

P230/2
ENTREPRENEURSHIP
EDUCATION
Paper 2
APRIL, 2020
3hrs

OLGC

ENTREPRENEURSHIP EDUCATION

Paper 2

3HOURS

Instructions to Candidates

*Attempt **four** questions in this paper.*

Use of relevant diagrams and illustrations will lead to award of credit.

*All questions carry **equal** marks.*

1. You are managing a stationery shop in your locality and sell products on credit as one of the sales promotion strategy.
 - a) Write a credit status inquiry to the customer's banker, who has requested for goods worth ten million on credit, seeking for his credit worthiness (7marks)
 - b) Formulate policy guide lines to govern credit sales in business. (6marks)
 - c) Design a stock requisition form to be used in business. (6marks)
 - d) Describe the principles to be followed in order to enhance successful negotiation. (6marks)

2. Your home village is experiencing deforestation and you have attained a loan of shs 50,000,000 to establish a social enterprise to overcome social challenges associated with deforestation.
 - a) Prepare a capital expenditure budget. (6marks)
 - b) Present a theory of change for the social enterprise. (6marks)
 - c) Formulate guidelines for enhancing creativity among employees. (7marks)
 - d) Prepare a **GEPIC** structure of advocacy for enterprise mission. (6marks)

3. You are a General Manager of a business that deals in production and distribution of milk products.
 - a) Design a job application form to be used while recruiting new employees. (6marks)
 - b) Prepare a programme to be followed while training employees of the business. (8marks)
 - c) Present a monthly evaluation report to the Board of Directors for the month of July 2018. (6marks)
 - d) Design a client's information form to be used in business. (5marks)

4. You own a restaurant that also provides outside catering.
- a) Design a week's work schedule for employees. *(7marks)*
 - b) Prepare a financial plan for the restaurant. *(7marks)*
 - c) Write an appointment letter to a newly recruited chief cook. *(6marks)*
 - d) Draw a suitable advert for business products. *(5marks)*
5. Mukasa investments Ltd had the following projections for the year 2018.
- i) On 1st January 2018, the business had cash shortfall of shs 3,500,000 and it is the business' policy to obtain a loan at the beginning of the month to overcome the deficit realized during the previous month.
 - ii) The business expects to make monthly cash sale of shs 6,00,000 and are expected to increase by 10% on monthly basis after the first month.
 - iii) The business organized a football match in February and expected a gate collection of shs 5,000 each for the first 1000 spectators and extra spectators shs 7,000 each and the match was watched by 1500 spectators.
 - iv) Monthly rent income shs 1,800,000 and is expected to reduce by 10% after the first two months.
 - v) The business expects to obtain donation from a community Based organization shs 1,000,000 at the end of each quarter of the year.
 - vi) The business expects to obtain debenture of shs 1,500,000 in February.
 - vii) Monthly credit sales amounted to shs 3,000,000. It was the business policy to collect 70% in the month of sale and 30% in the next month.
 - viii) Monthly cash purchase amounted to shs 1,200,000 and they were projected to increase by 50% in the third month.
 - ix) The business purchased machinery in February at shs 8,000,000 and payments were made in February and March in the ratio of 6:2 respectively.
 - x) Monthly wage payment of 50 workers each amounting to shs 120,000.
 - xi) The business is expected to pay taxes at the end of each quarter of the year of shs 600,000.
 - xii) The business machinery is expected to depreciate by shs 200,000 per month.
 - xiii) Monthly credit purchases shs 800,000.
 - xiv) The business is expected to pay back interest on any loan obtained at a rate of 5% starting in the month of loan acquisition.

- a) Prepare a cash flow statement for the first three months of 2018. (18marks)
- b) Comment on the trend of the net cash position. (3marks)
- c) Give any four causes of cash shortfalls in business. (4marks)

6. The information below was extracted from records.

	Amount (Shs "000")
Net sales	10,000
Wages	500
Purchases	2,500
Return outwards	300
Stock (1 st Jan 2018)	3,500
Stock (31 st Dec 2018)	1,500
Discount allowed	150
Discount received	300
Marketing expenses	2,500
Motor expenses	100
Insurance premium	108
Commission received	350
Machinery	4,500
Delivery van	1,800
Bank overdraft	125
Cash	2,000
Creditors	1,200
Capital	18,000
Drawings	1,500
Debtors	2,300
Total long term liabilities	5,600

- a) Calculate ;
- i) Cost of sales (3marks)
- ii) Net profit (5marks)
- iii) Capital employed (4marks)
- b) Compute and interpret
- i) Inventory velocity ratio (4marks)
- ii) Marketing expense ratio (3marks)
- iii) Gearing ratio (3marks)
- iv) Rate of return on capital employed (3marks)

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