



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

**DATE: MONDAY, 28 MARCH, 2022
MARKING GUIDE AND MODEL ANSWERS**

QUESTION ONE

Marking guide

a. The main different types of plans in a complex organization like Friendland Timbers Ltd

Marks

- **Strategic Plans:** Long-term plan that will stretch from three to five years to address the organization's institutional level needs. They are developed by top level management with the organization. 2
- **Tactical Plans:** a medium-term plan covering a period of up to one year. They are concerned with what lower level units within each division must do how they must do it and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work. Tactical plans will be focused on achieving the overall objectives of the organization 2
- **Operational Plans:** Operational planning is normally undertaken by front line managers and supervisors within the different functions of the business including sales, production, human resources and finance. It is concerned with achieving the operational targets set out in the tactical plans. 2
- **Contingency plans** –Plans drawn considering the fact that business operates in a changing environment. Management adopts keeping all options open at all times. They involve identifying alternative course of action that can be implemented if and when the original plan proves inadequate given changing circumstances 2

Maximum marks

8

b. The 4 main challenges involved in effective management of Friendland Timbers Ltd

- **Lack of skills:** It becomes harder and harder to find talented and experienced people. That is because other organizations take prior precautions to retain the skilled employees by applying motivation and empowerment theories to secure their loyalty and job satisfaction 2
- **Market changes:** For example, current global pandemic crisis (e.g Covid -19 pandemic) is considered as a significant change which requires innovative enlightened management skills to adapt it. Reshaping the organizational structures, strategic merging with other organizations, searching for new markets and reducing overhead costs are some of the initial solutions which can be implemented to cope with such change 2
- **Power-added manager:** Knowledge management, social acumen and global orientation are the three areas of competence which characterise the power-added managers. They make effective use of technology and social networks to elicit the necessary knowledge for creativity and innovation 2
- **Empowerment:** asking the employees to share the decision to secure the most appropriate decision to be made 2

- **Human Resources recruitment policies:** Recruiting the right people for the right jobs and training them to improve performance. Clear cut guidelines to be followed for recruitment, selection and induction i.e. Hiring and training Policies **2**
- Maximum** **8**

c. The main advantages of planning in a company like Friedland Timbers Ltd

- Planning minimizes uncertainties in future since it involves anticipation of future events and prepare for risks by putting in place provisions to meet unexpected turn of events **1**
- Planning facilitates coordination whereby the set goals will help management and employees to direct the activities towards common goals, which helps avoid duplication of efforts thus better coordination **1**
- It helps improve employee’s morale by creating an atmosphere of order and discipline in an organization. Employees know in advance what is expected of them and therefore try to conform. It creates a healthy attitude towards work environment **1**
- Planning helps in orderly allocation of resources and their optimum utilization. This helps avoid wastage of resources by selecting the most appropriate use **1**
- Planning facilitates controlling since plans act as standards upon which performance is measured and compared **1**
- Planning encourages innovation since during the process of planning new ways and means of improving performance are suggested. **1**

Maximum **4**

Total marks **20**

Model answers

a. The main different types of plans in a complex organization like Friendland Timbers Ltd

- **Strategic Plans:** Strategic plans outlines the steps designed with goals of entire organization as a whole in mind. This begins with the organization 's mission. They are long term and are developed by top level management with the organization. Such plans give directional objectives and shape the destiny of an. A strategic plan is a long-term plan that will stretch from three to five years.
- **Tactical Plans-** are concerned with what lower-level units within each division must do how they must do it and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work. A tactical plan is normally a medium-term plan covering a period of up to 1 year. Tactical plans will be focused on achieving the overall objectives of the organization.
- **Operational Plans** Operational plans are concerned with the short-term, day-to-day functions of the organization. It is concerned with achieving the operational targets set out in the tactical plans. Operational planning is normally undertaken by front line managers and supervisors within the different functions of the business including sales, production, human resources and finance.
- **Contingency plans** –are those plans drawn considering the fact that business operates in a changing environment. Management adopts keeping all options open at all times. They involve identifying alternative course of action that can be implemented if and when the original plan proves inadequate given changing circumstances

b. The 4 main challenges involved in effective management of Friendland Timbers Ltd

- **Lack of skills:** Lack of skills is challenge facing organizations. It becomes harder and harder to find talented and experienced people. That is because other organizations take prior precautions to retain the skilled employees by applying motivation and empowerment theories to secure their loyalty and job satisfaction.
- **Market changes:** Copying with continuous rapid changes in marketplace and the need to find new ways in anticipating changes are as challenging as they ever were. For example, current global pandemic crisis (e.g COVID -19 pandemic) is considered a significant change which requires innovative enlightened management skills to adapt it. Reshaping the organizational

structures, strategic merging with other organizations, searching for new markets and reducing overhead costs are some of the initial solutions which can be implemented to cope with such change.

- **Power-added manager:** Power-added managers are considered the strategic leaders of an organization who formulate and drive through visions which are innovative and creative. They need exceptional competence and experience in relation to both knowledge and people to face different contexts, cultures and communities. Knowledge management, social acumen and global orientation are the three areas of competence which characterize the power-added managers. They make effective use of technology and social networks to elicit the necessary knowledge for creativity and innovation

- **Empowerment: The road to success:** Nowadays, Empowerment is another key to keep the organization successful. Making decisions becomes more complex than before, that is why asking the employees to share the decision is a vital and a strategic tool to secure the most appropriate decision to be made.

- **Human Resources recruitment policies:** Recruiting the right people for the right jobs and training them to improve performance is another challenge for HR departments in light of the lack of skills and the market huge demand. HR departments play now more significant roles than before, however, they need to develop new roles and agenda to deliver organizational excellence such as creating partnering with senior managers and becoming agents of continuous transformation and shaping a culture to improve the organization capacity for change.

c. The main advantages of planning in a company like Friedland Timbers Ltd

- Planning minimizes uncertainties in future since it involves anticipation of future events and prepare for risks by putting in place provisions to meet unexpected turn of events

- Planning facilitates coordination whereby the set goals will help management and employees to direct the activities towards common goals, which helps avoid duplication of efforts thus better coordination

- It helps improve employee's morale by creating an atmosphere of order and discipline in an organization. Employees know in advance what is expected of them and therefore try to conform. It creates a healthy attitude towards work environment

- Planning helps in orderly allocation of resources and their optimum utilization. This helps avoid wastage of resources by selecting the most appropriate use.
- Planning facilitates controlling since plans act as standards upon which performance is measured and compared
- Planning encourages innovation since during the process of planning new ways and means of improving performance are suggested. It involves creative thinking and imagination that leads to innovation of methods and operations for growth.

QUESTION TWO

Marking guide

a. The importance of conducting research for a new venture like Magasin “Sport Inshuti “Ltd

Marks

- **Identify new products or service:** help in discovering new products and services, the market needs and how to serve it. It helps establish the factors that are most important to customers and how the organization can incorporate those factors into what the market needs **2**
- **Identify potential customers:** Demographic data such as gender, age, income, occupation and lifestyle can help you to understand your customer base more in-depth. If you know what your current customers look like, you can know who to market your products or services to in the future. **2**
- **Establishes viability of a product or service:** it will help Magasin sport Inshuti plans to bring a new product or service to the market, it important to first establish whether the market is open to it. Will the product be welcomed? Is the product needed by the customers you are targeting? Will it be viable and what is its potential to succeed? **2**
- **Anticipates and discovers future market trends:** By knowing market and the trends that are arising in the future, Magasin Sport Inshuti can develop strategies that will help counteract any downward trends that may affect his business. Upward trends can, in turn, be utilized to progress in the business **2**
- **Keeps the company ahead of competitors:** Comparative studies are great for tracking the progress of the competitors in comparison with Magasin Sport Inshuti company’s progress. If they are moving far ahead, it is a great opportunity for the company to learn what they are doing differently. In this context Magasin sport inshuti can develop business strategies to move ahead of its competitors **2**

- **Decides best competitive strategies:** market research is great for establishing what medium or channel is the best way to reach those who are truly interested in what you have to offer. If you can discover that your customer base frequents a certain medium more than another, it stands to reason that your efforts should be focused there and not somewhere else. Resources are valuable so putting them where success is guaranteed is a no-brainer 2
 - **Reduces risks and increases profitability:** Having the right knowledge can help Magasin sport inshuti reduce the risks the company takes and if need be, help managers understand what risks are worth taking based on past information and future predictions of market trends. Market research helps to establish market viability which reduces the risk of failure 2
 - **Identify threats and opportunities:** Market research can help to determine all four of these areas. Where do your company's strengths and weaknesses lie? What opportunities are available for your business on your market? What threats/risks do you need to overcome or avoid in order being successful? 2
 - **Helps to understand existing customers:** Market research help to understand existing customers on a deeper level. The company's customers are complex and what they may have needed before may not be what they need now. To be successful the company need to check the pulse of the customer base regularly. What are their immediate needs? Are there new needs that your company can fulfill? What are their thoughts on your company and products? Market research also helps to establish customer satisfaction level 2
 - **Assists in realistic goal setting:** Real-time data about your market and your customer base can help you to set goals that are attainable. Establishing a growth pattern over time lets the company know what is expected in the future and what plan can be implemented in order to gradually expand that growth in a realistic manner 2
- Maximum 8**

b. The main elements of the mix of marketing communication

- **Advertisement:** to inform, persuade, reminder create additional utility impact on people's perceptions. Advertising formed a certain degree of awareness and knowledge about the existence of a product and brand that makes possible the application of modern forms of sale, such as self-service 2
- **Personal Selling:** Personal sales are expressed in a personal presentation of ideas and products to the client, in which the seller persuades and helps the buyer decide to purchase. Personal selling allows modification of the message as per the client, control over the audience and achieved delivery of information about consumer behavior and market trends 2
- **Sales promotion:** It includes activities promoting sales by providing additional incentives for purchase -price reduction, premiums, samples, coupons and more. These incentives are a supplement, but not substitute for the basic benefits that the buyer gets when buy the product. 2

- **Public relations:** Public relations are relevant to all activities in the organization and cover all communications. Their main objectives are to achieve understanding with the audience and influence public opinion. 2
 - **Direct marketing:** organizations communicate directly with their target customers to generate reaction and/or transaction. 2
- Maximum** **6**

c. The main factors that influence the price of a product or a service in the organization like Magasin sport inshuti ltd.

- **The Cost of Production:** The costs of producing a product or service set the floor price for a product or service. An organization must recover the costs if it wants to stay in business in the long term 2
- **The Organization’s Objectives:** The objectives of the organization will also influence the price charged. For example, the organization may charge a high price to maximise profits, or they may decide to charge a low price initially to gain market share 2
- **Positioning Strategy:** The Company may be pursuing a low-price strategy or a differentiation strategy where it will charge a high price for perceived quality such as BMW and Rolex 2
- **The Customer:** The customer effectively determines the highest price that can be charged for the product. Companies should carry out market research to establish the disposable income of target customers and how much they are willing to pay for a particular product or service 2
- **Competition:** The level of competition in the marketplace will impact the level of prices. In a highly competitive marketplace, prices will tend to be lower but in a market with few competitors an organization can charge a higher price 2
- **Economic conditions:** If the economy of a country is booming, then prices will tend to be higher while in a recession price will generally fall 2
- **Government Regulations and Control:** Governments actions can affect prices in a number of ways. Governments can also affect the prices charged for products and services by increasing taxes and duties 2

Maximum **6**

Total marks **20**

Model answers

a. The importance of conducting research for a new venture like Magasin “Sport Inshuti “Ltd

- **Identify new products or service:** Conducting Market research will help Magasin Sport Inshuti discover new products and services, the market needs and how to serve it. It helps establish the factors that are most important to customers and how the organization can incorporate those factors into what the market needs.
- **Identify potential customers:** Demographic data such as gender, age, income, occupation and lifestyle can help you to understand your customer base more in-depth. If you know what your current customers look like, you can now know who to market your products or services to in the future. Marketing to the wrong type of customer can lead to the product performing poorly.
- **Establishes viability of a product or service:** it will help Magasin sport Inshuti plans to bring a new product or service to the market, it is important to first establish whether the market is open to it. Will the product be welcomed? Is the product needed by the customers you are targeting? Will it be viable and what is its potential to succeed?
- **Anticipates and discovers future market trends:** By knowing market and the trends that are arising in the future, Magasin Sport Inshuti can develop strategies that will help counteract any downward trends that may affect his business. Upward trends can, in turn, be utilized to progress in the business
- **Keeps the company ahead of competitors:** Comparative studies are great for tracking the progress of the competitors in comparison with Magasin Sport Inshuti company’s progress. If they are moving far ahead, it is a great opportunity for the company to learn what they are doing differently. In this context Magasin sport inshuti can develop business strategies to move ahead of its competitors.
- **Decides best competitive strategies:** market research is great for establishing what medium or channel is the best way to reach those who are truly interested in what you have to offer. If you can discover that your customer base frequents a certain medium more than another, it stands to reason that your efforts should be focused there and not somewhere else. Resources are valuable so putting them where success is guaranteed is a no-brainer.

- **Reduces risks and increases profitability:** Having the right knowledge can help Magasin sport inshuti reduce the risks the company takes and if need be, help managers understand what risks are worth taking based on past information and future predictions of market trends. Market research helps to establish market viability which reduces the risk of failure.
- **Identify threats and opportunities:** Market research can help to determine all four of these areas. Where do your company's strengths and weaknesses lie? What opportunities are available for your business on your market? What threats/risks do you need to overcome or avoid in order to be successful?
- **Helps to understand existing customers:** Market research can help Magasin sport inshuti to understand existing customers on a deeper level. The company's customers are complex and what they may have needed before may not be what they need now. To be successful the company need to check the pulse of the customer base regularly. What are their immediate needs? Are there new needs that your company can fulfill? What are their thoughts on your company and products? Market research also helps to establish customer satisfaction levels.
- **Assists in realistic goal setting:** Real-time data about your market and your customer base can help you to set goals that are attainable. Establishing a growth pattern over time lets the company know what is expected in the future and what plan can be implemented in order to gradually expand that growth in a realistic manner.

b. The main elements of the mix of marketing communication

- **Advertisement:** Advertising performs multiple functions, the main ones are: inform, persuade, reminder create additional utility impact on people's perceptions. As a result of advertising certain products and brands look more upscale and stylish than competitors. Advertising adds value to the purchase of expensive and risky products. It supports other promotional resources and can attract a large and geographically dispersed market. The costs to reach one member of the target audience are lower as compared with personal sales. Advertisers have a number of alternative means of advertising and can exercise control over the content of the advertising message, its design, time and place of the broadcast. Advertising formed a certain degree of awareness and knowledge about the existence of a product and brand that makes possible the application of modern forms of sale, such as self-service.
- **Personal Selling:** Personal sales are expressed in a personal presentation of ideas and products to the client, in which the seller persuades and helps the buyer decide to purchase.

Personal sales represent two-way communication between seller and buyer in order to affect the purchase by targeting long-term relationships with retailers and consumers -SRM. Personal selling is rarely used as a single agent for promotion. They support other means of the promotional mix while being supported by them. Personal selling allows modification of the message as per the client, control over the audience and achieved delivery of information about consumer behavior and market trends.

- **Sales promotion:** Sales promotion is a complex of actions with a single or short-term to encourage consumers and commercial firms by offering them additional incentives to increase sales. It includes activities promoting sales by providing additional incentives for purchase -price reduction, premiums, samples, coupons and more. These incentives are a supplement, but not substitute for the basic benefits that the buyer gets when buy the product. So, while the ad gives the reason to buy a good, stimulating sales added incentives for this in order to increase and accelerate sales, ie proceed with immediate effect. Sales promotion consumer oriented, aims to stimulate consumers to immediate purchase. The funds are distributed by producers or traders. These are price deals, coupons, samples, sweepstakes, contests, discounts, premiums, souvenirs, loyalty programs, samples, demonstrations and more. Stimulating sales oriented traders aims at promoting commercial intermediaries ie wholesalers, retailers, distributors and their sales staff to buy more to display and sell a better products company. For this purpose, use such as posters, displays, displays, competitions and lotteries, trade shows, cash bonuses and more. This approach stimulates the active involvement of sales representatives, has a high degree of flexibility, creates interest and helps test new products, and support continued the impact of advertising.

- **Public relations:** Public relations (PR) are an interactive system using one or more communication devices for notice measurable effects. They are relevant to all activities in the organization and cover all communications. PR are not focus on the product; they are focused on the whole company. Their main objectives are to achieve understanding with the audience and influence public opinion. “PR is a distinctive management function which helps to establish and maintain a two-tier communication, understanding, acceptance and cooperation between an organization and its users. Includes management of problems and results; It helps management to be constantly informed and responsive to public opinion; defines and emphasizes the managerial

responsibility for serving the public interest; It helps management is always aware of the situation and effectively use change to serve as an early warning system.

- **Direct marketing:** One of the fastest growing sectors in the global economy is direct marketing, by which organizations communicate directly with their target customers to generate reaction and/or transaction. “Traditionally, direct marketing is not considered as part of the promotional mix, but it has become an integral part of the integrated marketing communications of many organizations and often includes separate targets, budgets, strategies. It is not just direct mail or electronic catalog”. The development of technology and the use of the Internet make possible to apply new and attractive forms of direct marketing that contain the potential for branding and generating sales. Such forms are web marketing, email marketing, direct mail, web seminars, telemarketing promotions, sales channels, direct sales, advertising flyers, catalogs and more.

c. The main factors that influence the price of a product or a service in the organization like Magasin sport inshuti ltd.

- **The Cost of Production:** The costs of producing a product or service set the floor price for a product or service. An organization must recover the costs if it wants to stay in business in the long term.
- **The Organization’s Objectives:** The objectives of the organization will also influence the price charged. For example, the organization may charge a high price to maximize profits, or they may decide to charge a low price initially to gain market share.
- **Positioning Strategy:** The Company may be pursuing a low-price strategy or a differentiation strategy where it will charge a high price for perceived quality such as BMW and Rolex.
- **The Customer:** The customer effectively determines the highest price that can be charged for the product. Companies should carry out market research to establish the disposable income of target customers and how much they are willing to pay for a particular product or service
- **Competition:** The level of competition in the market place will impact the level of prices. In a highly competitive market place, prices will tend to be lower but in a market with few competitors an organization can charge a higher price.
- **Economic conditions:** If the economy of a country is booming, then prices will tend to be higher while in a recession price will generally fall.

- **Government Regulations and Control:** Governments actions can affect prices in a number of ways. In some countries the prices charges for utilities such as electricity and public transport are subject to government regulations. Governments can also affect the prices charged for products and services by increasing taxes and duties.

QUESTION THREE

Marking guide

a. The five categories of threats that Alex Kabanda a professional may face.

Marks

- **Self – Interest Threat** – The threat that a financial or other interest will inappropriately influence the professional accountant’s judgment or behavior **2**
- **Self – Review Threat** – The threat that a professional accountant will not appropriately evaluate the results of a previous judgment made or service performed by the professional accountant, or by another individual within the professional accountant’s firm or employing organization, on which the accountant will rely when forming a judgment as part of providing a current service **2**
- **Advocacy Threat** – The threat that a professional accountant will promote a client’s or employer’s position to the point that the professional accountant’s objectivity is compromised **2**
- **Familiarity Threat** – The threat that due to a long or close relationship with a client or employer, a professional accountant will be too sympathetic to their interests or too accepting of their work. E.g. becoming too sympathetic to the client’s needs and losing objectivity **2**
- **Intimidation Threat** – The threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the professional accountant **2**

Maximum

10

b. ICPAR fundamental principles that Mr Alex Kabanda a professional accountant would comply with to resolve unethical practices at AML

- **Integrity:** To be straightforward and honest in all professional and business relationships **2**
- **Objectivity:** To not allow bias, conflict of interest or undue influence of others to override professional or business judgments **2**
- **Professional Competence and Due Care:** to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards **2**
- **Professional Behavior:** To comply with relevant laws and regulations and avoid any action that discredits the profession **2**

Maximum **6**

c. Mr Alex Kabanda would be impacted on his independence in financial reporting in the sense that lack of independence may create the following ethical dilemmas in financial reporting as:

- It creates a self-review threat especially when reviewing reports prepared by one the AML shareholders a wife of his boss in KAP Partners **1**
- It is not easy for Alex Kabanda to provide unbiased opinion about financial performance and errors in the books of accounts thus lack of credibility of the financial reports **1**
- KAP partners may impose undue influence on Alex Kabanda 's independence to provide favorable opinion **1**
- Alex Kabanda may lead to a lack of trust or assurance of the financial reports prepared by AML **1**

Maximum **4**

Total marks **20**

Model answers

a. The five categories of threats that Alex Kabanda a professional may face.

- **Self – Interest Threat** – The threat that a financial or other interest will inappropriately influence the professional accountant's judgment or behavior
- **Self – Review Threat** – The threat that a professional accountant will not appropriately evaluate the results of a previous judgment made or service performed by the professional accountant, or by another individual within the professional accountant's firm or employing organization, on which the accountant will rely when forming a judgment as part of providing a current service
- **Advocacy Threat** – The threat that a professional accountant will promote a client's or employer's position to the point that the professional accountant's objectivity is compromised
- **Familiarity Threat** – The threat that due to a long or close relationship with a client or employer, a professional accountant will be too sympathetic to their interests or too accepting of their work. E.g. becoming too sympathetic to the client's needs and losing objectivity.
- **Intimidation Threat** – The threat that a professional accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the professional accountant

b. ICPAR fundamental principles that Mr Alex Kabanda a professional accountant would comply with to resolve unethical practices at AML

- **Integrity:** To be straightforward and honest in all professional and business relationships.
- **Objectivity:** To not allow bias, conflict of interest or undue influence of others to override professional or business judgments.
- **Professional Competence and Due Care:** To maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
- **Professional Behavior:** To comply with relevant laws and regulations and avoid any action that discredits the profession

c. Mr Alex Kabanda would be impacted on his independence in financial reporting in the sense that lack of independence may create the following ethical dilemmas in financial reporting as:

- It creates a self review threat especially when reviewing reports prepared by one the AML shareholders a wife of his boss in KAP Partners
- It is not easy for Alex Kabanda to provide unbiased opinion about financial performance and errors in the books of accounts thus lack of credibility of the financial reports
- KAP partners may impose undue influence on Alex Kabanda 's independence to provide favorable opinion
- Alex Kabanda may lead to a lack of trust or assurance of the financial reports prepared by AML

QUESTION FOUR

Marking guide

a. The services offered by incubators to start ups entrepreneurs

	Marks
• Help a start-up to start basic operations and financial management.	2
• They offer marketing and assistance to new companies to set up a brand name.	2
• Business incubators have a strong network of influential people, and therefore, they can connect the business with the same to grow.	2
• Incubators also provide assistance and resources for conducting market research.	2
• They also help the start-ups in sorting their accounting books.	2
• Incubators bring credibility to the company. This helps the company to get loans and credit facilities from financial institutions.	2
• Often the start-ups do not know how to create an effective presentation to impress angel investors, venture capital and other investors.	2
• Business incubators, with plenty of experience behind them, help these companies with the presentations as well.	2
• Business incubators also act as mentors and advisors and assist the start-ups in all sorts of business-related issues.	2
Maximum	8

b. The alternative methods of financing ventures with equity

- i. Personal Savings:** It includes profit sharing or early retirement funds, real estate equity loans, or cash value insurance policies. 2
- ii. Equity Financing:** Equity involves a permanent investment in a company and is not repaid by the company at a later date. 2
- iii. Life insurance policies** - A standard feature of many life insurance policies is the owner's ability to borrow against the cash value of the policy. 2
- iv. Friends and Relatives** Founders of a start-up business may look to private financing sources such as parents or friends. It may be in the form of equity financing in which the friend or relative receives an ownership interest in the business. 2
- v. Venture capital** refers to financing that comes from companies or individuals in the business of investing in young, privately held businesses. They provide capital to young businesses in exchange for an ownership share of the business. 2
- vi. Angel Investors:** Angel investors are individuals and businesses that are interested in helping small businesses survive and grow. 2
- vii. Government Grants:** State governments often have financial assistance in the form of grants and/or tax credits for start-up or expanding businesses. 2
- viii. Banks and Other Commercial Lenders:** based on a solid business plan, positive track record, and plenty of collateral. Once the business is underway and profit and loss statements,

cash flows budgets, and net worth statements are provided, the company may be able to borrow additional funds. 2

ix. Debt Financing Debt financing involves borrowing funds from creditors with the stipulation of repaying the borrowed funds plus interest at a specified future time. For the creditors (those lending the funds to the business), the reward for providing the debt financing is the interest on the amount lent to the borrower. 2

x. Government Programs, Governments have programs designed to assist the financing of new ventures and small businesses. The assistance is often in the form of a government guarantee of the repayment of a loan from a conventional lender 2

xi. Friends and Relatives Founders of start-up businesses may look to private sources such as family and friends when starting a business. 2

xii. Lease: A lease is a method of obtaining the use of assets for the business without using debt or equity financing. It is a legal agreement between two parties that specifies the terms and conditions for the rental use of a tangible resource such as a building and equipment. Lease payments are often due annually. 2

Maximum 12

Total marks 20

Model answers

a. The services offered by incubators to start ups entrepreneurs

- Help a start-up to start basic operations and financial management
- They offer marketing and PR assistance to new companies to set up a brand name.
- Business incubators have a strong network of influential people, and therefore, they can connect the business with the same to grow.
- Incubators also provide assistance and resources for conducting market research.
- They also help the start-ups in sorting their accounting books.
- Incubators bring credibility to the company. This helps the company to get loans and credit facilities from financial institutions.
- Often the start-ups do not know how to create an effective presentation to impress angel investors, venture capital and other investors. Business incubators, with plenty of experience behind them, help these companies with the presentations as well.
- Business incubators also act as mentors and advisors and assist the start-ups in all sorts of business-related issues.

b. The alternative methods of financing ventures with equity

i. Personal Savings: The first place to look for money is your own savings or equity. Personal resources can include profit sharing or early retirement funds, real estate equity loans, or cash value insurance policies,

ii. Equity Financing: Equity financing means exchanging a portion of the ownership of the business for a financial investment in the business. The ownership stake resulting from an equity investment allows the investor to share in the company's profits. Equity involves a permanent investment in a company and is not repaid by the company at a later date

iii. Life insurance policies: A standard feature of many life insurance policies is the owner's ability to borrow against the cash value of the policy. This does not include term insurance because it has no cash value. The money can be used for business needs. It takes about two years for a policy to accumulate sufficient cash value for borrowing. You may borrow most of the cash value of the policy. The loan will reduce the face value of the policy, and, in the case of death, the loan has to be repaid before the beneficiaries of the policy receive any payment.

iv. Friends and Relatives: Founders of a start-up business may look to private financing sources such as parents or friends. It may be in the form of equity financing in which the friend or relative receives an ownership interest in the business. However, these investments should be made with the same formality that would be used with outside investors

v. Venture capital: Refers to financing that comes from companies or individuals in the business of investing in young, privately held businesses. They provide capital to young businesses in exchange for an ownership share of the business.

vi. Angel Investors Angel investors are individuals and businesses that are interested in helping small businesses survive and grow. So their objective may be more than just focusing on economic returns. Although angel investors often have somewhat of a mission focus, they are still interested in profitability and security for their investment.

vii. Government Grants: The government often has financial assistance in the form of grants and/or tax credits for start-up or expanding businesses.

viii. Banks and Other Commercial Lenders: Banks and other commercial lenders are popular sources of business financing. Most lenders require a solid business plan, positive track record, and plenty of collateral. These are usually hard to come by for a start-up business. Once the

business is underway and profit and loss statements, cash flows budgets, and net worth statements are provided, the company may be able to borrow additional funds

ix. Debt Financing: Debt financing involves borrowing funds from creditors with the stipulation of repaying the borrowed funds plus interest at a specified future time. For the creditors (those lending the funds to the business), the reward for providing the debt financing is the interest on the amount lent to the borrower

x. Government Programs: Governments have programs designed to assist the financing of new ventures and small businesses. The assistance is often in the form of a government guarantee of the repayment of a loan from a conventional lender

xi. Friends and Relatives: Founders of start-up businesses may look to private sources such as family and friends when starting a business.

xii. Lease: A lease is a method of obtaining the use of assets for the business without using debt or equity financing. It is a legal agreement between two parties that specifies the terms and conditions for the rental use of a tangible resource such as a building and equipment. Lease payments are often due annually.

QUESTION FIVE

Marking guide

a. The key resources required to expand the operations of Sameer Hussein Ltd

Marks

- **Financial resources:** represent money assets. Financial resources are generally the firm's borrowing capacity, its ability to raise new equity, and the amount of cash generated by internal operations. Examples of financial resources that Sameer Hussein can use include: equity financing, personal savings, friends and family, debt financing, business angels among others. 2
- **Intellectual and human resources:** include the entrepreneur's knowledge, training and experience and his or her team of employees and managers. It includes the judgment, insight, creativity, vision and intelligence of the individual members of an organization. It can even include the social skills of the entrepreneurs. Entrepreneurs often perceive great opportunities where others see only competition or chaos; therefore, entrepreneurial perception is a resource that Sameer Hussein can capitalize. 2
- **Social resources:** A social resource is an individual 'store of value that can be used to improve production and productivity through the network of people that one interacts with. It is important to note that entrepreneurs have very strong social relationship of direct and extended family settings, clans, communities and tribes. These relationships are very visible and useful in times of celebration of rites of birth, marriage, death and others. However, most of the social

network's entrepreneurs create are very weak and unhelpful in matters related to business and financial support. Sameer Hussein should have created a strong social network. 2

- **Technological resources:** consist of processes, systems or physical transformations. They may include labs, research and development facilities and testing and quality control technologies. Knowledge generated by research and development and then protected by patents is a resource, as re formulas, licenses, trademarks, and copy rights. Technological secrets and proprietary processes are resources as well as Sameer Hussein should consider. 2

- **Physical resources:** are the tangible property the firm uses in production and administration. They include the firm's plant and equipment, its location, and the amenities available at that location. Some firms also have natural resources such as minerals, energy resources or land Sameer Hussein should consider the availability of these physical resources at the company. 2

- **Behavioral/attitudes resources:** are the psychological traits the entrepreneur possesses to enhance productivity and inspire the team. It requires Sameer Hussein to recognize these traits in himself or the team and advance them to transform the business culture, team, and innovative mindset. 2

- **Organizational resources:** include the firm's structure, routines, and systems. The term ordinarily refers to the firm's formal reporting systems, its information –generation and decision-making systems, and its formal and informal planning. Sameer Hussein should assess the quality of organizational resources if they can support the intended business expansion. 2

- **Time:** is resource you have to use carefully. Time is a critical business resource that once wasted may never be recovered. The amount of time an entrepreneur's resorts to his business will determine business success and reward. Sameer Hussein should consider if the time available to carry out due diligence is enough or not. 2

Maximum 10

b. Explain why internet marketing has made the whole world one village in marketing/or promoting products and services

- **With internet marketing,** business can deliver content to their customer s and through personalized and cost-effective communication. 1

- **Convenience and quick service:** internet has extremely eased accessibility with consumers using the internet and reaching markets anywhere in the world. Purchasing goods from across borders reduces the costs of transportation. 1

- **Low costs for operations:** with internet marketing, business can advertise cheaply, get a free listing in a wide range of business directories, easy to contact customers and in short time. 1

- **Measure and track results:** internet marketing businesses can use varying tools for tracking results, know the sales and opinions of the customers. 1

- **Demographic targeting:** business marketing their product on internet gives them ability to target audience based on demography, which gives business employees to concentrate their efforts on the audience that they truly want the products and services. 1

- **Global marketing:** the ability to market products and services globally is more advantageous to the businesses since in a little while all is able to secure a million of viewers and reach huge audience from across the world. 1
 - **Data collection for personalization:** transactions through the internet allow business to collect data whenever a customer purchases a product through a company's website, the data is captured, and this helps companies to analyse the data and find out what product or service sell frequently. 1
 - **Relationship:** internet marketing provides an important platform for building relationships with customers and increasing customer retention levels like if a customer purchases a product from the business online store, the company can begin the relationship by sending email to confirm the transaction. 1
- Maximum** **5**

c. The following are how Taxes affects entrepreneurship in Rwanda

- When taxes are high, there are fewer entrepreneurs, and fewer businesses are created, which means that less wealth is created. 1
 - A tax always has the effect of reducing the consumption of a good or service, and the same holds true for entrepreneurship. 1
 - Taxes influence the incentive to start a business, and an individual's ability to accumulate the capital needed to go into business for oneself, among other things. 1
 - When there are fewer entrepreneurs, there is less economic growth and less prosperity to finance government programs. Even those whose concern is to maximize government resources therefore have an interest in not asphyxiating entrepreneurs with disproportionate taxes. 1
 - Lower corporate taxes can even lead to higher government revenue. 1
 - Corporate taxation is of great concern in investors' decisions and hence in economic growth and employment. 1
 - Complex and excessive taxation deters foreign investors, drives out domestic investors, curbs entrepreneurship, and results in deadweight losses due to tax compliance and tax avoidance costs. 1
- Maximum** **5**

Total marks **20**

Model answers

a. The key resources required to expand the operations of Sameer Hussein Ltd

- **Financial resources:** represent money assets. Financial resources are generally the firm's borrowing capacity, its ability to raise new equity, and the amount of cash generated by internal operations. Examples of financial resources that Sameer Hussein can use include equity financing, personal savings, friends and family, debt financing, business angels among others.
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- **Technological resources:** consist of processes, systems or physical transformations. They may include labs, research and development facilities and testing and quality control technologies. Knowledge generated by research and development and then protected by patents is a resource, as re formulas, licenses, trademarks, and copy rights. Technological secrets and proprietary processes are resources as well as Sameer Hussein should consider.
- **Physical resources:** are the tangible property the firm uses in production and administration. They include the firm's plant and equipment, its location and the amenities available at that location. Some firms also have natural resources such as minerals, energy resources or land Sameer Hussein should consider the availability of these physical resources at the company
- **Behavioral/attitudes resources:** are the psychological traits the entrepreneur possesses to enhance productivity and inspire the team. It requires Sameer Hussein to recognize these traits in

himself or the team and advance them to transform the business culture, team and innovative mindset

- **Organizational resources:** include the firm's structure, routines and systems. The term ordinarily refers to the firm's formal reporting systems, its information –generation and decision-making systems, and its formal and informal planning. Sameer Hussein should assess the quality of organizational resources if they can support the intended business expansion.

- **Time:** is resource you have to use carefully. Time is a critical business resource that once wasted may never be recovered. The amount of time an entrepreneur's resorts to his business will determine business success and reward. Sameer Hussein should consider if the time available to carry out due diligence is enough or not.

b. The reason why internet marketing has made the whole world one village in marketing/or promoting products and services

- **With internet marketing,** business can deliver content to their customer s and through personalized and cost-effective communication

- **Convenience and quick service:** internet has extremely eased accessibility with consumers using the internet and reaching markets anywhere in the world. Purchasing goods from across borders reduces the costs of transportation

- **Low costs for operations:** with internet marketing, business can advertise cheaply, get a free listing in a wide range of business directories, easy to contact customers and in short time

- **Measure and track results:** internet marketing businesses can use varying tools for tracking results, know the sales and opinions of the customers

- **Demographic targeting:** business marketing their product on internet gives them ability to target audience based on demography, which gives business employees to concentrate their efforts on the audience that they truly want the products and services

- **Global marketing:** the ability to market products and services globally is more advantageous to the businesses since in a little while all is able to secure a million of viewers and reach huge audience from across the world

- **Data collection for personalization:** transactions through the internet allow business to collect data whenever a customer purchases a product through a company's website, the data is captured and this helps companies to analyze the data and find out what product or service sell frequently.

- **Relationship:** internet marketing provides an important platform for building relationships with customers and increasing customer retention levels like if a customer purchases a product from the business online store, the company can begin the relationship by sending email to confirm the transaction

c. Taxes affects entrepreneurship in Rwanda in the following ways:

- When taxes are high, there are fewer entrepreneurs, and fewer businesses are created, which means that less wealth is created
- A tax always has the effect of reducing the consumption of a good or service, and the same holds true for entrepreneurship
- Taxes influence the incentive to start a business, and an individual's ability to accumulate the capital needed to go into business for oneself, among other things
- When there are fewer entrepreneurs, there is less economic growth and less prosperity to finance government programs. Even those whose concern is to maximize government resources therefore have an interest in not asphyxiating entrepreneurs with disproportionate taxes
- Lower corporate taxes can even lead to higher government revenue
- Corporate taxation is of great concern in investors' decisions and hence in economic growth and employment
- Complex and excessive taxation deters foreign investors, drives out domestic investors, curbs entrepreneurship, and results in deadweight losses due to tax compliance and tax avoidance costs.

QUESTION SIX

Marking guide

A written report to potential investors on why they should consider investing in social Enterprises Marks

This report present information about Kwigira culture company

Head paper 1.5

To 1.5

From 1.5

Date 1.5

Re: report on social Enterprise Kwigira culture company 1.5

Introduction 1.5

This report presents information about Kwigira culture company to Potential investors

Background of the company ----- 1

The company was formed in...../...../2018 and has now been running for 4years .

It comprises 400 villages saving groups. Members are mainly small business farmers

Profile -----

- Members group pay a commitment fee of 3000 francs to the company and the meeting with the group's association meetings are held every first Monday in the month. 1
- Village saving groups meet every week on specifically selected days and each member pays at least 200 francs whenever they hold a meeting. 1
- The deposits provide a pool for a contingency fund. 1

Objectives of the company

- To secure loans for farmers to buy fertilizers, seedlings and farming implements. 1
- To encourage individuals to engage in productive projects to improve their livelihood 1
- To train individuals in managing their limited resources effectively and invest productively. 1

Current activities carried out by members groups

- Weekly compulsory savings 1
- Piggery farming 1
- Chairs and tents for hire services 1

- Poultry farming 1

Future plans and prospects

The association has the following plans:

- To provide financial assistance in form of soft loans to member groups to enable their members boost their small businesses 1
- To offer training in technical and managerial skills in business 1
- To launch a variety of appliances like TVs pressure cookers and egg incubators with the goal of solving the biggest challenges facing these households on a daily basis. 1
- To offer any other business development assistance to the member groups. 1

Conclusion: 1

The company has good prospects but needs financial support through quick loans with reasonable interest.

Signed: 1

Nkurunziza Emmanuel 1

Chairperson

Total marks 20

Model answers

A written report to potential investors on why they should consider investing in social Enterprises. The report may show the following information about Kwigiraculture Company.

Head paper (Company address)

To: (To whom the report is addressed to)

From (Address writer of the report)

Date

Re: Report on social Enterprise Kwigira culture company (in italic or in bold)

Introduction

This report presents information about Kwigiraculture company to Potential investors

Background of the company

The company was formed in...../...../2018 and has now been running for 4years .

It comprises 400 villages saving groups. Members are mainly small business farmers

Profile

Members group pay a commitment fee of 3000 francs to the company and the meeting with the groups association meetings are held every first Monday in the month. Village saving groups meet every week on specifically selected days and each member pays at least 200 francs whenever they hold a meeting. The deposits provide a pool for a contingency fund.

Objectives of the company

- To secure loans for farmers to buy fertilizers, seedlings and farming implements.
- To encourage individuals to engage in productive projects to improve their livelihood
- To train individuals in managing their limited resources effectively and invest productively

Current activities carried out by members groups

- Weekly compulsory savings
- Piggery farming
- Chairs and tents for hire services
- Poultry farming

Future plans and prospects

The association has the following plans:

- To provide financial assistance in form of soft loans to member groups to enable their members boost their small businesses
- To offer training in technical and managerial skills in business
- To launch a variety of appliances like TVs pressure cookers and egg incubators with the goal of solving the biggest challenges facing these households on a daily basis.
- To offer any other business development assistance to the member groups.

Conclusion:

The company has good prospects but needs financial support through quick loans with reasonable interest.

Signed (Signature)

Emmanuel Nkurunziza

Chairperson

QUESTION SEVEN

Marking guide

a) Factors driving innovation in the organization	Marks
<ul style="list-style-type: none">• Freedom to think out of the box: Employees are free to identify defects in their products and make changes, they are encouraged to come up with new defects in their products and make changes, they are encouraged to come up with new efficient processes and their ideas are supported by management.	2
<ul style="list-style-type: none">• Employee diversity: having a diverse workforce in the organization with a diverse set of ideas and problem-solving approaches helps them to come up with new products while improving the existing products.	2
<ul style="list-style-type: none">• Rewarding innovation: awards of bonuses to staff when targets are achieved. This keeps employee's innovation evolving hence better performance.	2
<ul style="list-style-type: none">• Work group: the organization develops skilled work group, in which people communicate well, are open to new ideas, constructively challenge each other 's work, trust and help each other and feel committed to the work they are doing. This resulted into continuous improvement.	2
<ul style="list-style-type: none">• Protection against any mistakes: is another factor that encourages employees in the organization to be innovative.	2
<ul style="list-style-type: none">• Good work relations: the organization believes in consensus and collaborative management. Disagreement and conflicts around ideas and work methods are discussed and resolved collectively. This helps employees improve and uphold innovation.	2
<ul style="list-style-type: none">• Adaptive organizational structure: flexibility to adapt the changing needs of the markets.	2
<ul style="list-style-type: none">• Positive organizational work environment or culture: the recurring patterns of behavior exhibited in the day-to-day operations of the organization as experienced, understood and interpreted by individuals within the organization.	2
<ul style="list-style-type: none">• Consultation in the process change: Open discussion and consensus is encouraged among employees.	2
<ul style="list-style-type: none">• Involvement and autonomy among workers encourage them to take responsibilities to detect defects and address them immediately. Continuous involvement and autonomy, employees are motivated to identify defects and take corrective actions before it is out of hand.	2
<ul style="list-style-type: none">• Orientation and workplace induction: the practice of employee orientation and induction helps employees to understand the organization better hence higher chances of developing commitment necessary for innovation.	2
<ul style="list-style-type: none">• Innovation strategy: the organization has a clear cost strategy on innovation which inbuilt in the organization values.	2
Maximum	8

b) The benefits of innovation in the organization

- **Market leadership position:** ability of the company to be in a position of market leadership within their respective industries. 2
 - **Innovation experience is built overtime:** Organizations’ ability to repeat this process with efficiency generally sets them apart from other companies that try to create new products for the first time. 2
 - **Name recognition/build brand image:** if the organization is the leader within the industries, the company/organization generally does not need to do an excess amount of advertising or branding to capture their target market. 2
 - **Employees’ empowerment:** the organization encourages employee to innovate and it is clear that all ideas are welcome – no matter the rank or department, employees start to feel more valuable. This gives everyone a sense of team spirit which results into emergence of transformative ideas from unlikely places. 2
 - **Improved productivity:** innovative culture in the organization empowers everyone to work hard. The bonus given as a token of appreciation further motivates employees to give more time for work hence improved productivity. 2
- Maximum** **6**

c) The challenges that affect innovation in the organization

- **Competitors actions:** Competitors actions may become costly for an organization if they offer better pay. 2
- **Limited resources:** Lack of adequate funds may easily affect the innovation process and the employee morale. 2
- **At times innovations are internally driven instead of market driven:** Utilizing customer feedback regularly can help keep your organization tuned into the needs of your customers. 2
- **Limited time for innovation activities:** People are encouraged to improve products alongside work or during working hours, this may result into poor products. 2
- **Market resistance:** innovations are successful if the market is flexible enough to adopt new products. Otherwise, if markets are adamant, innovation efforts may be frustrated, and resources wasted. 2
- Some workers misuse the freedom for personal gains 2

Maximum **6**

Total marks **20**

Model answers

a. Factors driving innovation in the organization

- **Freedom to think out of the box:** the organization does not impose rules that suffocate the creativity or innovation of their employees. Employees are free to identify defects in their products and make changes, they are encouraged to come up with new defects in their products and make changes, they are encouraging to come up with new efficient processes and their ideas are supported by management
- **Employee diversity:** having a diverse workforce in the organization with a diverse set of ideas and problem-solving approaches helps them to come up with new products while improving the existing products. Embracing and celebrating your team members 'individuality out of the box idea and problem-solving approaches helps push your product forward.
- **Rewarding innovation:** awards of bonuses to staff when targets are achieved. When workers come up with new ideas and they are commercialized. The organization rewards as er the motivation package. This keeps employee's innovation evolving hence better performance. Innovation reward further empowers them to continuously invest time and resources to innovate
- **Work group:** the organization develops skilled work group, in which people communicate well, are open to new ideas, constructively challenge each other 's work, trust and help each other and feel committed to the work they are doing. This resulted into continuous improvement
- **Protection against any mistakes:** is another factor that encourages employees in the organization to be innovative.
- **Good work relations:** the organization believes in consensus and collaborative management. Disagreement and conflicts around ideas and work methods are discussed and resolved collectively. This helps employees improve and uphold innovation
- **Adaptive organizational structure:** an adaptive organizational structure is flexible enough to adapt the changing needs of the markets. The company is able to adjust operations quickly and smoothly to meet rapid changes in the market and shift business priorities. Product improvement is the talk of the day resulting in reduced wastage and customer satisfaction
- **Positive organizational work environment or culture:** this refers to the recurring patterns of behavior exhibited in the day-to-day operations of the organization as experienced, understood and interpreted by individuals within the organization.

- **Consultation in the process change:** there is an inbuilt culture of employee consultation before changes are implemented in the organization. Open discussion and consensus is encouraged among employees.
 - **Involvement and autonomy among workers:** encourage them to take responsibilities to detect defects and address them immediately. Innovation involves continuous improvement of products, processes and systems. Therefore, through involvement and autonomy, employees are motivated to identify defects and take corrective actions before it is out of hand.
 - **Orientation and work place induction:** the practice of employee orientation and induction helps employees to understand the organization better hence higher chances of developing commitment necessary for innovation
 - **Innovation strategy:** the organization has a clear cut strategy on innovation which inbuilt in the organization values.
- b. The benefits of innovation in the organization**
- **Market leadership position:** the creativity exhibited by innovative companies often puts them in position of leadership within their respective industries. By the time other companies try to catch up the organization create another innovative product to once again lead the way
 - **Innovation experience is built overtime:** the organizations have the advantage of experience on the other side. They typically get product development down to an exact science that can be repeated over and over again. Their ability repeats this process with efficiency generally sets them apart from other companies that try to create new products for the first time.
 - **Name recognition/build brand image:** if the organization is the leader within the industries, the company/organization generally does not need to do an excess amount of advertising or branding to capture their target market. Instead, their name alone carries considerable weight in their industry and people await their products to hit the market. Their name recognition generally sets them apart from other companies in the market which means that they need to do very little to promote their products
 - **Employees' empowerment:** the organization encourages employee to innovate and it is clear that all ideas are welcome – no matter the rank or department, employees start to feel more valuable. This gives everyone a sense of team spirit which results into emergence of transformative ideas from unlikely places.

- **Improved productivity:** innovative culture in the organization empowers everyone to work hard. The bonus given as a token of appreciation further motivates employees to give more time for work hence improved productivity.

c. The challenges that affect innovation in the organization

- **Competitor's actions:** an organization faces challenge of competitors who steal trained employees and at the same time imitate company's innovations. Innovative culture become difficult to sustain in environments where intellectual property rights are not reinforced. Competitors actions may become costly for an organization if they offer better pay

- **Limited resources:** innovation is not one day event but a recurrent process that requires resources in terms of time, money and equipment. Lack of adequate funds may easily affect the innovation process and the employee morale.

- **At times innovations are internally driven instead of market driven:** this affects market uptake of the product. Deep customer empathy is the key to understanding changes in demand and staying abreast of future trends. It provides the organization with a roadmap for what problem to solve next. Utilizing customer feedback regularly can help keep your organization tuned into the needs of your customers.

- **Limited time for innovation activities:** innovation requires time to materialize. People are encouraged to improve products alongside work or during working hours, this may result into poor products. Employees need time off to think about new ways if they are to improve their products otherwise limited time affects the outcome of innovation process.

- **Market resistance:** innovations are successful if the market is flexible enough to adopt new products. Otherwise, if markets are adamant, innovation efforts may be frustrated and resources wasted. Additionally, it becomes expensive to commercialize innovations in such markets.

- Some workers misuse the freedom for personal gains

END MARKING GUIDE AND MODEL ANSWERS