**MARKING SCHEME**

**ENTREPRENEURSHIP-S2 COMPREHENSIVE -2021**

**SECTION A: ANSWER ALL QUESTIONS (55 MARKS)**

**1.Classify any four types of work. (6 Marks)**

 Work is classified into four types:

- Agriculture: farmers grow and sell cash crops and products for export

 - Manufacture: making products on a large scale using machines

- Trading: buying and selling goods and services. It can be wholesale, retail and online

- Service provision: selling services such as transport, banking, health care, teaching and repairs

**2. Translate the goals in the table below into SMART goals. (4 Marks)**

|  |  |  |
| --- | --- | --- |
|  | **Goal**  | **SMART goal** |
| 1 | I want to play football. |  |
| 2 |  |  |
| 3 | I want to save to start small business in the holiday. |  |
| 4 | I want to be fit. |  |

3. **Show any three challenges that entrepreneur should meet them in doing his own business. (6 Marks)**

Entrepreneurs often work very hard to become successful. Sometimes, even though they work hard, their new business can fail.

Some of the challenges of being an entrepreneur include:

• Long and irregular working-hours when you work outside normal daytime hours on weekdays

• High risk –high level of uncertainty or danger

• Uncertain income – you are unable to predict your future business profits

 • No fringe benefits – benefits like pension, leave pay and medical insurance.

**4. With examples, explain and classify any three types of markets. (6 Marks)**

We can classify markets as:

• **Domestic (local) markets**: A domestic market is a market within the borders of a specific country. The people who sell the services and the customers come from that country. n the rural areas, we trade at markets and smaller shops. In the cities, we make products in factories. Here people can also buy goods at supermarkets.

• **Regional markets**: A regional market is a market in a specific region. In a regional market, people from different countries in a region buy and sell from each other. A region could, for example, be East Africa or Southern Africa. A region could, for example, be East Africa or Southern Africa

**• International markets**: If a business trades with countries all over the world, we say that it trades in the global market. Sometimes different countries can agree to lower tariffs (tax or duty paid on imports) or even take away tariffs. This makes it easier for the countries to trade with each other. This type of co-operation is called economic integration.

**5.With examples, differentiate Tax avoidance from tax evasion. (6 Marks)**

**Tax avoidance**: is when people legally reduce their income according to current tax legislation to pay less tax. Sometimes people can avoid paying taxes because they find ways to reduce the amount of taxes that they must pay. This is called tax avoidance.

A person or a business can avoid paying taxes in different ways. For example, if you support a charity, the money that you pay may be deducted from your tax bill.

Tax avoidance is legal. Some people try hard to avoid paying taxes. If a tax system is not clear, people can find loopholes that allow them to avoid paying tax.

 **Tax evasion**: is when people illegally reduce their income to pay less tax. You are allowed to avoid paying tax if you follow legal rules. However, tax evasion is illegal. Evasion means hiding your income so that you pay no tax or less tax than you owe. If you state that your income is lower than it is or do not declare it at all, you are committing a criminal offence. An example of tax evasion is when you claim that you have expenses that are fake.

A business can evade paying taxes by stating that expenses are higher than they really are or by claiming that it sells less goods or services than it really does. Tax evasion is punished by penalties and fines, or even prison.

Tax offences include:

• keeping more than one set of records and preparing two sets of final accounts

 • using false names or false documents

 • not filing tax returns

• not paying tax.

**6.** **Explain any five roles of your personal budget**. **(6 Marks)**

The role of a personal budget

 A personal budget is a tool that can help you:

• use your personal resources effectively

• to make personal decisions

• to minimise financial risks

• understand your spending habits

• to build a savings account

• to maintain a good credit rating.

**7. Outline any six source documents used in a financial transaction. (6 Marks)**

A source document is the original document used in a financial transaction. It is the proof that the transaction took place. The source document is used to keep track of the money that was exchanged in the transaction. On the document we include details such as the date, the amount of the transaction and the quantity of goods traded. We also include the buyer, seller involved and the place where the transaction took place.

Examples of source documents include:

• a receipt

 • a voucher

• deposit slip

 • an invoice

• a cheque

• a payment order.

**8. Explain how to do a quality test process. (6 Marks)**

**Quality testing process**

 We can find defects (faults) in a product or service by conducting a quality test. The testing process involves all the steps in making a product or service. The tests also check that the people making the product have the correct knowledge and skill. We can also test that they used the correct raw materials.

To carry out a quality test we first select a sample. Then we use the correct equipment and apparatus to carry out the inspection. Lastly we write a report on our findings.

**Sampling**

 We cannot test every product, so we first need to select a sample. It is important that the sample is random. This means that we do not plan ahead to decide which product is selected. A random sample means that every product has a chance of being selected. Equipment and apparatus We need to use correct equipment and apparatus to carry out tests. When the test happens in a laboratory we also need to use the correct reagents and consumables.

**Test methods and reports**

There are many different test methods. One method is product inspection. We follow a checklist to see if the product has defects, for example, holes or cracks. We also check that the correct materials have been used. After completing the tests, we write the findings in a report. A test report compares the findings of the tests with the objectives of the test. We evaluate the findings and decide whether or not the product passed the quality tests.

**9.What are the difference between Direct tax and indirect tax. (3 Marks)**

**Direct taxes:** A tax that is paid directly by an individual or an organisation is called a direct tax. A person who earns an income is called a tax payer. He or she pays income tax. This is also called personal tax. An organisation pays tax on the profit that it makes. This is called corporate tax. On page 56 you learnt about personal income tax (PAYE), this is also a direct tax.

If you rent out machinery, land, house or livestock the rental amount is an income. You must pay tax on this income, but can deduct your expenses such as interest paid on loans. Rental tax is therefore also a direct tax. Property tax is also a direct tax. This tax is levied on the value of property such as land or buildings. When a person dies, the relatives inherit his/her assets. To inherit means to receive money as an heir. In some countries, the heir pays inheritance tax. This tax is a percentage of the value of the money and properties that he or she received. Inheritance tax is a direct tax.

**An indirect tax** is a tax that is collected by an intermediary, for example a retail store, from the person who pays the tax. The intermediary then files a tax declaration and forwards the tax to the government. Valueadded Tax (VAT) is an example of an indirect tax. A business must register for VAT if its turnover is more than 20 Frw million in one year. This means that the business will charge VAT to its customers and pay over the amount to the RRA. We do not pay VAT on all goods. Some goods are classified as exempt or zero-rated supplies. We pay a standard rate of 18% on all other goods. Some items are considered luxuries. The government adds an additional tax called consumption tax to these goods. This tax is also known as excise tax. This tax is paid by those that can best afford it. The tax is also a deliberate attempt to encourage people to buy and use less of certain goods. In Rwanda, we pay consumption tax on locally produced or imported beers, lemonades, mineral water, juices, liquors, wines, fuel, vehicles and powdered milk. It is also levied on cigarettes and telephone communication. When we buy a product that is imported into Rwanda we pay customs duties. This duty is paid when the products enter the country. As the products arrive in Rwanda, the importer pays taxes and duties like VAT and consumption tax.

**10. Outline any three advantages of being part of the tax system as an entrepreneur. (3 Marks)**

Advantages of being part of the tax system

 There are many good reasons for being part of a tax system. Taking part in business

 • When you apply for small business loans, you need to prove that you own a business. Lenders and investors will ask to see your business registration before approving a loan. You also need to show your business registration to apply for a credit card.

• Your customers will also feel more confident about buying from a legal business than from one that is not registered.

• Many export businesses receive tax discounts from the government. This is done to encourage the growth of Rwanda’s export sector.

 • When a business subscribes to the tax system, the business also protects its employees. The business deducts funds for a national pension scheme. This money is used to pay pensions to people that have retired.

• Paying taxes help the government to build and fund different public activities such as building and maintaining roads, schools and hospitals.

 • When you become part of the tax system, you are entitled to a tax certificate. This allows you to be an official operator in a business sector.

**B. ANSWER ANY THREE QUESTIONS (45 Marks)**

**11. Explain any five benefits of being entrepreneur. (15 Marks)**

The benefits of being an entrepreneur include self-reliance, increased income, independent decision making, and improved status.

 Many entrepreneurs are successful people. They make a difference in their communities by employing people and growing their businesses. They also help support and grow the economy. Some of the benefits of being an entrepreneur include:

 - Increased income – the more work you put into your business, the more money you receive

- Self-reliance – relies on one’s own judgment and capabilities

 - Independent decision making – making a sound/decision on your own

 - Improved status – improved social or professional standing.

 - Successful entrepreneurs make a good living. They can earn more money than an employee in a business. This means that they can buy a better home, provide better education for their children and have more savings for retirement.

- An entrepreneur makes their own decisions. As the entrepreneur grows the business, they grant a reputation as a successful business person. The improved status of being a successful entrepreneur also increases your self-esteem.

**12. Show us how to create a smart goal. (15 Marks)**

Follow the guidelines to ensure that your goal is SMART

-**SPECIFIC**, to make a goal specific, answers the six ‘W’ questions:

 • What do I want to do?

 • Why do I want to reach this goal?

• Who is involved? • Where is the location?

• When will I finish what I want to do?

• What do I need to overcome? It is easy to know if you are on track if your goal can be measured.

**- MEASURABLE**, to make a goal measurable, you need to ask questions such as:

• How much?

 • How many?

**-ACHIAVABLE**, How will I know that my goal has been achieved? An achievable goal is a goal that is realistic and can be reached. Set goals that are important to you and then work on the skills, abilities and attitudes that you need to reach your goal.

-**REALISTIC,** a realistic goal is a goal that matters to you. You must be both able and willing to work towards your goal.

**- TIME BOUND**, a goal must have a timeframe with a target date. When a goal is time bound, then you avoid using the words ‘one day’ or ‘someday’.

**13. a) What is an action plan (3 Marks)**

An **Action Plan** is a list of tasks that you need to do to complete a simple project or objective. To draw one up, simply list the tasks that you need to complete to deliver your project or objective, in the order that you need to complete them.

**b) With examples, explain how to draw up an action plan. (12 Marks)**

 Step 1 Create a list of the tasks that need to be done. Start each task with a verb (doing word) because a task is something that you can do.

 Step 2 Break down the tasks into short-term and long-term actions. To identify short-term actions, ask yourself ‘What can I do right now that will bring me closer to my goal?’

Step 3 Write a to-do list of actions and include guidelines (describe how to do each task).

Step 4 Create a timeline for your actions and include milestones.

**14.Kamali estimates that she can earn 150,000 Frw per month from working in the manufacturing company. Below is a list of her monthly costs.**

|  |  |  |
| --- | --- | --- |
|  | Monthly costs | Frw |
|  | Rent | 40.000 |
|  | Food, clothes and personal items | 60,000 |
|  | Transport | 10,000 |
|  | Eating out |  6,000 |

1. Calculate Kamali’s total monthly costs. (2 Marks)

Total monthly costs: 116,000Frw

1. Draw up a budget that shows Kamali’s income and expenses for the next year. (10 Marks)

Income: 160,000 Costs: 116,000

 Savings 34,000

 c) How much money can Kamali save every month? (3 Marks)

 Savings 34,000