encourage high levels of tax compliance since tax payers will build trust in the tax authorities. On the other hand, poor tax administration leads to non-compliance. 	
(i)(i)	<p>Define the term book - keeping as used in entrepreneurship.</p> <p>Is the process of recording financial transactions into organized accounts on a daily basis</p>	01
(ii)	<p>Outline any three users of book - keeping information.</p> <ul style="list-style-type: none"> • Share holders • Managers • Prospective investors • Researchers • Regulatory agencies • Government officials 	03

(j)	<p>Define the term recruitment process.</p> <p>It refers to identification of vacant post, advertisement, short listings, and interviewing in order to get the best candidates.</p>	01
(k)	<p>Give three sources of recruiting employees.</p> <ul style="list-style-type: none"> • Through transfers: A transfer of workers from one job to another within the same enterprise is a source of recruitment. This is usually done to meet the demand of workers in the enterprise or business. • Through promotion: this refers to the appointing a worker to a position of a greater and high authority. This is an internal source of recruitment that brings change in the duties and authority of the worker. • Present employee's/ employees' referrals: this is where an entrepreneur asks employees to recommend their friends and relatives to fill vacant posts in an organization. • Demotions. This is a form of internal recruitment where employees who may have been proved ineffective in performing their tasks may be transferred to fill lower positions as compared to their current positions. • Unsolicited applicants /walk ins: small businesses receive many un-solicited applications from qualified and un qualified individuals. The former should be kept in file for future reference. Good business practice suggests that all applicants be treated courteously whether or not they are offered jobs. • Advertisement: this involves looking around for the type of person by making the vacancy known to the public by the use of media like newspapers, television, radio stations etc. • Visiting institutions of higher learning and technical institutions: these are sources for certain types of employees, especially if prior work experience is not a major factor in the job specification. Schools are also excellent sources for part time employees. • Private employment agencies: these are organizations which specialize in recruitment of workers for different employers. 	03

	<ul style="list-style-type: none"> • Head hunting / talent spotting: this involves looking around for the type of person that would suit the specification of the job. This is normally done by Human Resource Manager who inquiries from friends, giving them the description of the type of person he needs. • Field trips: this is where an entrepreneur goes out to different places spotting the right type of personnel needed for existing job. • Internet (surfing). This is where information about certain jobs is entered into the computer and those looking for jobs feed data also in the system. 	
(l)	<p>Outline four circumstances under which goods may be sold on credit in the business.</p> <ul style="list-style-type: none"> • When goods are about to expire. • When sales are low and there is a need to attract more customers. • When an entrepreneur has enough working capital. • When an entrepreneur can also purchase on credit. • When there are set standards as regards to credit recovery. • When a credit customer has presented a collateral security. • When goods are getting out of fashion or expired. • In case there is a need to out compete other business competitors. • When the entrepreneur expects prices to fall in the near future. • If the supply exceeds demand. i.e deflationary tendencies. • When the entrepreneur has got the means to know about the credit worthiness of the customer. e.g. the customer may get recommendations from other traders or suppliers. • When an entrepreneur has insured himself against losses which may result from bad debts. 	04
	SECTION B	
2(a)	<p>Describe the elements of a good business plan.</p> <ul style="list-style-type: none"> • EXECUTIVE SUMMARY. This is a section that sets out the broad parameters of the future business. It covers only the cover activities; it contains business overview which shows what the business is about. • General description of the business plan • This involves giving summarized information about the business. Therefore general description of the business, the type of business being planned to be carried on , the needs of the market that is seeks 	10

	<p>to fulfill giving a summary of how the intended business will be different from other as well as making an analysis of the strength , weakness, opportunities and threats that the business is likely to face.</p> <ul style="list-style-type: none"> • Marketing plan • This is an analysis of the possible position and opportunities of a business being planned in the present market situation. It is analysis of the marketing objectives, strategies and activities to be followed so as to have improved marketing of the proposed products in order to fight competition. • The production plan • It is an analysis of the projected need for producing (manufacturing) the proposed goods or services (product). It involves how the entrepreneur is going to carry on production of the proposed goods and services. • The financial plan • It is analysis of the financial requirements of the proposed business. Financial planning for a business deals with estimating the business operations in monetary terms. • Business implementation plan (Action plan) • An action plan is a management tool that involve laying out a series of sequenced steps that enable an entrepreneur to implement the planned activities of the business in a sequenced way so as to meet itself. • Statement of mission, goals and objectives that the business seeks to achieve • Mission statement, this is a brief statement that indicates the purpose of the business. A mission is a very reason why an organization exists. 	
2(b)	<p>Explain the rationale for preparing a business plan in the business.</p> <ul style="list-style-type: none"> • To test the feasibility of the business idea. Writing a business plan enables the entrepreneur to establish whether or not an idea for starting a business is feasible other than going out and doing it • To give the business the best possible chance of success. Business planning encourages the entrepreneur to pay attention to both the broad operational and financial objectives of his new business and the detailed such as budgeting and marketing planning • To secure funding such as bank loans. Having a business plan gives an entrepreneur a much better chance of getting the money he needs to keep operating or to expand 	10

	<ul style="list-style-type: none"> • To attract investors. A solid business plan enables an entrepreneur to attract investors. Investors normally need a well written document they can take away and study before they make any investment commitment • To make business planning manageable and effective. A business plan is not only good to starting business but also important for established ones • To monitor the performance of the business overtime • In order to calculate and pay the exact amount of tax to the government • To develop a timetable for implementation of various business activities in a sequenced way 	
3(a)	<p>Describe the procedures followed while purchasing raw materials and equipment's in the business.</p> <ul style="list-style-type: none"> • Determining the business needs. This is done through conducting market surveys in order to know who, the business customers are as well as establishing their wants. • This enables the business to know how much to stock, the materials and equipment it needs to produce goods for sale to customers. • Identifying potential suppliers. This involves finding out the different suppliers to sell the materials needed by the business. This can be done by asking friends, contacting media or business support organization. • Contacting suppliers. The entrepreneur contacts different suppliers either by visiting their offices personally or using cost- effective means of communication. The aim is to get information regarding the kinds of goods, raw materials or equipment each supplier can provide. • Selecting the best suppliers. The entrepreneur compares the quotations received from various suppliers and selects one with the most favorable terms and conditions in terms of price, discounts, credit, reliability. • Ordering for goods. Having chosen the best supplier, the buyer then places an order requesting for the supply of a particular item. 	

	<ul style="list-style-type: none"> • Checkers soon as they are received. This involves checking the delivery note to ensure that it corresponds with the ordered goods. Goods which got damaged during the transportation are isolated and excluded. • Checking the invoice for accuracy by comparing it with the delivery note. • Making payments either by cash or cheque and a receipt should be issued to acknowledge receipt of cash by the supplier. The entrepreneur / buyer should ensure that a receipt is issued to acknowledge receipt of cash by the supplier. 	
3(b)	<p>Explain the factors considered when selecting the right supplier of raw materials.</p> <ul style="list-style-type: none"> ▪ Terms and conditions of payment. Suppliers have got different terms and conditions of payments. For example, some can supply goods only on cash basis; others can deliver / allow credit terms while others can allow the buyer to get goods on hire purchase or differed payment. • The lead time. This how long it will take to order and receive goods needed. Entrepreneurs usually choose a supplier of raw materials whose lead time is short so as to avoid stock outs of raw materials and loss of customers to other competitors. • Distance from the supplier and mode of transport to be used. An entrepreneur selects a supplier who is not too far or where the transport system is efficient and effective to avoid delivery delays. • Communication with the supplier of raw materials. Most entrepreneurs select suppliers whom they can communicate to easily so that whenever raw materials are required, the supplier can and easily be accessed. • Quality of materials supplied. An entrepreneur selects a supplier who persistently offers items of good quality approved by the National Bureau of Standards in order to come up with qualitative finished goods. • The price at which the supplier is selling the product. This is normally done through comparing suppliers. Entrepreneurs will always move in for low cost suppliers of quality goods. 	10

	<ul style="list-style-type: none"> • The ability of the supplier to supply the requirement of the business. The entrepreneur selects a supplier who has the capacity to supply enough and sufficient quantities whenever required. • Taxes and regulatory procedures in the purchase and delivery of goods. Normally, taxes make products more costly (they increase the cost of the product). For that matter therefore it is always very important for the entrepreneurs to look for the source of goods / suppliers who are located in a country where regulatory procedures are not so tight or where taxes are low or not levied. • Consistency and reliability of a supplier. This involves looking at the lead time and the supplier's ability to supply goods required whenever they are required for. • Quantity required by the entrepreneur. Entrepreneur select suppliers basing on the level of stock of raw materials they want to maintain as well as their consumption of materials per production cycle. • Amount of waste from the production process. Businesses prefer to use raw materials that produce fewer wastes to those that produce many waste. 	
4(a)	<p>Explain the components of entrepreneurial environment.</p> <ul style="list-style-type: none"> • Economic environment. This refers to the nature of economic systems of a particular society that directly affect the level of entrepreneurial development. • Social- cultural environment. This looks at the entrepreneurial environment in terms of social and cultural values, attitudes and practices of a given society. • Political environment. This includes laws, government agencies and lobbying groups that influence or restrict individuals in society • Global environment. This involves the greater movement of people, goods, capital and ideas due to increased economic integration which in turn increases trade and investment. • Demographic environment. This deals with variables such as family, population size and growth rate, gender, marital status, age, education level, social economic status. 	10
4(b)	<p>Explain the major causes of business failure in your country.</p> <ul style="list-style-type: none"> • Death of an entrepreneur 	10

	<ul style="list-style-type: none"> • Poor timing • Poor management or poor managerial skills • Heavy taxes that are charged by the government. • Some people start business without a business plan or total lack of business planning • Lack of sufficient capital • Competition from existing companies especially with globalization • Uncertainties like weather, wars which at times destroys the entrepreneurs' businesses. • Inadequate market • Poor financial management, planning e.g some business doesn't keep financial records, over investment in fixed assets, poor inventory control, poor financial control • Government policies many have negative impact on economy e.g increased taxes on second hand clothes • Poor location of business • Arrogance of entrepreneurs with their new products and don't accept new bright ideas 	
5(a)	<p>Discuss the instructions used in the capital market</p> <ul style="list-style-type: none"> • DEBENTURE. This is a document showing that a company has borrowed a certain amount of money from a person named on it. The company pays a fixed rate of interest on this loan • TREASURY BILLS. These are short term government instruments issued regularly with a maturity period of less than one year • COMMERCIAL PAPER. This is a short term unsecured promissory note issued by a company or a bank which enjoy fairly high credit rating. • BOND. This is a certificate issued by a company acknowledging that money has been lent to it and that it will be paid back with an interest at a specified period of time. • SHARE. This is a unit of ownership of a company, when you buy a share you become a part owner or a shareholder of the company. 	10
5(b)	Explain the principles of corporate governance	10

	<ul style="list-style-type: none"> • Transparency. This principle means that Directors must make clear to the providers of capital and other key stakeholders why every material decision has been made • Accountability. Directors should be held accountable for their decisions and account to key shareholders submitting themselves to appropriate scrutiny • Rights and equitable treatment of shareholders. Organizations should respect the rights of shareholders and help the shareholders to exercise those rights. They can help shareholders exercise their right by effectively communicating information that is understandable and accessible and encouraging shareholders to participate in general meetings • Fairness / interest of other stakeholders. This principle states that shareholder should receive equal consideration by the directors and management with a sense of justice and avoidance of bias or vested interests. • Role and responsibilities of the board. The board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance. • Integrity and ethical behavior. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making • Disclosure and transparency. Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide shareholders with a level of accountability • Responsibility. Directors should carry out their duties with honesty, probity and integrity. 	
6(a)	<p>Explain the factors considered when determining payments for the workers in an enterprise.</p> <ul style="list-style-type: none"> • Level of competition for workers among different employers. High levels of competition for worker's force employers to pay their workers higher wages so that they motivate them and retain them. • Level of education and training that a person undertakes. Workers who have high levels of education are paid higher wages because of the extra period of training incurred. On the other hand, low wages are paid to those workers with low levels of education. • Cost of living. employees who work in areas where cost of living is high for example in urban areas are paid higher wages than those who work in areas where the cost of living is relatively low for instance in rural areas. 	10

- **Experience and skills for a particular job.** Higher wages are paid to employees with experience and the required skills relating to a particular job. On the other hand, workers lacking experience and the required skills to perform a particular job are paid less.
- **Amount of work (duties and responsibilities) being done.** employees with more tasks to perform than others should be paid highly because of the extra assigned duties while those with less duties and responsibilities should be paid according to the amount of work being done ie they should earn less.
- **Nature of employment opportunities.** Permanent workers with guaranteed job security are paid relatively low wages than those doing work which is on a contract basis. This is because the job security for contract jobs is usually for a limited fixed period which is agreed.
- **Strength and bargaining power of workers.** Workers with a lot of bargaining power and whose services are highly demanded by the organization are paid higher wages. On the other hand, employers who take advantage of workers with low bargaining power through paying them less provided they are helping to achieve its goals.
- **Demand for the services being rendered by the worker.** There are workers whose services may be highly demanded than those being offered by the others. In such situations, such workers are paid higher wages than those offering services that the organization / business would still continue to operate even without such employees.
- **Nature of work being done.** Workers who perform mental / knowledge-based type of work are paid higher wages / salaries for example accountants than those who perform physical type of work like cleaning.
- **Risk involved in the work being done.** Workers who do risky jobs like the night watchmen should be paid higher than those doing less risky jobs like office or toilet cleaning.
- **Profitability of the business/ employer.** Business or organization which make a lot of profits motivate their workers by paying them higher wages. On the other as to motivate and retain them. On the other hand, absence of competition for workers among different employers leads to relatively low wages paid to employees.
- **Level of education and training that a person undertakes.** Workers who have high levels of education are paid higher wages because of the extra period of training incurred. On the other hand, low wages are paid to those workers with low levels of education.
- **Cost of living.** employees who work in areas where cost of living is high for example in urban areas are paid higher wages than those who work in areas where the cost of living is relatively low for instance in rural areas.
- **Experience and skills for a particular job.** Higher wages are paid to employees with experience and the required skills relating to a particular job. On the other hand, workers lacking experience and the required skills to perform a particular job are paid less.

	<ul style="list-style-type: none"> • Amount of work (duties and responsibilities) being done. employees with more tasks to perform than others should be paid highly because of the extra assigned duties while those with less duties and responsibilities should be paid according to the amount of work being done ie they should earn less. • Nature of employment opportunities. Permanent workers with guaranteed job security are paid relatively low wages than those doing work which is on a contract basis. This is because the job security for contract jobs is usually for a limited fixed period which is agreed. • Strength and bargaining power of workers. Workers with a lot of bargaining power and whose services are highly demanded by the organization are paid higher wages. On the other hand, employers who take advantage of workers with low bargaining power through paying them less provided they are helping to achieve its goals. • Demand for the services being rendered by the worker. There are workers whose services may be highly demanded than those being offered by the others. In such situations, such workers are paid higher wages than those offering services that the organization / business would still continue to operate even without such employees. • Nature of work being done. Workers who perform mental / knowledge-based type of work are paid higher wages / salaries for example accountants than those who perform physical type of work like cleaning. • Risk involved in the work being done. Workers who do risky jobs like the night watchmen should be paid higher than those doing less risky jobs like office or toilet cleaning. • Profitability of the business/ employer. Business or organization which make a lot of profits motivate their workers by paying them higher wages. On the other hand, workers in businesses with low profits being made are paid relatively lower wages. 	
6 (b)	<p>Explain the causes for the high labor turnover in Uganda.</p> <ul style="list-style-type: none"> • Inadequate wages leading to workers moving to competitors. • Sexual harassment of workers by bosses. • Low levels of motivation/poor morale. • Promotion prospects in other businesses. • Recruiting and selecting of wrong employees. • Delayed payment of workers' salaries. • Communication gaps which leads to poor relationship between employees and employers. • Disrespect of employees by bosses. • Transfers caused by marriage. • Excessive work load to workers. 	10

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