



**STRATHMORE INSTITUTE
DIPLOMA IN ENTREPRENEURSHIP
END OF SEMESTER EXAMINATION
DE 1206: INTRODUCTION TO ENTREPRENEURSHIP**

DATE: December 20th, 2021

Time: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.
3. Do not write on the question paper.

QUESTION ONE (1) (30 MARKS)

Nalaka Crew is an informal transportation business made up of thirteen young men from the Nubian community. To start the company, the young men worked manual jobs for several months and were able to pool their money together and start the business. A challenge that is unique to Nalaka Crew is that they are from a minority group that the government does not recognize as Kenyan, and they are not able to easily get national identity cards needed for formal employment. Without access to formal employment, they had no option but to start offering transport services to businesses using the push- cart.

Recently, the team has also bought some bicycles to use to transport smaller packages. The idea of having diversified services is to make sure that there is always money coming into the business. The addition of bicycles has proved to be a good bet. Pure Pink, an environment conscious company has contracted Nalaka to transport its packages since their means of transport does not pollute the environment. Nalaka thinks it can do more to brand itself as “environment friendly” and get more business.

The group feels that they lack financial management and marketing skills which they think are important to growing their business. Another challenge the group faces is also harassment from city council employees who know the group doesn't have all the required paperwork to operate. New laws require all transport businesses to be licensed.

Given that elections are in less than a year, business has been slowing down for many micro and small enterprises. Nalaka is already seeing a slowdown in the number of carts being bought. Its's customers are complaining that they cannot access loans to buy inventory in bulk. One thing that has saved the business from losses is the increased demand for its transportation services. Inflation has affected cost of fuel, which in turn has increased prices charged by transport vehicles. Many customers have turned to using Nalaka since its prices were not affected.

Required:

- a) Using examples from the case study, discuss four PESTLE factors that are likely to affect Nalaka Enterprise (**8 Marks**)

- b) Using examples from the case study, discuss the Macro View school of thought approach to entrepreneurship **(8 Marks)**
- c) Identify five regulatory roles of government Nalaka would be subject to if it were a formal business **(4 Marks)**
- d) Discuss how Nalaka might be able to benefit from government education policy and training **(2 Marks)**
- e) Government Enterprise policies are geared at helping aspiring entrepreneurs start their business. The outcome of enterprise policies is often mixed. Explain (I) two arguments for the use of government enterprise policy and (II) two arguments against the use of enterprise policies **(8 Marks)**

QUESTION TWO (2) (15 MARKS)

- a) Explain the five critical factors in opportunity assessment. **(10 Marks)**
- b) Joseph Schumpeter, an Austrian economist revived the concept of entrepreneurship and described it as “Creative Destruction”. List the five types of entrepreneurial activities identified by Schumpeter **(5 Marks)**

QUESTION THREE (3) (15 MARKS)

- a) A franchise is any arrangement in which the owner of a trademark, trade name or copyright has licensed others to use it in selling goods or services. Identify (I) three advantages and (II) three disadvantages of franchising **(6 Marks)**
- b) Identify the three types of competitors an entrepreneur should be aware of **(3 Marks)**
- c) Explain two advantages of acquiring an existing business **(4 Marks)**
- d) Identify two questions you should ask prior to acquiring an existing business **(2 Marks)**

QUESTION FOUR (4) (15 MARKS)

- a) The dark side of entrepreneurship examines the destructive source that exists within the energetic drive of successful entrepreneurs. Explain the four types of risks an entrepreneur face **(8 Marks)**
- b) Explain what is meant by internal environment analysis **(3 Marks)**
- c) Identify four ways in which an entrepreneur can ethically obtain information about their competitor’s businesses **(4 Marks)**

QUESTION FIVE (5) (15 MARKS)

- a) Your friend wants to start a business and has been advised to conduct an industry analysis using the porter five forces tool. Select any three of the porter five forces and, explain (i) how each force affects the business and (ii) two indicators that the force is strong **(9 Marks)**
- b) Explain the Micro View Schools of entrepreneurial thought **(6 Marks)**