



**MASINDE MULIRO UNIVERSITY OF  
SCIENCE AND TECHNOLOGY  
(MMUST)**

**UNIVERSITY MAIN EXAMINATION  
2021/2022 ACADEMIC YEAR**

**TRIMESTER EXAMINATIONS  
FOR THE DEGREE  
OF  
MASTERS IN BUSINESS ADMINISTRATION**

**COURSE CODE: MBA 892E**

**COURSE TITLE: ESSENTIALS OF ENTREPRENEURSHIP**

**DATE: WEDNESDAY, 27<sup>TH</sup> JULY 2022 TIME: 2:00 - 5:00PM**

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**INSTRUCTIONS TO CANDIDATES**

Question ONE (1) is compulsory  
Answer other THREE questions  
Do not write anything on the question paper

MMUST observes ZERO tolerance to examination cheating

## **Answer Question One (Compulsory) and any other Three Questions**

### QUESTION ONE

#### ZIMMERMAN SALES AND SERVICE

Elmer Zimmerman decided to go into business for himself because he wanted to be his own boss. At age 19, therefore, he began buying out a financially insecure farm automation business because he wanted the challenge of turning that business into a profit-making enterprise. Elmer's parents owned a dairy farm where he enjoyed working for many years. His high school agri-business instructor at Mahoning County Joint Vocational School, however, would not allow Elmer to work on the home farm because it was not large enough to support another family. Therefore Elmer, at age 17, began to work at a business that sold, serviced, and installed farm automation equipment such as milking equipment, computer feeders, feed and barn cleaning systems, augurs, and so forth. It was this business that Elmer later purchased.

Buying out an existing business had its pluses and minuses. On the plus side, Elmer had an existing client list with which to work. On the minus side, Elmer started out with \$20,000 worth of outstanding debts that were his as part of the purchase agreement. Even though he started out in debt, Elmer believed that the purchase was a good one because the business was located in a good dairy district of Ohio. Elmer felt, after working in the business for two years, that if he offered the farmers a good product at a good price and performed good service, sales would follow.

Elmer was right. He was able to make arrangements to pay off the \$20,000 in debt by making regular payments with little or no interest. Annual sales at the close of business at year's end had tripled since he took over the business. Elmer employed two full-time and two part-time persons. In addition to his employees, Elmer uses the services of a professional accountant. Zimmerman Sales and Services began as a sole proprietorship because there are fewer state and federal regulations and less "red tape". However, the accountant pointed out that since Elmer's business has increased over 300 percent in two years, the tax structure and liability needs make it advantageous to incorporate. In addition to Elmer's high school background, which gave him a good overall background in farm operations (an important factor in dealing with clients), Elmer received an associate degree from an Agriculture Technical Institute.

- (a) With reference to the case above bring out any FIVE evidence of innovation by Elmer Zimmerman. (10 marks)

- (b) Buying out an existing business has its advantages and disadvantages. With the support of the case above highlight FIVE major considerations that Elmer made before purchasing an existing business. (10marks)
- (c) With the support of the case above state and explain the characteristics of a good business idea. (20 marks)

#### QUESTION TWO

- (a) The economic history of the presently developed countries tend to support the fact that the economy is an effect for which entrepreneurship is the cause. From this statement state citing examples any five important roles that entrepreneurship plays in the economic development of Kenya's economy. (10 marks)
- (b) There has been slow growth of entrepreneurship in some developing countries as compared to developed countries like USA, Germany, Japan, etc. It is also true that there has been a slow growth of entrepreneurship in some developing countries as compared to other developing countries such as China, South Korea, Brazil, India and so on. State some reasons for slow growth of entrepreneurship in developing countries (10 marks).

#### QUESTION THREE

- (a) Sole proprietorship is the oldest form of business organization. It is as old as the civilization itself. Historically, it appears that business started first with this form of organization. State and explain advantages of Sole Proprietorship over other forms of business ownership. (10 marks)
- (b) Partnership form organization suffers from certain disadvantages. State and explain any Five disadvantages of a partnership kind of ownership. (10 marks)

#### QUESTION FOUR

An entrepreneur and manager are two terms that have been used interchangeably, but in real sense, they differ. State and explain aspects that can be used to distinguish between the two terms. (20 marks)

#### QUESTION FIVE

Environment refers to all external forces which have a bearing on the functioning of a business. Discuss how the economic environment affects entrepreneurship in Kenya. (20 marks)

END

