

*New
Curriculum*

**A *Practical* Approach to
Business
Enterprise Skills
'O' Level Revision**

- With summary notes covering syllabus objectives
- Model ZIMSEC questions and answers



A *Practical* Approach to Business Enterprise Skills

'O' Level Revision

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- *Model ZIMSEC questions and answers*

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Contents

Topic 1: The business enterprise	1
Topic 2: The enterprising environment	8
Topic 3: Setting up a new enterprise	23
Topic 4: Business planning.....	45
Topic 5: Enterprise finance and securing investors	53
Topic 6: People in business enterprises	81
Topic 7: Markets and marketing.....	102
Topic 8: Operations management.....	106

EXAMINATIONS

Examination Practice 1

Paper 1	114
Paper 2	116

Examination Practice 2

Paper 1	118
Paper 2	120

Examination Practice 3

Paper 1	122
Paper 2	124

Examination Practice 4

Paper 1	126
Paper 2	127

Examination Practice 5

Paper 1	129
Paper 2	131

Examination Practice 6

Paper 1	133
Paper 2	136

Examination Practice 7

Paper 1	138
Paper 2	140

Examination Practice 8

Paper 1	142
Paper 2	144

Examination Practice 9

Paper 1	146
Paper 2	148

Examination Practice 10

Paper 1	150
Paper 2	151

ANSWERS.....	153
---------------------	------------

Introduction

Business Enterprise Skills is a subject that equips students with necessary skills needed to start and run a business. It intends to develop in learners skills in enterprising, leadership, resource management, problem solving and critical thinking. This learning area will enable learners to interact with and participate in the changing enterprising environment, through the use of their learnt financial skills, competencies and knowledge, thus enhancing enterprise success. The skills are crucial to the Zimbabwean economy as the country is promoting indigenisation. Business Enterprise Skills O-level Revision Book covers all the topics and concepts that are found in the ZIMSEC Syllabus and are structured according to the New Curriculum expectations. It summarises the eight main topics that are in the Syllabus whilst equipping students with relevant information in their preparation for the O-level Business Enterprise Skills examinations. You must work your way through this study guide to improve your understanding, identify your areas of weakness and correct your own mistakes. To ensure a high-quality pass, you should also substantiate your knowledge from other textbooks and your class notes. We are confident that this Business Enterprise study guide can help you prepare well so that you pass the ZIMSEC O-level exams.

Overview of the exam for Business Enterprise Skills O-level Study Guide

The exam questions have been arranged topically and in their respective order in which they are taught, for example, the business enterprise, the enterprising environment and setting up a new enterprise. The questions are structured typical of ZIMSEC exam standard.

Paper 1 has 6 structured questions which carry a total of 100 marks and the student is required to answer all the questions.

Paper 2 carries 7 questions. It is divided into two sections which are section A and Section B. Section A has one case study question which carries a total of 40 marks and Section B has 6 essay questions with each question carrying 20 marks. The candidate is required to answer all the questions in Section A and any three questions in Section B.

How to use this study guide

This study guide covers selected aspects of the different topics of O-level Business Enterprise Skills curriculum in the order that it is usually taught during the year. The selected aspects of each topic are presented in the following way:

- An explanation of terms and concepts
- Worked examples to explain and demonstrate
- Activities with questions for you to answer
- There are exercises on the notes section based on exam-type questions. Cover the answers and do the exercises on your own. Then check your answers. Reward yourself for the things you get right. If you get any incorrect answers, make sure you understand where you went wrong before moving onto the next section.
- Answers for you to use to check your own work
- Typical ZIMSEC exam papers are included in the study guide for you to practice.

Top 10 study tips

Try these study tips to make learning easier

- Have all your materials ready before you begin studying – pencils, pens, highlighters, paper and all the other necessary material.
- Be positive. Make sure your brain holds on to the information you are learning by reminding yourself how important it is to remember the work and get the marks.
- Take a walk outside. A change of scenery will stimulate your learning. You'll be surprised at how much more you take in being outside in the fresh air.
- Break up your learning sections into manageable parts. Trying to learn too much at one time will only result in a tired, unfocused and anxious brain.
- Keep your study sessions short but effective and reward yourself with short, constructive breaks.
- Teach your concepts to anyone who will listen. It might feel strange at first, but it is worth reading your revision notes aloud.
- Your brain learns well with colours and pictures. Try to use them whenever you can.
- Be confident with the learning areas you know well and focus your brain energy on the sections that you find more difficult to take in.
- Repetition is the key to retaining information you must learn. Keep going, don't give up.
- Sleeping at least 8 hours every night, eating properly and drinking plenty of water are all important things you need to do for your brain. Studying for exams is like strenuous exercise, so you must be prepared physically.

Question words to help you answer questions

It is important to look for the question words (words that tell you what to do) to correctly understand what the examiner is asking. Use the following table as a guide when answering questions.

State – express something definitely or clearly in writing.

Explain – give reasons for what is asked for. Provide causes.

Give – mention what you are asked.

List – make a numbered list.

Outline – make a numbered or well organised list.

Discuss – write as much as you can.

Define – give a concise and accurate definition of what is called for.

What is meant by – this is asking you to clearly show the examiner that you know what a term means. A single sentence answer is nearly always sufficient.

Comment – express an opinion or reaction in writing.

Explain – give reasons for what is asked for. Provide causes.

Suggest – mention or introduce (idea, action or plan) for consideration or possible action.

Justify – discuss the good and the bad points of the subject and discuss why it is good or bad.

Distinguish – discuss differences.

Evaluate/Criticise – discuss the good and the bad points of the subject and conclude whether it is primarily good or bad.

Identify – means write down, without explanation or discussion, the required number of points.

Consider – as in ‘consider whether the car manufacturer should reduce prices to increase demand.’ This is asking you to show advanced skills. The best approach to answer this type of question is to explain the advantages and disadvantages of reducing car prices – using any material about the business to help you. You should then weigh up these advantages and disadvantages *applied to a car manufacturer* and compare them before making a final decision.

Study skills to boost your learning

This guide makes use of three study techniques you can use to help you learn the material:

- Mobile notes
- Mnemonics

Mobile notes

Mobile notes are excellent tools for learning all the key concepts in the study guide. Mobile notes are easy to make and you can take with them with you wherever you go:

1. Fold a blank piece of paper in half. Fold it in half again. Fold it again.
2. Open the paper. It will now be divided into 8 parts.
3. Cut or tear neatly along the folded lines.
4. On one side, write the basic concept.
5. On the other side, write the meaning or the explanation of the basic concept.
6. Use different colours and add pictures to help you remember.
7. Take these mobile notes with you wherever you go and look at them whenever you can.
8. As you learn, place the cards in three different piles:
 - I know well
 - Getting there
 - I need more practice
9. The more you learn them, the better you will remember them.

Mnemonics

A mnemonic code is a useful technique for learning information that is difficult to remember. This is an example of a word mnemonic using the word MAPPING where each letter of the word stands for something else:

M – Make an effort

A – Apply yourself to your studies

P – Practise, practise, practise your mapwork

P – Prepare well for the exams

I – Ignite your passion for Geography

N – Notice your subject around you

G – Go for it – the stars are the limit!

Mnemonics code information and make it easier

to remember. The more creative you are and the more you link your ‘codes’ to familiar things, the more helpful your mnemonics will be. This guide provides several ideas for using mnemonics. Be sure to make up your own

Top 10 exam tips

1. Make sure you have all the necessary stationery for your exam, that is, pens, pencils, eraser, as well as your ID document and exam admission letter.
2. Arrive on time, at least one hour before the start of the exam.
3. Go to the toilet before entering the exam room. You do not want to waste valuable time going to the toilet during the exam.
4. Use the 10 minutes reading time to read the instructions carefully. This helps to ‘open’ the information in your brain. Start with the question you think is the easiest to get the flow going. In the mapwork exam, use this time to look carefully at the whole map.
5. Break the questions down to make sure you understand what is being asked. If you do not answer the question properly you will not get any marks for it. Look for the key words in the question to know how to answer it. A list of these words is on page ix of this study guide.
6. Try all questions. Each question has some easy marks in it so make sure that you do all the questions in the exam.
7. Never panic, even if the question seems difficult at first. It will be linked with something you have covered. Find the connection.
8. Manage your time properly. Do not waste time on questions you are unsure of. Move on and come back if time allows.
9. Check weighting – how many marks have been allocated for your answer? Take note of how marks are allocated to the questions in this study guide. Do not give more or less information than is required.
10. Write big and bold and clearly. You will get more marks if the marker can read your answer clearly.

Common errors

- Candidates deliberately ignore reading examination instructions.
- In paper 2, some candidates answer questions from one section or answer only two questions instead of three questions.
- Improper numbering or failure to number their presentation properly.
- Candidates fail to comply with the demands of the question.
- Mostly in paper 2, candidates may be able to raise points but fail to explain or expand the points appropriately.

Topic objectives

By the end of the topic, you should be able to:

- *explain the concept of enterprising.*
- *identify skills and personal attributes needed to run an enterprise.*
- *explain skills and personal attributes of a good enterpriser.*
- *apply leadership skills in a given project.*
- *identify the benefits and drawbacks of enterprising.*
- *explain the role of an enterpriser in an enterprise.*
- *list the drivers towards enterprising.*
- *explain the different drivers towards enterprising.*
- *evaluate drivers towards enterprising.*

Enterprising

- It is the preparedness to start a new business regardless of risks that could be experienced when running a business.
- It is the will and readiness to venture into a new project or business without the fear of possible risks associated with starting a business.

Enterpriser

- Is an individual or group of people who takes risks and initiatives to start a business by organising all the factors of production and manages the business.

- An enterpriser is also called an **entrepreneur**.

Enterprise

- It is the business organisation that is involved in the provision of goods and services which can be for profit making or non-profit making.
- The main purpose of the business is the provision of goods and services that satisfy consumer wants and needs.
- Examples of profit making enterprises that can be found in local communities are poultry, cattle fattening, peanut butter making and market gardening.
- Examples of non-profit making enterprises that can be found in local communities are burial societies and some football clubs.

Entrepreneurship

- Entrepreneurship is the motion of setting up a business by taking financial risks with the aim to make profit.
- It is the process of organising and managing all the factors of production for profit maximisation.
- Factors of production are inputs required to start enterprising which are enterprise, land, labour and capital.

Skills of an enterpriser

- Skill is the knowledge, understanding and ability to do something well which can be obtained through training and experience.
- Skills are vital in running an enterprise.

Personal attributes of an enterprise

- An attribute is a characteristic of a person (enterpriser).
- Personal attributes are character traits or personality traits.
- Traits give distinction among personalities.

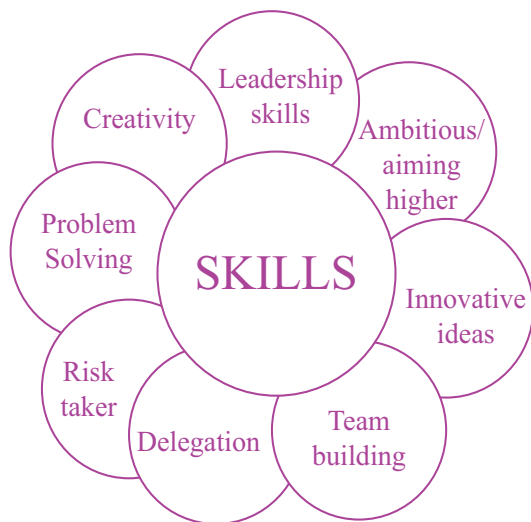


Fig. 1.1 Skills of an enterpriser

Leadership skills

- Leadership means the capability to influence and guide others to behave in a certain way.
- Leadership skills include the ability to influence, motivate, delegate, persuade and communicate to employees towards achieving the organisational goals.

- A good leader takes necessary measures to underperforming workers, for example, through training and retraining or disciplinary procedure.

Risk taker

- Risk means a situation involving physical or financial harm, loss or danger.
- Risk taker is an individual or enterpriser that tends to behave in a way that can potentially cause physical or financial loss. Successful enterprisers are risk takers.
- A risk taker evaluates potential risks and tries to minimise risks.

Creativity

- This is the capability to make new things (initiate) or to think of new ventures or ideas.
- Finding ways to increase market share, sales, profits, fight competition and finding new markets for the product are forms of creativity.
- Enterprisers should be creative.

Innovative

- Innovation is a new way of doing things.
- Business can be innovative through implementing new business ideas, strategies, entering new markets (diversification), improving product packaging and adding different ingredients to a product (value addition).
- Entrepreneurs should try new or improved ways of doing business.

Team building

- Team building involves organising the right people with the right skills to work. It helps the workforce to work together more successfully for the common purpose of achieving organisational goal.
- As an enterpriser, it is crucial to encourage or motivate workers to work together productively and to boost their morale.

Delegation

- Delegation is whereby a superior assign duties, responsibilities, tasks and decisions to others.
- To delegate is to elect, send and empower to act for or on behalf of the superior.
- Enterprisers can transfer power and duties to employees but accountability remains in their hands.
- It lessens the work load of the enterpriser to concentrate on other crucial tasks.

Problem solving

- Problem solving is the process of finding resolutions to challenging issues.
- An enterpriser should be able to solve problems when they do arise in the business enterprise.
- As an enterpriser, one should be able to identify the problem, evaluate possible causes and find out solutions to the problem.
- Successful enterprisers focus on ways to solve problems effectively.

Ambitious/Aiming higher

- Ambitious refers to having a desire to be successful.
- It is a strong inner drive for success.
- Good enterprisers should be able to aspire themselves to work towards set enterprise goals.
- They are positive thinkers, which enables them to encourage other team members to work in a positive way. They are self-motivated even when they face challenges.

Benefits of enterprising

Benefits to the society

- The enterprisers create employment to people in the society to work in their ventures.
- It reduces poverty in the society since people get income through earnings.
- Provision of goods and services by the enterpriser.
- High quality products are produced due to competition.
- Customer satisfaction which helps enterprisers to meet customer's needs and wants.
- Infrastructure development through construction of roads, bridges, buildings and electrification.

Benefits to the enterpriser

- Enjoy profits - enterprisers provide goods and service and in return they earn profit and those enterprises that are in non-profit making business, enjoy status.
- **Independence** - an enterpriser will be in total control of the business and can make decisions without consulting anyone.

- The enterpriser is flexible, that is, able to adapt to changes, for example, if there is a change in consumer taste and preference, they can easily change their products to meet customers' needs and wants.
- Enterprisers get support from the government such as offering aid to acquire loans, grants, subsidies and place to market their products.

Drawbacks of enterprising

To the community

- Some activities carried out by enterprisers cause pollution to the community.
- Some members of the community may be relocated to other areas in order to create space for enterprisers.
- Land used for agricultural purposes may be taken and used to construct buildings.
- Undertaking activities which involve extraction (mining) may cause environmental hazards.

To the enterpriser

- Starting a new business may be too risky because the outcome is not known.
- The enterpriser may experience losses.
- Due to competition from bigger companies, an entrepreneur may lose customers.
- Enterprisers may lack enough capital to run the enterprise.
- The enterpriser has to work harder and for long hours in order to succeed.
- Scarcity of resources to run the business, for example, little capital, no warehouse to keep raw materials, no vehicle to transport goods.

- The enterpriser may lack knowledge on how to run a business.

Roles of an enterpriser

An enterpriser performs a number of roles which include, scanning the environment, identifying opportunities, mobilising resources, allocating resources, setting up the business, managing business operations and in summation, the enterpriser act as the local economy developer.

Scanning the environment

- Environmental scanning involves identifying factors (internal and external environment) that affect a business.
- The enterpriser collects information regarding the political, economic, social, technological and environmental factors.
- It assists the enterpriser to forecast the future of the business enterprise and also assist in decision making.

Identifying business opportunities

- An enterpriser should identify unsatisfied needs of consumers.
- The enterpriser can identify problems in the community and create an enterprise to solve these problems (business opportunity).
- Enterprisers will go for opportunities that generate high profits.

Mobilising necessary resources

- It is the role of an enterpriser to bring together all necessary resources to produce goods or services.
- Some resources needed include capital, plant, land or building, raw materials and labour.

Proper allocation of resources

- An enterpriser decides on necessary resources needed to start a business.
- The resources are scarce so they should be used productively.

Setting up the business

- This is where the enterpriser implements his or her business plan.
- The enterpriser creates a business with available resources.

Managing business operations

- The enterpriser is liable to the operations of the business.
- The business must be operated efficiently, effectively and productively so as to meet organisational goals and the demands of customers.
- Management of business operations is crucial to the business enterprise as it guarantees customer satisfaction.
- Enterpriser controls everything and makes final decisions on business operations.

Create employment

- Enterprisers create employment which reduces poverty within the society thereby improving the living standard of the people in the community.

Community development

- An enterpriser develops the community by building infrastructure such as buildings (schools and hospitals) and roads.
- They provide services such as education, healthcare and telecommunication.
- Enterprisers may sponsor community sports, scholarship programs and other activities.

Improves standards of living

- An enterpriser plays an important role in improving the standards of living in a community.
- This is done through developing and adopting innovations that lead to improvements in the quality of life of employees and customers.

Drivers towards enterprising

- Most business people are often influenced by different factors when starting an enterprise.
- These are called drivers. A drive refers to a push or force that influences someone to do something.
- It can be an inner or outside push that motivates one to achieve something.
- Drivers towards enterprising include, government policies, demographic changes, economic changes, self-actualisation and technological changes.

Government policies

Government policy is a principle formulated by the government which influences activities to be carried out within an enterprise. A policy is a plan intended to guide course of action in order to achieve set goals.

Government formulates policies that promote enterprising in the economy. Such policies include subsidies, government grants and tax holidays.

(a) Subsidies

- A subsidy is a form of aid offered by the government to a business enterprise to produce at a lower cost, thereby lowering prices of certain goods and services.

- Subsidies may come in form of cash and other resources such as raw materials needed for production.
- The main purpose of giving subsidies is to lower day to day operations costs.
- The government can offer subsidies as a way of creating employment.
- For example, if farmers are struggling to survive, the government can offer inputs (seed, fertilisers and chemicals) to farmers.

(b) Government grants

- A government grant is a sum of money or product given by the state to individuals or business enterprises.
- Grants are not repayable and are used for specific purposes, for instance, special research.
- They are usually given to non-profit making enterprises such as Childline, Population services International Zimbabwe.

(c) Tax holidays

- Tax holiday refers to a temporary time in which the government eliminates or reduces tax to business enterprise to promote growth.
- This means that the state may choose not to charge tax on businesses so as to promote enterprising in the economy, for example, the state may not charge tax for the first two years of starting a business.

Trade policy

It is also known as international trade policy. It is a policy which governs trade between countries.

Different forms of trade policy

- (a) **Tariffs** – This is tax or duty to be paid on certain types of imports or exports, for example motor vehicles, cooking oil, maize and many more.
- (b) **Quotas** – The state limits the quantity of a particular product to be imported or exported.
- (c) **Embargoes** – This is a total ban on trading certain types of goods such as harmful drugs or exportation of limited resources in a country. Government can promote enterprising by restricting number of imports or completely ban some imports. Thus, people will be encouraged to buy local products rather than import products. Reduction in imports promotes demand for local product; therefore, it increases production.

Demographic changes

Demography relates to the structure of the population in a certain area. Structure of the population includes factors such as age, level of education, income, sex and many more. Changes in any of these variables can greatly influence enterprising. Population changes can affect demand and supply of goods and services in the economy there by promoting enterprising. Demographic factors that can promote enterprising include age and sex.

(a) Age

Changes in the age structure of the population can influence enterprising. Businesses will be encouraged to produce goods that cater for different age groups. An example is producing shoes for babies under the age of 5 years or producing alcohol for people above the age of 18.

(b) Sex

It relates to whether one is a female or a male. A company can produce goods targeting one group, for example, women's products. If there are more women than men in a population, it will encourage enterprisers to produce goods and services which meet women demands.

Economic changes

It relates to changes in production and consumption of goods and services in a country. Economic factors that can promote enterprising can be low interest rates, low inflation rate, unemployment rate and income.

(a) Low interest rates

Interest is the cost of borrowing funds from a financial institution. The Reserve Bank of Zimbabwe can use the micro-financing act which regulates interest rates (low interest rates) to encourage more borrowing from the banks. Thus, more people will be keen to borrow funds from a bank since the interest rate will be low.

(b) Low inflation rate

Inflation refers to the general increase in the prices of goods and services in the economy. Inflation can cause a rise in the cost of production for a company. A low rate of inflation will be more favourable as it will encourage enterprisers to operate at a lower cost.

(c) Unemployment rate

It is the rate at which a person with desired qualification and skills who is searching for a job is unable to find one. If the unemployment rate in the economy is high, most people will be encouraged to become entrepreneurs rather than seeking for employment elsewhere.

(d) Income

Consumers' demand is based on their income. An increase in the level of income can influence enterprising. Also if the people's income increases, it will affect saving and investment positively. Saving and investment will in turn influence enterprising.

Self-actualisation

Self-actualisation is the fulfilment of an individual's talent or full potential. Some people engage in enterprising because they want to fulfil their dreams and desires. They are self-motivated to start a business.

Community enterprise heroes

Others are inspired by successful enterprisers in their communities; hence, they are also encouraged to start businesses, for example, Strive Masiyiwa.

To gain profits

Most people would prefer to be self-employed and earn more income rather than working for someone and earn less.

Topic objectives

By the end of the topic, you should be able to:

- *distinguish between internal and external stakeholders.*
- *explain the role of each internal and external stakeholder.*
- *identify the internal and external environmental factors.*
- *describe the internal and external environmental factors.*
- *identify business constraints.*
- *explain the business constraints.*
- *differentiate resources and capabilities.*
- *explain the need for resources in an enterprise.*
- *explain reasons for analysing capabilities.*
- *identify different types of resources required in an enterprise.*
- *identify different ways of acquiring resources.*
- *analyse different forms of resources ownership.*
- *justify ownership of resources.*
- *explain various ways of sustainable use of resources.*
- *explain the importance of using resources sustainably.*
- *identify opportunities and risks for enterprise.*
- *investigate opportunities and risks associated with local business enterprises.*

- *identify risks associated with business enterprises.*

Important insights

The success of any enterprise is largely influenced by people that exist within the enterprise and those outside the enterprise. These people are referred to as stakeholders. As a business enterprise, there is need to understand how these stakeholders affect your business; this will contribute to the success of the business enterprise.

Stakeholders

These are persons or group of people that have curiosity in the activities of a business enterprise. Stakeholders include shareholders, customers, managers, workers. They can influence or be influenced by the operations of an enterprise. Stakeholders are classified into two groups, which are internal and external stakeholders.



Fig. 2.1 Stakeholders of a business enterprise

Internal stakeholders

They are also known as primary stakeholders. These are individuals that are within the business enterprise and they are directly

Risks associated with business enterprise

1. Technological risk

Technological advancements shorten life cycles of products. Business models change and new competitors appear due to developments in technology. Failure to copy up with technological changes will result in business failure.

2. Political risk

The government has extra ordinary powers to affect the economy. It may introduce legislation which affect investment. Change of governments can also cause change of business policy which affects some of business activities. Civil war and political disorder or violence in a society are threats to business activities. Instability creates too many shocks in the business environment by pushing risk to unacceptable levels. It results in low predictability of strategic planning. Therefore, it becomes risky to operate in an environment that is heavily associated with politics.

3. Economic risk

Volatile economic climate create business risks. It creates uncertainty and lack of confidence to investors. It is crucial for the business enterprise to watch the changes and trends to identify and plan for an economic downturn. Acquisition of resources also becomes difficult when the economy is not stable.

4. Compliance risk (Legal issues)

Failure to comply with legal policy requirements can cause business risks. Changes in government policy may place additional burdens on business enterprises. Increasing payrolls and taxes could raise operating costs which could affect business enterprises' profitability and growth plans. Success of the organisation comes from proper management of legal issues such as corporate governance, health and safety issues, ethical conduct and many more.

5. Human resource risks

High labour turnover is also another challenge on the part of human resources. Staff turnover may increase due to poor working conditions. Therefore, vital expertise could be lost as staff leave. As a result of that, it becomes costly in terms of hiring and training new staff since it takes time as well as money.

6. Market risk

These are factors that cause decrease in market share which can be caused by customer dissatisfaction. A drop in quality of products is one of the greatest risks to a business' market share. The quality of products could drop; hence, causing an increase in customer grievances. Customer will therefore shift to other alternatives offered by competitors in the market. As business enterprises, there is need to maintain or increase market share through provision of goods and services that satisfy consumer wants and needs through knowing their preference and taste.

Topic objectives

By the end of the topic, you should be able to:

- *identify forms of unincorporated business enterprises.*
- *describe the forms of unincorporated business enterprises.*
- *explain advantages and disadvantages of unincorporated business enterprises.*
- *identify forms of incorporated business enterprises.*
- *explain the features of incorporated business enterprises.*
- *analyse the benefits and limitations of different incorporated business enterprises.*
- *outline forms of business enterprises.*
- *describe the features of different forms of business enterprises.*
- *analyse the advantages and disadvantages of each form of business enterprise.*
- *compare and contrast different forms of business enterprises.*
- *explain the purpose of business enterprises.*
- *identify the requirements of setting up a business enterprise.*
- *explain issues concerning business ethics.*
- *evaluate the importance of being ethical in business.*
- *justify reasons why new business enterprises need support.*
- *identify ways of support given to new business enterprises.*
- *explain why some enterprises grow and others remain small.*
- *discuss advantages and disadvantages of business enterprises being small or large.*
- *describe factors influencing business growth.*
- *discuss the reasons why some businesses fail.*
- *suggest solutions to causes of business failure.*
- *identify risks associated with formation of new business enterprise.*
- *explain the concepts of corporate legal personality and limited liability.*
- *evaluate the importance of limited liability.*
- *identify legal formalities required in the formation of a business enterprise.*
- *explain the contents of business documents required in the formation of a business enterprise.*
- *identify ways of measuring business size.*
- *evaluate the methods of measuring business size.*
- *discuss the role of small to medium enterprises (SMEs) in the economy.*
- *identify government assistance to SMEs.*
- *identify methods of business growth.*
- *evaluate methods of business growth.*
- *assess the effects of business growth.*

Setting up a new enterprise

The formation where the business activities are undertaken is called business enterprise. The business enterprise may be owned by one or more individuals. There are two types of business enterprises which are incorporated and unincorporated businesses.

Incorporated business enterprises

Incorporated businesses are enterprises which have been registered formally with the registrar of companies. Such businesses offer more benefits than unincorporated. Examples of incorporated businesses include limited companies and non-profit making organisations.

Unincorporated business enterprises

It is an unregistered business enterprise that is owned privately by one or more people. Unincorporated business enterprises are also known as informal traders. The owner(s) of an unincorporated business have unlimited liability which means they are held responsible for paying business debts. In the event of failure to pay business debts, the owner(s)' property may be used to cover up for the debt. Examples of unincorporated enterprises are sole traders (tuckshops, vendors, hawkers, stall holder) and partnership.

Forms of unincorporated business enterprises

Sole proprietor/trader

It is a business owned, controlled and managed by one person (owner) with the aim to make profit. It is often referred to as sole trader and it is the most common type of business organisation.

The owner's family can assist in running the business, for instance, by providing labour, finance and other resources. Examples of sole proprietors include tailor shops, bakery shops, street hawkers, beauty salon and restaurant.

Features of the sole trader

- The enterpriser is said to be self-employed.
- The enterpriser provides capital to start-up the business.
- The owner has unlimited liability.
- Decisions are made by the owner.
- The business can be inherited by family members in case of death or ill health of the owner.

Advantages of the sole trader

- They are not required by law to publish their final accounts.
- They have lower start-up costs.
- The enterpriser enjoys all the profits.
- The enterpriser has personal touch or contact with customers.
- The enterpriser has total control and makes all business decisions.
- Sole traders have flexible opening hours.
- There are minimum legal requirements in starting up the business enterprise.

Disadvantages of the sole trader

- Often faces stiff competition from bigger firms.
- It may be a challenge to raise finance to expand the business.
- Too much work and pressure on the part of the owner in running the company.
- All everyday jobs and business final decisions fall on the shoulders of the owner.

Partnership Act

It is endorsed by the government. It has set of guidelines (provisions) which states that:

- Partners contribute equal amount of capital.
- Majority decision should settle disputes and any difference of opinion.
- Profits and losses should be shared equally among partners regardless of capital contributed.
- No interest on drawings.
- No interest on capital.
- Partners are entitled to 5% interest on loan.

Advantages of partnership

- Partners help each other in raising start-up capital.
- It is flexible – A partnership is easy to form and manage.
- Responsibility of running the business is shared among the partners.
- All partners are involved in decision making.
- Absence of one partner due to social problem or holiday does not affect business operation.
- Loss is shared among partners.

Disadvantages of partnership

- Slow decision making due to consultation.
- General partners have unlimited liability for the debts of the firm.
- Death, disagreements and mental illness of one partner can lead to dissolution of partnership.
- Less freedom with regards to the management of the business.
- Capital raised may not be adequate to expand business activities.

Limited enterprises

Is a legal enterprise formed by two or more individuals. It is a separate legal entity meaning that the enterprise exists own its own and is distinct from its owners. The main motive for forming limited companies is to make profit. A limited enterprise continues to exist even if one of the owners dies or moves out of the business. The company can make legal agreements and contracts on its own. Capital is in the form of shares and ownership is through buying shares.

Share

A unit of account for various investments and each unit represents a prescribed value of money. Each share represents a voting right and the owners are called shareholders. It is a portion of capital, which resembles a stake (ownership) in a limited business. Shareholders enjoy limited liability, that is, they only lose the amount of capital invested in the enterprise when the company becomes insolvent. Limited companies pay corporate tax to the government. Limited company exist in two forms - private and public limited companies.

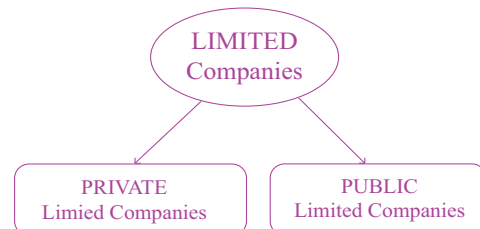


Fig. 3.2 Types of limited companies

Private limited enterprise

It is formed by at least 2 to 50 shareholders under Zimbabwe Companies Act. The Company Act governs the formation and commencement of the company. Company name ends with “Pvt” and “Ltd.” Legal documents such as Articles of Association, Memorandum of Association and Statutory Declaration are submitted to the registrar of companies.

Topic objectives

By the end of the topic, you should be able to:

- *explain business planning and a business plan.*
- *describe importance of business planning.*
- *explain importance of a business plan.*
- *design a mini-business plan.*
- *identify different business objectives.*
- *describe business planning process.*
- *discuss importance of each business planning step.*
- *execute business planning process.*
- *explain components of a business plan.*
- *explain the importance of a business plan.*

Business planning

It is a procedure of formulating goals, strategies and actions for a business enterprise so that it can get started, survive, grow and prosper. It is a sequence of steps of action to achieve specific objectives set by an organisation. Business planning mainly focus on two key aspects which are profit making and dealing with risks.

A business plan

It is a written paper that gives full details on how a business enterprise is going to achieve its goals. Business plans are usually drafted by new enterprisers and it acts as a guide or a map with details on how to achieve business set goals.

It places out a written plan on how to source finance, produce goods and distribute them. A business plan can also be called a business proposal.

Importance of business planning

In the absence of planning all the business activities may become meaningless. The following are the importance of business planning:

- Provides a focus on the business idea - is it really a good one, and why?
- Control finance to get a realistic idea of the financial implications of a business idea and future finance needs.
- Establish objectives, especially directions for the future.
- Set targets which can encourage better-directed and purposeful work.
- Define actions, priorities and the timetable for actions.
- Enable analysis of performance, and correct weaknesses.
- Assess needs, in terms of human and other resources.
- Increase efficiency since planning helps to reduce wastage of valuable resources.
- Reduce business risk since the enterpriser will be able to identify possible threats to the business and take necessary precautions, for example, change in technology.

A mini-business plan

Here is a simple sample for a business plan. These are guidelines on how to come up with a business plan for the supply of furniture.

Executive summary

- Our business purpose is to supply furniture.
- It is located in down town area shop number 10, Rusape.
- It will obtain capital from financial institutions.
- The target markets are schools in Manicaland region and the business is going to use radio, television, social media and e-business to market and sell the furniture.
- It will train and retrain its employees.
- It has a forecast to obtain profit at the end of the month or year.

Business name

Quality Furniture Limited.

Ownership

Owned by three directors.

Line of business

Manufacture of school furniture.

Products and services

Chairs, desks, roofing timber, doors, tables and ceiling boards.

Market analysis

Customers are made up of all schools in Manicaland Province.

Marketing strategies

- Using flyers, catalogues, newspapers, social media, radio and television showing what the company provides and its prices.

- Advertising using radio and television will enable the audience know the existence of the Furniture Company and its location.

Sales strategies

- We offer furniture at affordable prices.
- We offer good quality furniture.
- Our company is flexible and open for 24 hours and orders can be placed in the comfort of your home through e-business (virtual markets).
- Excellent customer care.

Organisational management

- Training and retraining of the workers to keep them up to date with the new ways of producing quality furniture.
- Always using the modern styles of chairs, desk, tables and many more.
- Researching on the schools' needs all the time.

Funding requirements

To secure a loan of \$1 000 000.

Financial projections

- Annual revenue *\$12 000 000*.
- Monthly revenue *\$1 000 000*.
- Annual costs *\$6 000 000*.
- Monthly costs *\$500 000*.
- Annual net profit
 $(\$12\,000\,000 - \$6\,000\,000)$
 $= \$6\,000\,000$.
- Monthly net profit
 $(\$1\,000\,000 - \$500\,000) = \$500\,000$.

Business objectives

Objectives are targets, aims or goals set by a business enterprise, which they seek to achieve within a time frame and with available resources. They are specific outcomes that the business wants to achieve in the future.

They give the business a clearly defined aim, goal and target. Business objectives should be SMART.

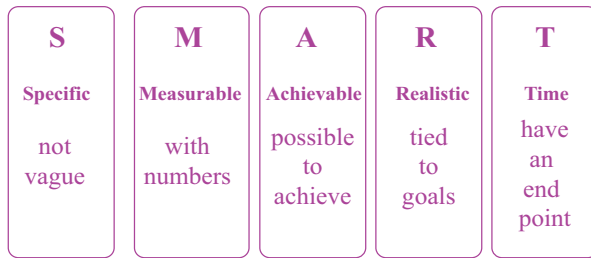


Fig. 4.1 SMART objectives

Specific

They should be straight forward, clear and well defined to anyone who has knowledge of the project and they should answer questions like “what exactly do you want to achieve?” good example for a specific objective is to increasing sale by 45%.

Measurable

An objective should be quantified, this means they should be in meaningful figures and action oriented, for instance, to produce 20 000 chairs for schools in Manicaland province.

Achievable/Attainable

Goals set should be achieved to avoid demotivation of the workforce.

Realistic

The objectives should be achieved using the resources available and at a certain time, that is, they should be real.

Time

Objectives should have a time frame, that is, time bound. There is need to specify when the results can be achieved for example, to increase sales by 45% by 2023.

Types of business objectives

Business enterprises can set the following types of objectives: profit maximisation, growth, survival, sales revenue, corporate social responsibility and ethical.

1. Profit maximisation

It is whereby the entrepreneur wants to increase revenue at the same time minimising expenses so that profit is maximised.

2. Growth

It is when the entrepreneur aims at expanding its operation in terms of size by opening more branches or outlets, for example, when an existing Quality Furniture Company in Rusape opens other branches in Mutare and Nyanga.

3. Survival

Business enterprise operating in a recession economy and those being set up for the first time would want to stay in the market. This is the reason why they aim for survival rather than anything else especially in a competitive environment.

4. Sales revenue

It is when a business enterprise wants or intends to increase its sales volume which can be achieved through marketing and advertising quality goods and services.

5. Corporate social responsibility (CSR)

It is when a company aims at protecting the environment, providing good and safe working conditions and also participating in community life through ploughing back to the community you are operating your business in. An example of corporate social responsibility is that of ‘Econet Wireless’ offering scholarships through Capernaum Trust.

Topic objectives

By the end of the topic, you should be able to:

- *explain the need for finance in an enterprise.*
- *explain investment and saving.*
- *identify sources of finance.*
- *differentiate between internal and external sources of finance.*
- *explain advantages and disadvantages of various sources of finance.*
- *identify factors to consider when choosing sources of finance.*
- *explain importance of keeping accurate financial records.*
- *prepare an income statement.*
- *draw a statement of financial position.*
- *describe cash, purchases, sales and production budgets.*
- *prepare a simple cash budget.*
- *explain the meaning of working capital.*
- *identify components of working capital cycle.*
- *discuss importance of managing working capital.*
- *prepare an income statement and statement of financial position.*
- *identify different types of financial institutions.*
- *explain functions of different financial institutions.*
- *classify costs.*
- *explain break-even analysis.*
- *construct a break-even chart.*
- *calculate break-even point, output and margin of safety for a business venture.*
- *discuss importance of break-even analysis.*
- *explain the concepts of budgeting and budgets.*
- *identify different types of budgets.*
- *prepare a budget for an enterprise.*
- *explain the importance of budgeting.*
- *explain different ways of attracting investors.*

The need for finance

- Finance is the main fuel of every business, no matter what size.
- Businesses need finance to start-up a business or even for expansion.
- They might want to pay for premises, new equipment and advertising and to run the actual business. This includes paying wages and suppliers in time.

What is finance?

- Finance is money.
- We all need money to purchase goods and services. These include everyday goods like food and also expensive goods like furniture or a house.
- Businesses also need finance. This is called **capital** when starting a business.
- They need to pay wages, pay for assets or buy materials to use.
- These are funds businesses use in their operations.

Types of financial statements

- Income statement.
- Statement of financial position

1. Income statement

- It is also known as Statement of Comprehensive Income or a Trading, Profit and Loss Account.
- It shows revenues and expenses of an enterprise over a given period of time.
- It is a summary of financial performances of a business over a given accounting period.
- It tells how much money the enterprise generated and spent over a specified period, usually a month.
- It shows how well the enterprise produced revenues and how efficiently sales are converted to profits.
- Income statement also shows profitability at different levels, that is, gross, operating and net.
- The income statement is divided into two phases which are the trading account and the profit and loss account.

Table 5.1 A format of an income statement

Rutachiti Enterprises

Income statement for the year ended 31 December 2020

		\$	\$	\$
	Sales/Revenue			xxxx
less	Sales returns			(xxx)
	Turnover			xxxx
	Less cost of goods sold			
	Opening stock (inventory)		xxx	
	Purchases	xxx		
Add	Carriage/Railage/Freight on purchases/Duty	xxx		
Less	Purchases returns	(xxx)		
Less	Goods taken for own use	(xxx)		
	Net purchases		<u>xxxx</u>	
			xxxx	
Less	Closing inventory		(xxx)	
	Cost of sales			(xxx)
	Gross profit			xxxx
Add	Other income			
	Discount received		xxx	
	Rent received		xxx	
	Commission received		xxx	
	Profit on disposal of non-current asset		xxx	

(-) Drawings			(xxx)
			<u>xxxx</u>
Current Liabilities			
Trade payables		xxxx	
Accruals/Owings		xxxx	
Bank overdraft		<u>xxxx</u>	
			<u>xxxx</u>
			<u>xxxx</u>

Current assets

- It is cash or an asset that can be sold or converted into cash within a year.
- It is often used to pay off current liabilities.

Examples of current assets

Inventories – These are goods produced in the business and have not been sold.

Cash in hand – It can be received from payment of goods and services by cash rather than cheque.

Cash in bank – Sum of money held at a bank or payments of goods by cheque.

Raw materials – Materials used in production of other goods.

Accounts receivables (debtors) – Debts owed by customers to an enterprise after selling goods and services on credit.

Prepaid expenses – Obligations that have already been paid for in advance which will enable the enterprise to use cash for other activities.

Current liabilities

These are business obligations that have to be paid within one year.

Examples of current liabilities

Accounts payable (creditors) – This is money owed to suppliers.

Accrued expenses – This is an amount incurred but not yet paid; for example, wages payable, rent.

Accrued interest – This includes amount of interest on loan that has accumulated since the last payment.

Bank account overdrafts – This is money withdrawn from the bank that exceeds the available balance, leaving the balance below zero (negative balance).

Note that:

- $\text{Assets} - \text{Liabilities} = \text{Capital}$
- $\text{Current Assets} - \text{Current Liabilities} = \text{Working Capital}$
- $\text{Non-current assets} + \text{Working Capital} = \text{Capital Employed}$
- $\text{Total Assets} - \text{Current Liabilities} = \text{Capital Employed}$.
- Profit or loss for the year is taken from the Income Statement.

Table 5.3 Summary on financial statements

Income Statement	Statement of Financial Position
Prepared for a period of time.	Prepared as at a certain point in time.
Contains incomes and expenses.	Contains assets, liabilities and capital.
Measures profitability.	Shows how the business is financed.

1. Cash budget

- It is a financial budget with an estimate of the cash inflows and outflows for an enterprise over a specific period of time.
- Cash inflows are funds which a business receives from its operations.
- Cash outflow is the money paid out by an enterprise as a result of its financing, operating and investment activities.

Importance of cash budgets

- It forecasts the firm's future in terms of financial needs.
- It is a tool for cash planning and control.
- It allows making management decisions regarding cash position in a business.

Preparation of cash budgets

In preparing a cash budget, the following information is required: receipts, expected cash expenses and other direct expenses.

Receipts

- Cash balance.
- Expected cash receipts.
- Cash sales.
- Collections of accounts receivable.
- Other income.

Expected cash expenses

- Raw materials.
- Inventory (stock).
- Payroll.

Other direct expenses

- Advertising.
- Selling expenses.

- Administrative expense.
- Plant and equipment expenditures.

Table 5.5 Format of a cash budget

Cash budget for the period ending			
	Month 1	Month 2	Month 3
	\$	\$	\$
Receipts			
Cash sales	xxx	xxx	xxx
Collection from credit sales	xxx	xxx	xxx
Collection from sales of non-current assets	xxx	xxx	xxx
Receipts from loans	xxx	xxx	xxx
Other receipts	xxx	xxx	xxx
Total receipts (a)	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Payments			
Payments for cash and credit Purchases	xxx	xxx	xxx
Payments for expenses	xxx	xxx	xxx
Cash drawings	xxx	xxx	xxx
Purchase of non-current assets	xxx	xxx	xxx
Repayment of loans or debentures	xxx	xxx	xxx
Other payments	xxx	xxx	xxx
Total payments (b)	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Net receipts (payments) (a-b)	xxx	xxx	xxx
Bank balance at the start	xxx	xxx	xxx
Bank balance at the end	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>

SPECIMEN EXAMINATION 1

PAPER 1

TIME: 1 hour 45 minutes

Answer **all** questions.

No additional materials required.

The number of marks is given in brackets [] at the end of each question or part question.

1. (a) (i) Identify any **three** personal attributes of a good entrepreneur. [3]
 (ii) Explain **two** advantages of unincorporated business enterprises. [2]
 (b) (i) Identify any **two** types of markets. [2]
 (ii) Analyse the advantages of crowd funding as a source of finance for small enterprises. [8]
 (c) (i) Discuss stages of production. [6]
 (ii) Explain leadership. [2]
2. (a) (i) Identify any **two** ways of business support. [2]
 (ii) Explain **two** advantages and two disadvantages of a partnership. [8]
 (b) (i) Outline functions of managers. [4]
 (ii) Explain **two** advantages and two disadvantages of sourcing finance from family and friends. [8]
3. (a) Explain the following ICT tools
 (i) Barcode.
 (ii) Online billing. [4]
 (b) (i) List any **three** types of warehouses. [3]
 (ii) Identify **two** reasons why a government might increase taxes. [2]
 (c) Describe the following terms:
 (i) Working capital. [2]
 (ii) Business communication. [2]
4. (a) (i) Identify any **two** methods of business growth. [2]
 (ii) Distinguish between a Partnership Deed and a Partnership Act. [4]
 (b) (i) Define the following terms:
 – Market. [1]
 – Demand. [1]
 – Product. [1]
 (ii) From the information given calculate working capital:
 Non-current assets \$20 500
 Current assets \$15 600
 Capital \$35 000
 Current liabilities \$9 500
 Net profit \$1 500 [2]

- (iii) Identify **two** examples of businesses that would be classified as being in the tertiary sector. [2]
- 5. (a) (i) Briefly explain why a business might choose flow production as a method of operation. [3]
- (ii) Identify **two** possible methods of primary market research. [2]
- (b) (i) Explain any **three** ways an enterprise can use to increase employee motivation. [6]
- (ii) Describe **two** advantages and two disadvantages of being in partnership business. [8]
- 6. (a) (i) Identify **two** ways to measure the size of a business. [2]
- (ii) Give **two** benefits of acting in an ethical way. [2]
 - (iii) State **two** advantages of being a private limited company. [4]
 - (iv) Identify any **two** ways in which break-even charts can be used. [2]

SPECIMEN EXAMINATION 2

PAPER 2 Case study

TIME: 2 hours 15 minutes.

Section A answer **all** questions.

Section B answer any **three** questions

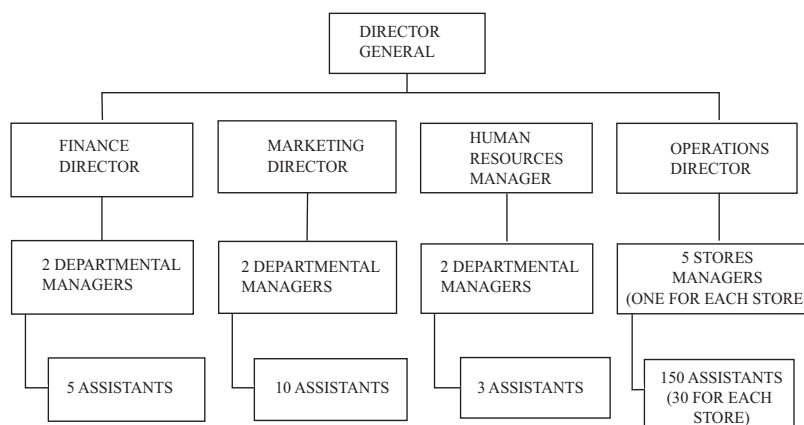
SECTION A [40 marks]

Answer **all** questions

1. Read the passage below and answer **all** questions that follow.

The following organisational chart is for TMT Ltd. It is a private limited company which runs a chain of stores. The organisational chart shows the hierarchical structure of the business.

Organisational Chart for TMT Limited



- (a) What is meant by hierarchical structure of a business? [2]
- (b) Identify the number of people in a span of control for
 - (i) Operations director.
 - (ii) Marketing director. [2]
- (c) Explain the functional role of the **two** functional departments listed above.
 - (i) Operations director.
 - (ii) Marketing director. [4]
- (d) Explain **three** disadvantages to this business of having a tall organisational structure. [6]
- (e) Discuss if more delegation would be a good idea for this business. [6]
- (f) Explain any **two** functions of a building society. [4]
- (g)
 - (i) Outline any **two** characteristics of a successful enterpriser. [2]
 - (ii) Identify **two** human survival needs. [2]
- (h)
 - (i) Explain any **two** factors to consider when locating a warehouse. [4]
 - (ii) Discuss any **two** advantages and any two disadvantages of a vertical business growth. [8]

SECTION B [60 Marks]

Answer any **three** questions from this section.

2. (a) Explain how a business might use financial rewards to motivate workers. [8]
(b) Discuss ways of measuring business size. [12]
3. (a) Describe the means of production. [8]
(b) Discuss factors to consider when segmenting a market. [12]
4. Evaluate the following methods of communication: written, oral and electronic. [20]
5. (a) Explain investment and savings. [8]
(b) Discuss the importance of business communication. [12]
6. Evaluate benefits and challenges encountered in foreign markets. [20]
7. (a) Describe SWOT Analysis. [8]
(b) From the following information prepare a Statement of financial position of W. Waters for the year ended 31 December 2020. [12]

Cash	\$46 000
Capital	\$50 000
Purchases	\$35 000
Sales	\$85 000
Advertising	\$4 000
Rates	\$1 000
Debtors	\$5 000
Transport expenses	\$4 000
Rent	\$3 500
Stationery	\$800

SOLUTIONS

EXAMINATION PRACTICE 1 SOLUTIONS

PAPER 1

1. (a) (i) Identify any **three** personal attributes of a good entrepreneur.
 - They are innovative.
 - They are not afraid to take chances.
 - They are willing to work hard.
 - They know how to manage money and people.
 - They are passionate about what they do. [3]
- (ii) Explain **two** advantages of unincorporated business enterprises. [2]
 - You do not have to pay costs associated with an incorporation.
 - You do not have to comply with many of the legal or financial requirements of the corporation or associations.
- (b) (i) Identify any **two** types of markets. [2]
 - Virtual
 - Physical
- (ii) Analyse the advantages of crowd funding as a source of finance for small enterprises. [8]
 - It is more efficient than traditional fundraising.
 - It is a place to build grip, social, proof and validation.
 - It is an opportunity for crowd sourced brainstorming to refine your idea.
 - It gains you early adopters and loyal advocates.
 - It doubles as marketing and media exposure.
- (c) (i) Discuss stages of production. [6]
 - Primary production (extractive industries)
 - Secondary production (manufacturing industries).
 - Tertiary production (service industries).
- (ii) Explain leadership. [2]

It is the act of motivating other people towards a common goal. Leadership is also an act of guiding a group of people or organisation to a desired goal, result or higher level.
2. (a) (i) Identify any **two** ways of business support. [2]
 - Partner with another local business for an event or promotion.
 - Recognise a different small business on social media each week.
 - Include more small businesses as vendors in your supply chain.
 - Purchase from local businesses before large scale corporation.
- (ii) Explain **two** advantages and **two** disadvantages of a partnership. [8]

- Zoning and desired customer base.
 - Material handling capacity.
 - Size of the warehouse.
 - Regulations.
- (ii) Discuss any **two** advantages and any **two** disadvantages of a vertical business growth. [8]

Advantages	<ul style="list-style-type: none"> • Reduce risk in the business. • Reduce costs. • Better quality control. • Lower prices for customers. • A direct link to the market. • Advantage over the competition.
Disadvantages	<ul style="list-style-type: none"> • High capital requirements. • Risk of increased organisational inefficiency. • No easy exits. • Lack of familiarity. • Reduced flexibility in the business.

Section B (60 marks)

2. (a) Explain how a business might use financial rewards to motivate workers. [8]
- Give pay for performance.
 - Give commission for sales.
 - Give bonuses.
 - Give pay raises.
 - Give paid vacation time.
 - Give extras like trips, gift cards or tickets.

- (b) Discuss ways of measuring business size. [12]
- Market share.
 - Profit.
 - Number of employees.
 - Capital employed.
 - Market capitalisation.
 - Sales turnover.
 - Combination of the above.

3. (a) Describe the means of production. [8]
- Land.
 - Labour.
 - Capital.
 - Entrepreneurship.
- (b) Discuss factors to consider when segmenting a market. [12]
- Demographic segmentation.
 - Psychographic segmentation.
 - Behavioural segmentation.
 - Geographic segmentation.

4. Evaluate the following methods of communication: written, oral and electronic. [20]

Advantages of oral or verbal communication

- Very effective method of communication since the recipient can be persuaded or convinced.
- It is relatively a faster method of communication.
- The sender can get immediate feedback.
- It indicates some sense of regard hence more appealing.

Disadvantages of oral or verbal communication

- Has no records for future reference.
- Is an expensive method especially if the two parties are far apart.

- Is not good for confidential messages.
- It is not suitable for confidential messages.
- It may be time wasting especially where one needs to be convinced.

Advantages of written communication

- It can be retained for future reference.
- Some like letters are relatively cheap can produce many copies.
- It is suitable for confidential messages.
- Allows for inclusion of fine details.
- It is not prone to distortion of messages.
- Can be used as evidence.
- Can be addressed to many people.

Disadvantages of written communication

- It lacks personal appeal.
- It takes time to prepare and reach the recipient.
- Suitable for the literate only.
- Immediate feedback may not be possible.
- Does not offer room for persuasion and convincing.
- It may be expensive because it involves a lot of paperwork and time.
- Not suitable if the sender and the receiver do not share a common language.

Electronic communication

Advantages

- Speedy transmission.
- Wide coverage.
- Low cost.
- Exchange of feedback.
- Managing global operation.

Disadvantages

- The volume of data.
- The cost of development.
- Legal status.

- Undelivered data.
- Dependency.

5. (a) Explain investments and savings. [8]

Investments

- Investing is when you use your money (or capital) to buy an asset that you expect to generate an acceptable return, making you richer over time.
- People who own businesses, put their personal money into these businesses to increase their wealth. This is investment.
- One can use part of his or her income to buy investments such as shares in companies, units in unit trusts, bonds or property.
- They put their hard-earned money to work for them to earn even more money.
- All investments involve taking on risk.

Savings

- Saving involves simply setting money aside for future spending.
- It is usually put in a safe place, whether it is under your mattress or in a savings account at a commercial bank, which allow you to access your money at any time.
- Savings typically are low risk for the return of the amount that one has set aside.
- However savings can also attract low interest rates.

(b) Discuss the importance of business communication. [12]

It brings about the following benefits:

- Clarity of direction.
- Preventing and resolving problems.

- Positive reputation.
- Stable turnover.
- Ability to reach targets.
- Growth.
- Increased employee productivity.
- Positive workplace atmosphere.
- Greater innovation.
- New business opportunities.
- Enhance loyalty to company.
- Customer satisfaction.

6. Evaluate benefits and challenges encountered in foreign markets. [20]

Assessment of the pros and cons

Advantages

- Access to new markets.
- Access to local talents.
- Increase business growth.
- Staying ahead of the competition.
- Provide a reliable service to the international clients.

Disadvantages

- Cost of establishing and termination of an entity.
- Compliance risk.
- Business practices and cultural barriers.
- Managing international employees – HR and payroll obligations.

7. (a) Describe SWOT Analysis. [8]

- Strengths.
- Weaknesses.
- Opportunities.
- Threats.

- (b) From the following information prepare a Statement of Financial Position of W. Waters for the year ended 31 December 2019. [12]

STATEMENT OF FINANCIAL POSITION OF W. WATERS FOR THE YEAR ENDED 31 DECEMBER 2019 [1]

	\$	\$	\$	
Sales			85 000	[1]
Turnover			85 000	[1]
Cost of goods sold				
Opening stock		0		
Add purchases		35 000		[1]
Less closing Stock		0		
			35 000	
Gross profit			50 000	[1]
Less expenses				
Advertising		4 000		[1]
Rates		1 000		[1]
Transport Expenses		4 000		[1]
Rent		3 500		[1]
Stationery		800		[1]
			13 300	[1]
Net profit			36 700	[1]

EXAMINATION PRACTICE 3 SOLUTIONS

PAPER 1

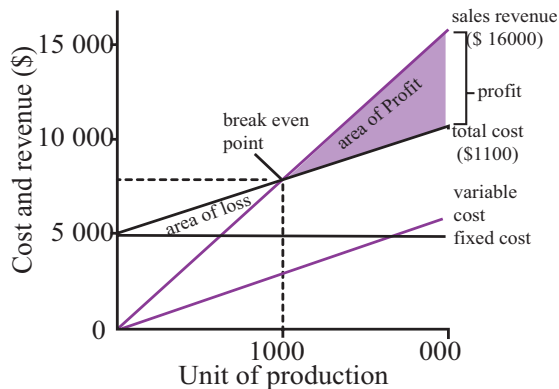
1. (a) (i) Identify the importance of Business plan. [4]

- It focuses attention on objectives and results.
- Risk and uncertainty is reduced.
- Innovation and creativity is encouraged.
- It provides a sense of direction in the business.

Section B (60 marks)

2. (a) With the aid of a diagram, explain a break-even chart. [8]

Break-even Point.



- Break-even is the point at which revenue and total costs are the same. This means that the enterprise is making neither a profit nor a loss.
- It informs an enterprise of how many products it needs to sell to reach to the break-even point (BEP).
- Break-even = Fixed Costs divided by (Selling Price minus Variable Costs).

- (b) Discuss factors that lead to relocation of a business. [12]

- To acquire more room.
- To lower operating costs.
- To modernise equipment and facilities.
- To move closer to large segment of their market, or to establish its presence in a new market.
- To consolidate fewer facilities.
- To be closer to certain suppliers or natural resources.
- To access a better or larger labour pool.

3. (a) Explain four sources of finance for a start-up business. [8]

- Bank loan would have time to repay but would have to pay interest on amount borrowed.
- Own savings no need to repay but might not have sufficient funds.
- Leasing or hire purchase as have no business experience could return equipment in case of need.
- Microfinance as new start up.
- Government grants or subsidies.
- Ask family or friends for finance. Do not accept issue shares, debentures, retained profits or selling existing assets as not appropriate for start-up business.

- (b) Evaluate the importance of small business enterprise. [12]

- Contribute to employment creation.
- Wealth creation.
- Poverty alleviation.
- Income generation.
- Independence and autonomy.
- Vital parts of local economies.

4. (a) Identify and explain two advantages and two disadvantages of being a private limited company instead of a partnership. [8]

Advantages and disadvantages must relate to the difference between a private limited company and a partnership.

Advantages

- More ideas which could make business more competitive.
- More capital which may help solve cash flow problems so less borrowing.
- Share responsibilities so have time to focus on what they are good at.
- Raise capital by selling shares.
- Continuity.
- Easier to get bank loan.
- Separate legal identity.
- Limited liability.

Disadvantages

- Different objectives leading to misunderstandings.
- Slow decision making as they have to consult one another.
- Have unlimited liability they could lose their personal belongings.
- Have to share profits so each person makes less than if it is a sole trader.
- Shareholders expect dividends.
- Accounts not totally private.
- More complex legal process.

(b) Analyse the importance of a working plan. [12]

- Communicate strategies to employees.
- Define goals and objectives.
- Organise teams and leadership.
- Establish project timeline.
- Set project budget.
- Quality assurance and control.

5. (a) State the difference between internal and external stakeholders. [8]

Differences between internal and external stakeholders

Internal stakeholders	External stakeholders
The individual or group that works for the organisation and they actively participate in the management of the company are known as internal stakeholders.	These are individuals or group that is not employed by the organisation but they get affected by its activities.
Serves the organisation.	Deals with company externally.
They are directly influenced by the company's activities because they are the part of the organisation.	They are indirectly influenced by the company's activities because they are the part of the organisation.
They are employed by the company.	They are not employed by the company.
Internal matters of the company are known to internal stakeholders.	External stakeholders do not know about such matters.
Internal stakeholders are the primary stakeholders.	External stakeholders are secondary stakeholders.

(b) Discuss the functions of a Commercial Bank. [12]

- They offer current accounts and savings accounts to business enterprises and individuals.

- It allows account holders to receive and make payments through cheques, direct debit and credit transfers.
- Offer credit and debit cards for the convenience of its customers.
- Provide automated teller machines (ATM) for quick and easy cash withdrawal.
- They offer loans for general purpose.
- They give financial advice to customers on how to invest their money.
- Offer foreign currency through traveller's cheques.
- Allows international traders to make payments (bill of exchange).
- Provide overdraft facilities to current account holders.

6. (a) Differentiate a bank overdraft and a bank loan. [8]

Overdraft

- Only interest payable on amount overdrawn.
- Quick and easy to arrange.
- No security but repayable on demand so more appropriate for short term finance such as cash flow problems.
- Can be expensive as interest rates tend to be high.

Bank loan

- Have a set period of time to repay.
- Fixed interest rate.
- Relatively quick to arrange.
- Appropriate for a vehicle as it is a long term asset.
- But can be expensive as interest payable.

- Security usually required for loan.

(b) (i) Identify **four** methods of secondary market research. [4]

- Government statistics.
- Newspapers or magazine articles.
- Internet or online sources.
- Paying for market research agencies.
- Trade associations reports.
- Company records.

(ii) Describe the following business objectives. [8]

Increase market share:

- Businesses often want to build a larger market share. They may be able to do this if they can win customers from competitors. Businesses with a large market share may be able to dominate the market. They may be able to charge higher prices, for example.
Sales revenue
- Revenue refers to income from all sources while sales are money made from selling goods and services. The aim is to raise the total sales number in each period which can be a week, month, quarter or a year. Profit maximisation.
- Profit maximisation is making as much profit as possible in a given period of time.
- The business is operated with the aim of making a profit.

This happens in the case when a business is not owned by the government but a private owner.

- Most businesses aim to make a profit because their owners want a financial gain. Some businesses try to maximise profit. This means they make as much profit as they possibly can.

Survival:

All businesses will consider survival as important. However, from time to time survival may be the most important objective. For example, when a business first starts trading it may be vulnerable. The owners may lack experience and there may be a shortage of resources. Therefore, an objective for a new business may be to survive in the first 12 months. New competitors can make a firm feel less secure. The survival of a business might also be threatened when trading conditions become this difficult. It can be seen that managers may decide to lower prices in order to survive. This may be done even if there will be lower profit on each item sold.

7. (a) Explain two advantages and two disadvantages of a franchise. [8]

Advantages	Disadvantages
(a) Franchisees may be more talented at growing the business and turning a profit than employees would do.	(a) Franchisors earn royalties from sales. (b) Franchisees earn money from profits.
(b) The franchisee invests capital. (c) The franchisee has a stake in the success of the franchise business. (d) The franchisee is responsible for the day to day operation of the franchise. (e) Greater buying power.	(c) Achieving growth in both is not always possible, potentially causing conflict. (d) Loss of control. (e) Training and support of franchisees. (f) Poorly performing franchisees. (g) Compliance costs and risk. (h) Managing growth.

- (b) Discuss the importance of a business plan. [12]
- Helps with critical decisions.
 - Iron out things which are not in order.
 - Avoid big mistakes.
 - Prove the viability of the business.
 - Set better objectives and standards.
 - Communicate objectives and targets.

- Provide a guide for service providers.
- Secure financing.
- Better understand the broader environment.
- Reduce risk.

EXAMINATION PRACTICE 5 SOLUTIONS

PAPER 1

1. (a) (i) Using relevant examples, explain the meaning of the following terms

Enterprising. [2]

Enterprising is the organising and combining of resources, that is, land, labour and capital to produce goods and services. The enterpriser is responsible for managing the business, bringing creative ideas and taking responsibility for a loss if it happens. The reward for enterprising is profit.

Stakeholder. [2]

- (ii) A stakeholder is anyone with an interest in the business and is affected either directly or indirectly by the business activities, whereas a shareholder is one of the stakeholders who is a part owner of the company and is affected directly by the business activities.
- (b) Explain any **two** attributes of an enterpriser. [2]
- Determined.
 - Good leader.
 - Multi-tasking.
 - Risk taker.

- (c) Outline any **two** challenges associated with enterprising. [2]

- Inadequate financial resources.
- They risk losing their investment due to losses in business.
- The business may not grow due to small amounts of capital.
- Entrepreneurs may need to work over-time to succeed.
- They may suffer from intense competition from bigger businesses.

- (d) Explain any **two** external environmental factors that affect the operations of a business [2]

- Political factors.
- Economic factors.
- Social factors.
- Technological factors.

- (e) Briefly explain the meaning of the acronym SWOT as used in environmental analysis.

S-Strength – Explains the areas that the business has a great advantage in, for example, qualified personnel or a strong marketing base.

W-Weaknesses – Areas in which the business lacks, for example, an inefficient financial manager.

O-Opportunity – What the market is offering, for example, opportunity for market expansion or growth.

T-Threats – Challenges posed by the market or the environment, for which the business has no control over, for example, changes in taste and preferences.

- (f) Outline any **two** causes of business failure. [2]

- Intense competition.
- Inefficient management.
- Inadequate financial resources.

2. (a) Outline any **two** ways in which an enterpriser identifies business opportunities. [2]

- The ability to meet the demand.
- New technology.
- Research and development.
- Recognising areas for expansion.
- Changes in taste and fashion.
- Changes in the size and structure of population.
- Changes in real income.
- Opportunities offered by globalisation.
- Government policies.

(b) Describe **two** roles of Small to Medium Enterprises (SMEs) to the Zimbabwean economy. [2]

- They contribute to economic growth.
- They create employment.
- They contribute to community development.
- They contribute to new product development through innovation.
- Improve standards of living for the people.
- Increase competition and boosts quality of goods.
- Improves production processes through innovation.

(c) Using appropriate examples, explain the following ways of business growth.

(i) **Vertical growth.** [1]

Vertical growth is growth upwards or downwards along the chain of production, for example, a wheat farmer partnering or merging with a bread producer or a bread producer merging with a wholesale or retail distributor.

(ii) **Horizontal growth.** [1]

Horizontal growth is growth across the production chain by businesses at the same stage of production, for example, a wheat farmer merging with another wheat farmer to enjoy economies of scale.

(iii) **Merger.** [1]

A merger or integration occurs when two or more firms agree to join their operations into a single entity.

(iv) **Takeover.** [1]

A takeover occurs when one company acquires another company. The acquired company will lose its identity completely.

(d) Describe the importance of the following stakeholders in an enterprise.

(i) **Employees.** [1]

- Employees provide manual and other labour services to the business to allow production of goods and provision of services to consumers.
- They provide services and meet the conditions and requirements of the employment contract which enable the business to grow.
- They cooperate with management in all reasonable requests.
- They observe the ethical code of conduct which helps maintain the business' reputation.

(ii) Competitors. [1]

- They push the business to perform well in order to survive competition.
- They force the business to charge competitive prices.
- They push businesses to produce quality goods to remain competitive and survive.

(iii) Government. [1]

- Passes laws that restrain many aspects of business activities.
- Ensure law and order to allow legal business activities to take place.
- Ensures the attainment of economic stability to encourage business activities.
- To prevent unfair competition that could damage business survival.
- To establish good trading links with other countries to allow international trade.

(iv) Suppliers. [1]

- Supply goods and services to allow the business to offer products to customers.
- To be treated fairly by the purchasing firm, for example, not to be forced to charge low prices.
- Supply goods and services ordered by the business as in the purchase contract.
- Supply goods and services to allow the business to offer products to customers.

- To be treated fairly by the purchasing firm, for example, not to be forced to charge low prices.
- Supply goods and services ordered by the business as in the purchase contract.

(e) Distinguish between a sole proprietorship and a partnership. [4]

Sole proprietorship	Partnership
Formed, owned and controlled by one person.	Formed and owned by 2-20 people.
Decisions are made without consultation.	Decision making is consultative.
Quick decision making.	Decision making takes longer.
Profits are enjoyed by one person.	Profits are shared among partners.
Losses are not shared.	Losses are shared among partners.

3. (a) Identify any two forms of ethical behaviour in a business. [2]

- Displaying correct sizes and contents of a product, for example, putting on the label of 10 kg maize seed on a 10 kg packet.
- Fair treatment of stakeholders like employees, customers or even suppliers of goods and services.
- Correct advertisements for products and jobs.
- Non-discriminating employees in terms of race, age, colour, creed or religion.
- safely disposing toxic waste to avoid pollution.
- Selling alcoholic beverages and cigarettes to adults only.