**Senior two entrepreneurship MARKING SCHEME**

**SECTION A. Attempt all questions (55 Marks)**

**1.Differentiate tax avoidance from tax evasion.( 4 Marks)**

**Tax avoidance** aims at minimizing the tax burden by applying the script of law. However, tax evasion minimizes the tax liability by exercising unfair means. Tax Avoidance involves taking benefit of the loopholes in the law. Conversely, Tax Evasion includes the deliberate concealment of material facts.

Every assessee wants to escape from paying taxes, which encourages them to use various means to avoid such payment. And when it’s about savings if taxes, the two most common practices that can be seen all around the world are tax avoidance and tax evasion. **Tax avoidance** is an exercise in which the assessee legally tries to defeat the basic intention of the law, by taking advantage of the shortcomings in the legislature.

**Tax Avoidance** : An arrangement made to beat the intent of the law by taking unfair advantage of the shortcomings in the tax rules is known as Tax Avoidance. It refers to finding out new methods or tools to avoid the payment of taxes which are within the limits of the law.

On the contrary, **tax evasion** is a practice of reducing tax liability through illegal means, i.e. by suppressing income or inflating expenses or by showing lower income. In other words, Tax Avoidance is completely lawful because only those means are employed which are legal, while Tax Evasion is considered as a crime in the whole world, as it resorts to various kinds of deliberate manipulations. To learn more differences, on the given topics, read the article provided below. **Tax Evasion** : An illegal act, made to escape from paying taxes is known as Tax Evasion.

**2.Kamikazi Jane is an entrepreneur who has a company for making breads to supply in different schools. Show any six challenges that Mrs Kamikazi can meet in her business.( 6 Marks)**

**Some challenges of an entrepreneur**

While being an entrepreneur does have its benefits, it also has its challenges. When entrepreneurs first start out, they're often considered a one-man show, meaning they're responsible for doing everything on their own. This usually equates to working really long hours, juggling numerous projects and having to constantly come up with new ideas. However, once you learn to overcome the challenges, you'll be able to reap the rewards.

- Long and irregular working hours

- High risk

- Uncertain income

- No fringe benefits

- Hiring employees.

- Delegating tasks.

- Choosing what to sell.

- Marketing strategy.

**Finances**

One of the biggest headaches for entrepreneurs involves dealing with finances. For new entrepreneurs, it's often difficult to raise enough capital to start up their companies. Even after the business is established, entrepreneurs have a hard time obtaining loans and lines of credit, as banks set high eligibility requirements for small-business owners. Another issue that entrepreneurs face is they may struggle financially for quite some time before their business becomes profitable. In the mean time, entrepreneurs work long hours and for little to no pay.

**Time-Management**

Entrepreneurs are known for putting in long hours and juggling many responsibilities. Therefore, it's imperative that they have good time-management skills. Otherwise, entrepreneurs are apt to overextend themselves and take on more work than they can handle. In the long run, this isn't good for the entrepreneur's health or the reputation of the business. In addition, for those who have a family at home, balancing a work life and a home life often proves challenging.

## Self-Motivation

While many people are used to having a set work schedule and routine they must adhere to, things are a little different with entrepreneurs. When you're self-employed, you must motivate yourself to get up early each day and tackle what needs to get done. Some people are good at keeping themselves motivated, but others find it an ongoing struggle. For an entrepreneur, there's no time for procrastination because you're not getting paid by punching a time clock. As an entrepreneur, you're paid solely by your own productivity and success.

## Lack of Focus

Entrepreneurs are known for constantly brainstorming and having new ideas on how they can capitalize and make more money. While having these unique ideas are a good thing, they can become overwhelming if you lack enough focus to narrow down your options to the ones with the most potential. As an entrepreneur, it's your job to zero in on only your brightest ideas and see them through to the end. If you lack this focus, you'll just waste your time bouncing around from one idea to another without anything ever getting accomplished.

* **Cash flow management**. The challenge: Cash flow is essential to small business survival, yet many entrepreneurs struggle to pay the bills (let alone themselves) while they're waiting for checks to arrive. ...

**3.Explain what is a SMART goal.(5 Marks)**

**S-Specific**

* Well defined
* Clear to anyone that has a basic knowledge of the project

Be specific! There’s no use in setting a generic goal because it won’t suit you personally, however if you adapt the goal to apply to what you need, then it will be much more valuable to you. Of course you want to prosper in your field of work, but isn’t everyone in the office thinking the same?

**M-Measurable**

* Know if the goal is obtainable and how far away completion is
* Find out when you have achieved your goal

Is it quantifiable? For instance going back to the example objective of selling more, you can measure this by the amount of units sold. Being a measurable goal allows you to identify when exactly it has been reached, i.e. what you desire as the end result.

**A-Achievable/agreed upon**

* Agreement with all the stakeholders what the goals should be

The point of a target is to challenge and motivate yourself to complete a piece of work, if you was to set your target too high it can cause stress and so decreasing the chance of your target actually being within reach. Likewise if a target was too easy will inhibit you from pushing yourself and doing more. Setting yourself a reasonable target is crucial!

**R-Realistic**

* Within the availability of resources, knowledge and time

‘I’m going to own a multimillion pound enterprise by the end of the month’ Might be a tad too ambitious, don’t get me wrong ambition is a leading trait, but maybe start off with something more realistic, remember all successful business people don’t just become successful overnight.

**T-Time bound**

* Enough time to achieve the goal
* Not too much time, which can affect project performance

Deadlines. Not something we like, but something most of us need. Especially if you’re someone like me, who tends to procrastinate. For example, if you’re sat at your desk knowing you have work to do, it’s easy to get lost in the world of the internet looking at cute animal photos or funny videos, but what if you were to say ‘Right, by 2 o’clock I want to have completed…’ then you’ve just motivated yourself to complete a job by an allotted time.

### S – Specific

When setting a goal, be specific about what you want to accomplish. Think about this as the mission statement for your goal. This isn’t a detailed list of how you’re going to meet a goal, but it should include an answer to the popular ‘w’ questions:

* Who – Consider who needs to be involved to achieve the goal (this is especially important when you’re working on a group project).
* What – Think about exactly what you are trying to accomplish and don’t be afraid to get very detailed.
* When – You’ll get more specific about this question under the “time-bound” section of defining S.M.A.R.T. goals, but you should at least set a time frame.
* Where – This question may not always apply, especially if you’re setting personal goals, but if there’s a location or relevant event, identify it here.
* Which – Determine any related obstacles or requirements. This question can be beneficial in deciding if your goal is realistic. For example, if the goal is to open a baking business, but you’ve never baked anything before, that might be an issue. As a result, you may refine the specifics of the goal to be “Learn how to bake in order to open a baking business."
* Why – What is the reason for the goal? When it comes to using this method for employees, the answer will likely be along the lines of company advancement or career development.

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### M – Measurable

What metrics are you going to use to determine if you meet the goal? This makes a goal more tangible because it provides a way to measure progress. If it’s a project that’s going to take a few months to complete, then set some milestones by considering specific tasks to accomplish.

### A – Achievable

This focuses on how important a goal is to you and what you can do to make it attainable and may require developing new skills and changing attitudes. The goal is meant to inspire motivation, not discouragement. Think about how to accomplish the goal and if you have the tools/skills needed. If you don’t currently possess those tools/skills, consider what it would take to attain them.

### R – Relevant

Relevance refers focusing on something that makes sense with the broader business goals. For example, if the goal is to launch a new product, it should be something that’s in alignment with the overall business objectives. Your team may be able to launch a new consumer product, but if your company is a B2B that is not expanding into the consumer market, then the goal wouldn’t be relevant.

### T – Time-Bound

Anyone can set goals, but if it lacks realistic timing, chances are you’re not going to succeed. Providing a target date for deliverables is imperative. Ask specific questions about the goal deadline and what can be accomplished within that time period. If the goal will take three months to complete, it’s useful to define what should be achieved half-way through the process. Providing time constraints also creates a sense of urgency.

**4.Explain the relationship between demand and supply.(5 Marks)**

To understand the relationship between supply and demand, there are certain things which need to be inculcated primarily before that.

First of all, lets discuss What is demand and supply?

Demand and Supply are the most integral and vast concept or you can say the backbone of the economic world or the market.

1. **DEMAND-** Demand refers to the quantity of certain goods and services desired by the consumers in the market
2. **SUPPLY-** Supply refers to the quantity of certain goods and services which are provided to the market place by the desired suppliers of the market.

**Demand** refers to how much (quantity) of a product or service is desired by buyers. The quantity demanded is the amount of a product people are willing to buy at a certain price; **the relationship between** price and quantity demanded is known as the **demand relationship**. **Supply** represents how much the market can offer.

**Relationship between demand and supply**

The relationship between demand and supply underlie the forces behind the allocation of resources. The demand and supply are inversely related to each other. When the supply is more than demand than the prices of goods and services tend to fall. Similarly when the demand is more than supply the prices of goods and services tend to rise.

**5.Akaliza runs a small company. Explain any three rights and three obligations of her as a taxpayer.(6 Marks)**

# Rights and obligations of taxpayers

Tax authorities are obliged to follow certain rules when conducting any procedures with the taxpayers (legal or natural persons). On the other side there are also general rules on obligations that taxpayers have to follow.

**Right to be informed**

**Persons liable for tax have the following rights:**

1. to be informed on time and in an appropriate way about amendments to taxation acts and other regulations in connection with taxation and to receive explanations about the method for implementation of individual provisions from taxation regulations;

2. to be informed about the method for calculation and payment of taxes and

3. to see data about the status of their tax claims and liabilities;

4. to be able to check data in tax records.

**Right to issuing of advance rulings**

Taxpayers have a right to receive information in writing about tax treatment of planned transactions or business events from the tax authorities when conditions are fulfilled.

**Right to assistance**

In cases when taxpayers don’t have representatives or advisers and due to ignorance they fail to use procedural rights, which they have in the tax procedure, they are reminded by the tax authorities which procedural acts they may perform for fulfilment of obligations and exercising of rights, so that taxpayers accurately declare, charge and pay taxes or claim refund on time.

**Right to impartial and fair treatment**

Taxpayers have a right to be treated impartially by the tax authorities. At execution of their authorisations and imposing measures the tax authorities shall not exceed what is absolutely necessary for fulfilment of objectives set by taxation regulations. At selection of several possible authorisations and measures the Tax Administration chooses those, which are more favourable for taxpayers if this fulfils the purpose of the law.

**Right to data confidentiality**

Taxpayers have a right to confidentiality of data, which they submit to the tax authorities, and of other data in connection with their tax liabilities. These data are disclosed only in cases, defined by law.

**Right to legal remedies**

Taxpayers have a right to legal remedies if they disagree with decisions of the tax authorities. When conditions are fulfilled taxpayers may submit tax returns after expiry of the time limit prescribed, they may correct insufficiencies or errors, they may correct tax returns if tax liabilities are stated too high and they may submit tax returns on the basis of self-declarations.

**Right to payment of only the correct amount of tax**

Taxpayers have a right to declare, charge and pay only the correct amount of tax due and in a way and within time limits defined by law or acts on the basis of law.

**ight to refund of tax overpaid**

If overpaid tax is established, taxpayers have a right to refund of tax overpaid.

**Rights in connection with tax enforcement**

In the tax enforcement procedure the tax authorities shall take into consideration personal dignity of taxpayers and provide enforcement with minimum possible unpleasantness for taxpayers.

**Obligation to register with Rwanda Revenue Authority:** in order to pay tax you must register your company on tax institution.

**Obligation to pay tax on time**

Tax compliance is the basic obligation of taxpayers, which shall be fulfilled on time notwithstanding their other obligations.

**Obligation to provide data and participate in the procedure**

Persons liable for tax shall provide the tax authorities with true, accurate and complete data, which the tax authorities need for tax collection. In addition taxpayers shall state all facts, on which their claims are based, and submit evidence, with which these facts are proven. At management of the tax procedure taxpayers shall cooperate with the tax authorities at establishing of facts to the debit of and for the benefit of taxpayers.

**Compulsory use of tax numbers**

Taxpayers shall state their tax numbers in tax declarations, tax returns, applications, other documents and applications, addressed to the tax authorities.

**6.Do you think is it necessary to you as a student to prepare your budget? Defend your answer. ( 6Marks)**

Yes ,it is necessary as a student to prepare personal budget.

Because the personal budget :
- Enable proper use of personal resources

- Helps in personal decision-making

- Helps minimise risks

- Helps to manage well our income

**7.On the first day of this month, Muhoza Ella paid a cheque (000344433333) of 200,000Frw to Akimana John .Draw a cheque and fill all the information must be included in it. (6 Marks)**



**8.Use an example to show how a transaction can be recorded using the double entry accounting principle. (6 Marks)**

Mutoni purchased a laptop worth 150,000Rwf. She paid cash for the same from all the savings she had made for this. Hence, the entries for this date should be:

|  |  |  |
| --- | --- | --- |
| To | Laptop A/C | 150,000Frw |
| By | Cash | 150,000Frw |

The double entry accounting system refers that any entry made to the system will have an effect in at least 2 accounts( laptop A/C and cash A/C) need to be a part of assets ( laptop A/C ) and the other will be under liabilities (cash A/C). Hence ,the effect is exactly equal and opposite.

**9.Explain the process of making a journal entry.( 5 Marks) The process of making a journal entry**

The first step in the process of preparing a journal entry is to analyze the accounts involved in a [business transaction](https://www.accountingformanagement.org/business-transaction/) and then apply the [rules of debit and credit](https://www.accountingformanagement.org/rules-of-debit-and-credit/) based on the type of each account. After identifying the accounts involved in the transaction and deciding upon the applicable rules, the journal entry is recorded in the general journal in a specified format which includes the following details:

1. Date of transaction
2. Ledger accounts involved
3. Amount of transaction
4. A brief narration to describe the transaction

**Format of general journal**

Let’s understand the format of general journal and the process of making a journal entry through an illustration.

**Transaction:**

January 05: Purchase of machinery by making cash payment of 15,000Frw.

**Analysis of transaction:**



**Recording journal entry:**

According to [rules of debit and credit](http://www.accountingformanagement.org/rules-of-debit-and-credit/), when an asset increases, its account is debited and when an asset decreases, its account is credited. In this transaction, machinery (an asset) is increasing, and cash (an asset) is decreasing.  So the journal entry would be made as follows:



All business transactions are recorded in the general journal in a manner illustrated above. After making journal entries in the journal, they are periodically posted to the [ledger accounts](http://www.accountingformanagement.org/posting-to-ledger-accounts/).

**10.Show the relationship between metrology and quality control.(6 Marks)**  **Quality** control is used **to** check that requirements have been fulfilled. This is a subtle **difference** and in practice the terms are sometimes used interchangeably. **Metrology** is the science **of measurement**. It is how we ensure that we can confidently compare the results **of** measurements made all over the world.

This involves quality assurance, quality control and metrology. We use quality assurance to gain confidence that quality requirements will be fulfilled. Quality control is used to check that requirements have been fulfilled. This is a subtle difference and in practice the terms are sometimes used interchangeably. Metrology is the science of measurement. It is how we ensure that we can confidently compare the results of measurements made all over the world.

**Measurement and Quality Assurance**

So far, I have focused on quality control, i.e. how measurements can prove that parts are conforming to specifications after they have been produced. Now, let’s briefly consider quality assurance, the way we ensure that the process produces good parts in the first place.

**SECTION B. Attempt all questions (45 Marks)**

**11.Set any three your personal smart goals at school and strategies you use to achieve them.(15 Marks)**

**12.Defend the role of economic integration in Rwanda.(15 Marks)**

**13.Explain why every person in Rwanda who gain income or profits should pay taxes.( 15 Marks)**

Taxes are very important in

- Construct infrastructures ( schools, hospitals, roads, water supply ,electricity supply,....)

- Paying government workers

- Raising revenue for the government,....