ENTREPRENEURSHIP AND COMMUNICATION

PART I

CPA SECTION 1
CICT SECTION 1
CIFA SECTION 1
CCP SECTION 1

STUDY TEXT

KASNEB JULY 2018 SYLLABUS

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PAPER NO.3 ENTREPRENEURSHIP AND COMMUNICATION

GENERAL OBJECTIVE
This paper intends to equip the candidate with knowledge, skills and attitudes that will enable him/her to apply entrepreneurship knowledge in business and other environments.

3.0 LEARNING OUTCOMES
A candidate who passes this paper should be able to:
- Identify viable business opportunities
- Prepare a business plan
- Demonstrate entrepreneurial orientation skills
- Communicate effectively in a business environment
- Apply entrepreneurial knowledge in response to the emerging business trends.

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TOPIC 1

ENTREPRENEURSHIP MINDSET

DEFINITION OF TERMS

Definition of entrepreneurship
Entrepreneurship is the process of coming up with new processes or ways of achieving some set objectives. Mostly it will involve the production of goods and services. It requires some ingenuity coupled with a lot of time and effort. There are risks involved in this process and they all have to be assumed. With the risks come rewards that are derived by the person who has come up with the new process.

Definition of Entrepreneurs
An entrepreneur is an individual who establishes and manages a business for the principal purpose of profit and growth. The entrepreneur is characterised principally by innovative and creative behaviour and will employ strategic management practices in the business. Thus, the modern thinkers emphasise that an entrepreneur is an individual who creates and recognise opportunities for something new, handles the uncertainty and risk of that new venture (which is not restricted to stand alone business ventures), and has the managerial competence to gather required resources from the environment (like capital) without necessarily owning these resources, which includes an ability to plan, to lead a team and to network outside the venture.

Definition of Small Business Owners
A small business owner is an individual who establishes and manages a business for the principal purpose of furthering personal goals. The business must be the primary source of income and will consume the majority of the owner's time and interest. The owner perceives the business as an extension of his or her personality, intricately bound with family needs and desires.

What is an Enterprise?
The term “enterprise” has two common meanings:

i. An enterprise is simply another name for a business. You will often come across the use of the word when reading about start-ups and other businesses...“Simon Cowell’s enterprise” or “Michelle set up her successful enterprise after leaving teaching”.

ii. The word enterprise describes the actions of someone who shows some initiative by taking a risk by setting up, investing in and running a business.

A person who takes the initiative is someone who “makes things happen”. He or she tends to be decisive. A business opportunity is identified and the person does something about it. Showing initiative is about taking decisions and being bold – not everyone is like that!
Risk-taking is slightly different. In business there is no such thing as a “sure fire bet”. All business investments carry an element of risk – which is the chance or probability that things will go wrong. At the worst, the risk of an enterprise might mean the person making the investment loses all his/her money or becomes personally liable for the debts of the business. The trick is to take calculated risks, and to ensure that the likely returns from taking a risk are enough to make the gamble worthwhile.

Someone who shows enterprise is an “entrepreneur”. A business enterprise can also be looked at as: any type of operation that is involved in providing goods or services with the anticipated outcome of earning a profit. Its broad nature allows the term to be applied to any type of company or firm that is geared toward generating revenue by selling products of any type. The Terms Company, firm, and business enterprise are often used interchangeably.

**Employed (Paid Employment)**
1. Under control of another person (employer)
2. Supply your labor only
3. Cannot subcontract the work
4. Mutuality of obligation to offer work and perform work
5. Do not supply equipment/materials for the job
6. Receive fixed hourly/weekly/monthly wages
7. Entitled to sick pay/holiday pay etc.
8. Employer provides insurance cover
9. Work set number of hours per week
10. Employer deducts tax from wages under PAYE

**Self-employed**
1. Own your own business
2. Are exposed to financial risk
3. Can subcontract the work
4. No mutuality of obligation
5. Supply necessary equipment for the job
6. Cost and agree a price for the job
7. Not entitled to paid leave
8. Provide your own insurance cover
9. Control your own hours in fulfilling job
10. You are registered for Self-Assessment and are required to file your own returns

**Advantages of Self-Employment**
1. Being self-employed means that you're your own boss. Being your own boss means that you'll be in control of all of the decisions affecting your working life. You'll decide on your business plan, your quality assurance procedures, your pricing and marketing strategies-everything. You'll have job security; you can't be fired for doing things your way. As you perform a variety of tasks related to your work, you'll learn new skills and broaden your abilities.
ii. If you're working for yourself, chances are you'll be doing work that you enjoy. You'll get to pick who you'll work for or with, and in most cases you'll work with your customers or clients directly-no go-betweens muddying the waters. As a result, you may have days when it hardly feels as if you're working at all. Such harmony between your working life and the rest of your life is what attracted you to self-employment in the first place.

iii. You'll even have the flexibility to decide your own hours of operation, working conditions, and business location. If you're working out of your home, your start-up costs may be reduced. You'll also experience lower operating costs; after all, you'll be paying for the rent and utilities anyway. If the location of your work isn't important (perhaps you're a freelance writer or a consultant), you can live wherever you want. At any rate, if you work at home, you'll greatly reduce your daily commuting time and expense.

iv. If all goes well and you're making money, chances are you can make more than you did working for someone else. And since you're working for yourself, you may not have to share the proceeds with anyone else. The fruits of your labor will be all yours, because you own the vineyard.

v. You get to decide when to spend money to help your business grow.

vi. You can distribute income to family members by hiring them as employees.

Disadvantages of Self-Employment
i. You must be willing to make sacrifices for the sake of the job.
ii. You're going to work long hours, which means that you won't have as much time as you used to for family or leisure activities.
iii. If the cash flow becomes a trickle, you're going to be the last one to get paid.
iv. When you're self-employed, particularly if you're starting your own business, you may have to take on a substantial financial risk. If you need to raise additional money to get started, you may need a cosigner or collateral (such as your home) for a loan. Depending on how much or little work you can line up, you may find that your cash flow varies from a flood to a trickle. You'll need a cash backup so you can pay your bills while you're waiting for business to come in or waiting to be paid for completed work. Since you'll have to pay your own creditors first, this means that sometimes you may eat cereal instead of steak.

v. Remember that you're not making any money if you're not working. You don't have any employer benefit package, which means that it's going to be hard for you to:
   • go on vacation
   • take a day off
   • Or even stay home sick without losing income.
   • It also means that you'll have to provide your own health insurance and retirement plan.
   • Remember, too, that you can choose your clients or customers, but you can't control their expectations or actions. If you don't come through for them, or if you do something that offends them, you might not get paid for your work.
Paid Employment

Advantages
i. Job Security
ii. Income stability
iii. Predictable work life

Disadvantages
i. You are only paid for your efforts and unlike the entrepreneur; your brilliant ideas only receive commendation and little or no real monetary rewards.
ii. You will simply be helping another man create wealth for himself while you make do with your wages which might be meager
iii. Think of it as a case of not having your cake and eating it.
iv. Paid employment is like Financial Bankruptcy.
v. It cages your mind from soaring to the sky financially.

HISTORICAL DEVELOPMENT OF ENTREPRENEURSHIP

The term entrepreneurship can be traced back to as early as the Middle Ages, when the entrepreneur was simply someone who carried out tasks, such as buildings and construction projects by applying all the resources at his disposal. However, it was during the 16th Century when business was used as a common term, and the entrepreneur came into focus as a person who is responsible for undertaking a business venture. In the 18th century, early economists, for instance one known as Richard Cantillon, added that a entrepreneur bears risk as part of his work definition.

It was during the 17th and 18th Century’s Industrial Revolution that business itself was becoming part of the new lifestyle, especially in Europe, where most of this development was taking place. The early economists, such as John Baptiste, John Stuart Mill, and Alfred Marshall all included entrepreneurship into the economic spectrum of the time by defining the various skills and features of an entrepreneur. These definitions vary from an entrepreneur being responsible for employing resources in high productivity areas to earn profits, to risk bearing, and finally to an entrepreneur being responsible for organization and control. However, the most substantial research into entrepreneurial theory was achieved in the 20th Century, under the aegis of Joseph Schumpeter, who claims that the entrepreneur has a creative destruction innovation by replacing destroying an existing economy by a better, advance one.

Where some of the entrepreneurships emerged as a result of innovation based on new products, others were merely an expansion of existing businesses in markets that now showed areas of growth. For instance, railroads and shipping, cargo, transport; factors that became intertwined.
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CREATIVITY AND INNOVATION

Introduction
Creativity and innovation are used interchangeably. There are fundamental distinctions between the two concepts that need to be recognized. Creativity is a core building block for innovation. Creativity encompasses the process leading to the generation of new and valued ideas. Without creativity, there would be no innovation, because creativity is about developing ideas, processes, or concepts, while innovation is the practical application of those ideas, processes, or concepts. However, everyone can come up with an idea, processes, or concepts that are commercially viable. Creativity can lead to inventions, but until they are commercialized, they are not innovations. To be successful, the creativity and innovation must create new value for customers and generate return.

CREATIVITY
Creativity is any act, idea, idea or product that changes an existing domain or that transforms an existing domain into new one.

Creativity can be described as the discovery of something that is novel but also useful or relevant or economical, valuable.

Reasons why people are motivated to be creative:
1. Need for novel, varied, and complex stimulation.
2. Need to communicate ideas and values.
3. Need to solve problems.

In order to be creative, you need to be able to view things in new ways or from a different perspective. Among other things, you need to be able to generate new possibilities or new alternatives. Tests of creativity measure not only the number of alternatives that people can generate but the uniqueness of those alternatives. The ability to generate alternatives or to see things uniquely does not occur by chance; it is linked to other, more fundamental qualities of thinking, such as flexibility, tolerance of ambiguity or unpredictability, and the enjoyment of things heretofore unknown.

Thus, creativity is the development of ideas about products, practices, services, or procedures that are novel and potentially useful to the organization.
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Being creative involves the following

- Open-mindedness and objectiveness
- Perseverance and dedication to continuously seek and produce ideas
- An ability to put existing or new ideas together in different ways
- Drive and ability to overcome obstacles or find alternative solutions
- Moderate risk take
- Intrinsic motivation
- Internal locus of control
- Desire to achieve and grow
- Driven by growth and development

CREATIVE PROCESS

Creativity is originality that is realistic, viable and marketable. Three key aspects of organization creativity are

1. Knowledge – refers to the course of action required for opportunity identification, problem solving, and decision making
2. Drive – refers to the passion, desire, and motivation to do something new and novel with the confidence to proceed as a first mover. This individual has an internal locus of control and is driven by a sense of achievement and self-fulfilment.
3. Ability – Refers to the ways in which an individual seeks to identify a solution to a problem by adopting diverse and creative techniques in order to accurately assess and evaluate the situation and identify the best and most viable course of action.

Components of creative process
The following are the components

1. Preparation
2. Incubation
3. Illumination
4. Validation
5. Implementation

1. Preparation stage
Preparation is the background, experience and Knowledge that an individual brings to the opportunity recognition process. It is through the preparation stage that the individual attempts to find answers to the question, problem, or challenge. At this stage, it is important to fully understand the issue in order to have the required knowledge to find the best possible solution.

2. Incubation stage
Incubation is the stage where an individual considers an idea or thinks about a problem. Time and space are reflected in the solution or considerations that may not be immediately
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TOPIC 3

OPPORTUNITY IDENTIFICATION AND DEVELOPMENT

METHODS OF GENERATING NEW IDEAS

Even with the wide variety of sources available, coming up with an idea to serve as the basis for the new venture can still be a difficult problem. The entrepreneur can use several methods to help generate and test new ideas, including focus groups, brainstorming and problem inventory analysis and other methods as explained below

1. Focus groups
Group of individuals providing information in a structured format is called a focus group. The group of 8 to 14 participants is simulated by comments from other group members in creatively conceptualizing and developing new product idea to fulfill a market need.

2. Brainstorming
A group method of obtaining new ideas and solutions is called brainstorming. The brainstorming method for generating new ideas is based on the fact that people can be stimulated to greater creativity by meeting with others and participating with organized group experiences. Although most of the ideas generated from the group have no basis for further development, often a good idea emerges.

3. Problem inventory analysis
Problem inventory analysis uses individuals in a manner that is analogous to focus groups to generate new product ideas. However instead of generating new ideas themselves, consumers are provided with a list of problems in a general product category. They are then asked to identify and discuss products in this category that have the particular problem. This method is often effective since it is easier to relate known products to suggested problems and arrive at a new product idea than to generate an entirely new idea by itself.

4. Creative problem solving
Creative problem solving is a method for obtaining new ideas focusing on the parameters.

5. Brainstorming
The first technique, brainstorming, is probably the most well known and widely used for both creative problem solving and idea generation. It is an unstructured process for generating all possible ideas about a problem within a limited time frame through the spontaneous contribution of participants. All ideas, no matter how illogical, must be recorded, with participants prohibited from criticizing or evaluating during the brainstorming session.
6. **Reverse brainstorming**
Similar to brainstorming, but criticism is allowed and encouraged as a way to bring out possible problems with the ideas.

7. **Synectics**
Synectics is a creative process that forces individuals to solve problems through one of four analogy mechanisms: personal, direct, symbolic and fantasy. This forces participants to consciously apply preconsciously mechanisms through the use of analogies in order to solve problems.

8. **Gordon method**
Gordon method is a method of developing new ideas when the individuals are unaware of the problem. In this method the entrepreneur starts by mentioning a general concept associated with the problem. The group responds with expressing a number of ideas.

9. **Checklist method**
Developing a new idea through a list of related issues is checklist method of problem solving.

10. **Free association method**
Developing a new idea through a chain of word association is free association method of problem.

11. **Forced relationship**
Forced relationship is the process of forcing relationship among some product combination. It is technique that asks questions about objects or ideas in an effort to develop a new idea.

12. **Collective notebook method**
It is method in which ideas are generated by group members regularly recording ideas.

13. **Heuristics**
It is method of developing a new idea through a thought process progression.

14. **Scientific method**
This is a more structured method of problem solving, including principles and rules for concept formation, making observations and experiments, and finally validating the hypothesis.

15. **Value analysis**
Value analysis is developing a new idea by evaluating the worth of aspects of ideas.

16. **Attribute listing**
This is an idea finding technique that requires the entrepreneur to list the attributes of an item or problem and then look at each from a variety of viewpoints.

17. **Matrix charting**
Matrix charting is a systematic method of searching for new opportunities by listing important elements for the product area along two axis of chart and then asking questions regarding each of these elements.

18. **Big dream approach**
Developing a new idea by thinking about constraints is big-dream approach of problem solving.

19. **Parameter analysis**
Parameter analysis is developing a new idea by focusing on parameter identification and creative synthesis.

**SOURCES OF INNOVATIVE IDEAS**

Innovative ideas can come from a wide variety of different places, and companies who leave sources out of their innovative process are significantly reducing their innovative capabilities. A recent survey of innovative organization revealed that customers provided the greatest source for ideas, followed by marketing & sales, employees, firm leaders, suppliers and competitors.

1. **Customers**
Since customers are the ones to provide the final evaluation of products and services and well as drive sales, it is no wonder that they are the most fruitful source for ideas. In order to fully utilize the power of customers, innovation leaders should put into place methods for garnering and gathering customer ideas. The internet is an excellent place to begin, especially for companies in the technology industries. There are countless outlets online for customers to provide reviews on products. Companies in the retail and services industries may also want to invest in an online portal attached to their website which allows customers to submit, reviews, complaints and ideas.

Innovation leaders should actively compile this information, along with any other feedback received from customer surveys and test groups to derive a set of ideas for new products or product improvements. Properly evaluating and implementing ideas rooted in customer feedback is one of the best methods to staying ahead of the competition.

2. **Competitors**
Competing organizations and firm leaders are two other underutilized sources for innovation. Attending industry conferences, exhibitions and tradeshows is a good way to keep aware of what the competition is developing or researching. Businesses can often use these ideas and append or modify them to create new products themselves. On a higher level, business leaders should endeavour to stay well-connected and networked with other leaders in their industry as this is yet another avenue for gathering ideas.
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TOPIC 4

CREATING AND STARTING A NEW VENTURE

These following are the common business creation pathways to new ventures for entrepreneurs

1. Bootstrapping
2. Creating new ventures
3. Acquiring Existing ventures
4. Buying a franchise
5. Establishing a social venture
6. Taking over a family business

Bootstrapping
Some say bootstrapping means starting a new business without financing. Look for the ‘low-hanging fruit’. Use a copycat idea. Find quick, break-even, cash-generating products.

- A means of starting a new venture through highly creative acquisition and use of resources.
- Relies greatly on networks, trust, cooperation and wise use of existing resources.
- Having a healthy cash flow is critical to survival.

Some ways to bootstrap a business
- Buy on consignment
- Buy used equipment instead of new
- Hire staff for shorter periods instead of employing permanently
- Deliberately delay payment to suppliers
- Obtain loans from relatives and friends
- Work from home

Creating new ventures

New-new approach
- New products or services frequently enter the market Eg smart phones, MP3 players, plasma TVs & GPS
- All these products are introduced as a result of R&D efforts by major corporations. However, unique ideas are not produced by only large companies.
- One way to discover new products is to make a list of annoying experiences or hazards encountered with various products or services.
- These are PITA products or ‘pain in the arse’ products
- Eg Facebook was founded by Mark Zuckerberg, a Harvard University student who was frustrated by a lack of networking facilities on campus
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New-new approach
Eg ironing gloves for ironing sleeves & collars more easily

New-old approach
- Most small ventures do not start with a totally unique idea.
- Instead, an individual piggybacks on someone else’s idea by either improving a product or offering a service which is not currently available.
- Eg setting up restaurants, clothing stores in suburban areas that do not have an abundance of these stores.
- Risky because competitors can move in easily.

ACQUIRING AN ESTABLISHED BUSINESS VENTURES

Advantages

1) Less fear about successful future operation
   • Existing business has demonstrated ability to attract customers, control costs & make a profit.
   • Also, many of the problems faced by a newly formed firm faces are side stepped. Eg where should the company be located? How should it advertise?

2) Reduced time & effort
   • An existing business already has assembled the inventory, equipment, personnel & facilities necessary to run it.
   • In many cases, this has taken the owners a long time to do.
   • In addition, owners have established relations with suppliers etc.

3) A good price
   • Owner may want to sell quickly because of a retirement decision, illness or to raise money for emergency purposes.

What to ask when buying a business venture?
   • Why is the business being sold?
   • What is the current physical condition of the business?
   • What is the condition of the inventory and other assets?
   • How many of the employees will remain?
   • What type of competition does the business face?
   • What does the firm’s financial picture look like?
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TOPIC 5

BUSINESS GROWTH STRATEGIES

PENETRATION, MARKET AND PRODUCT DEVELOPMENT STRATEGY

PENETRATION STRATEGY
Penetration strategy is the concept of taking aggressive action to greatly expand one's share of total sales in a market. The resulting increased sales volume typically allows a business to produce goods or obtain merchandise at lower cost, thereby allowing it to generate a higher profit percentage. Also, as the organization acquires more market share, this reduces the sales of its competitors, possibly forcing some to drop out of the market.

There are a number of ways in which a business can engage in penetration strategy. The most common alternatives are as follows:

- **Price reduction.** The most common penetration strategy is simply to reduce prices. If customers are price sensitive, they will respond by buying more of the company's products and services. However, this approach only works if a company's offerings are considered to at least have the median level of quality of competing offerings. This approach is not a good one when competitors can easily match or exceed the company's lowered prices, thereby initiating a price war. Also, lower prices may reduce customer perceptions of the value of a company's goods and services, so that a return to higher prices at a later date cannot be achieved.

- **Terms improvement.** A company can offer longer payment terms or a more generous product return policy. This approach will likely allow the company to scoop up sales from the more financially unstable customers in a market, and can result in large bad debt losses. It also requires more funding to pay for receivables that are outstanding for longer periods of time.

- **Expanded marketing.** A company can spend more marketing funds on improving the branding of its products. If combined with no increase in product prices, the result can be a perception that a company's offerings are a bargain, resulting in additional market share.

- **Product differentiation.** One of the better penetration strategies is product differentiation, where a company creates new products that are notably different from and better than those of competitors. It can take time for competitors to respond, giving a business the time to garner more market share.

- **Distribution channel expansion.** A company can create a number of new ways in which to sell its goods into a market, thereby addressing a larger audience. For example, distribution could be through the Internet, retail stores, and street vendors. If competitors do not sell through one of these channels, a company can gain market share for as long as there is no response to this strategy.
Of the preceding strategies, the use of price reductions and terms improvement tend to have the most ephemeral results, since they can be easily matched by competitors. Differentiating with marketing, products, and distribution channels tends to have more long-lasting results.

MARKET DEVELOPMENT STRATEGY

Market development is a growth strategy that identifies and develops new market segments for current products. A market development strategy targets non-buying customers in currently targeted segments. It also targets new customers in new segments. A market development strategy entails expanding the potential market through new users or new uses. New users can be defined as: new geographic segments, new demographic segments, new institutional segments or new psychographic segments. Another way is to expand sales through new uses for the product. A marketing manager has to think about the following questions before implementing a market development strategy: Is it profitable? Will it require the introduction of new or modified products? Is the customer and channel well enough researched and understood? The marketing manager uses these four groups to give more focus to the market segment decision: existing customers, competitor customers, non-buying in current segments, new segments.

Market development strategy checklist
The market development strategy is a declaration of intent that provides the strategic direction for a startup’s go-to-market programs (that is, sales strategy, marketing communications, product strategy). The strategy is expressed using the market development strategy checklist (MDSC). The MDSC is a set of assumptions around which a strategy statement is created.

Using the MDSC in your go-to-market programs
The MDSC works like a checklist. You must identify the first element on the list before moving on to the second element, and so on. Each element in the MDSC is based on preceding assumptions—modifying assumptions about one element will affect assumptions about subsequent elements. Although elements will change as your product category enters different stages of the technology adoption life cycle (TALC), the MDSC remains valid in each stage.

Elements of the MDSC
- The target customer (for example, economic buyer, technical buyer, end user) is the starting point—the source of money. It influences all subsequent elements of the strategy statement.
- The compelling reason to buy (CRTB) explains the buyer motivation (customer pain)—the source of demand.
- The whole product helps you to meet the demand by addressing the customer’s motivation (that is, solving the customer’s pain).
- Partners and allies may be required to provide those parts of the whole product that you cannot provide yourself.
- The design of the distribution channels is a function of both the solution and marketing complexity of delivering the whole product.
Determining the pricing and revenue model is a function of the target customer’s perceived value of using the product.

Both reference and economic competition must be considered when analyzing potential competition for the target customer’s budget.

Positioning must establish your product as more attractive than the competition’s in the eyes of the target customer.

The next target (that is, the next target customer) can be described according to geographies, user profiles or profitability. However, keep in mind that the next target is always your company’s next move as it relates to your product category’s place on the TALC:

- Early Market = next visionary customer
- Chasm = first niche segment
- Bowling Alley = next niche segment that builds upon efforts in whole product development and/or customer references

PRODUCT DEVELOPMENT STRATEGY

This growth strategy requires changes in business operations, including a research and development (R&D) function that is needed to introduce new products to your existing customer base.

As part of a successful product development strategy your role will require you to have a greater appreciation of a new emphasis placed on marketing.

This would result in you supplying data for and assessing the implications of change in the following key areas:

Research and development

You may find yourself having to investigate and assess the use of new technologies, processes, and materials that would be needed to pursue this strategy.

In the cell phone market, for example, phone models are being replaced every six months or so. Your organization may find that the lifespan of its products are longer, but few can ignore the necessity of continuous R&D.

Assessing customer needs

This is something that can be done by the marketing department in the form of customer questionnaires and user groups. However, customer needs can also become apparent to people who are in customer-facing roles, as they often are the first to hear about problems or concerns with the product or service.

If you are managing a team in a customer-facing role you will have the opportunity to gather data that may initially appear negative but which can offer your organization the opportunity to meet customers’ needs more fully. Understanding what a customer’s real needs are and how these can be interpreted in product development is essential to success when using this strategy.

For example, complaints about oil spilling over the customer's car engine when having to replace lost oil led to the addition of an integral funnel being added to engine oil packaging.
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TOPIC 6

ENTREPRENEURSHIP AND TECHNOLOGY

E – Commerce
E – Commerce also known as Electronic Commerce consists of the buying and selling of products or services over electronic systems such as the Internet and other computer networks. The amount of trade conducted electronically has grown extraordinarily with widespread Internet usage. The use of the internet in conducting trade in this manner is spurring and drawing on innovations in electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web at least at some point in the transaction's lifecycle, although it can encompass a wider range of technologies such as e-mail as well.

The entrepreneur, in considering whether this is the path he wants to take, should arm himself with all the pertinent facts about E-Commerce. He should carry out extensive research into the trends in external markets and assess how this pattern is taking effect in the local economy. E - Commerce has grown tremendously in the last few years, with retailers offering on line shopping tripling in 1998 alone. The Internet has offered merchants a method of reaching new markets and new customers, and customers have found E - Commerce an effective way of researching and purchasing goods without the hassles of crowds, parking and checkout lines. One fact that cannot be argued against is that things are constantly changing and will continue to do so into the foreseeable future. Change has become the one constant rule in E - Commerce and probably will be for some time to come.

A large percentage of electronic commerce is conducted entirely electronically for virtual items, i.e. products that do not have a physical aspect attached to them such as shares in the stock market. However, most electronic commerce involves the transportation of physical items in some way. Online retailers are sometimes known as e-tailers and online retail is sometimes known as e-tail. Almost all big retailers have electronic commerce presence on the World Wide Web.

Electronic commerce that is conducted between businesses is referred to as business-to-business or B2B. B2B can be open to all interested parties (e.g.. commodity exchange) or limited to specific, pre-qualified participants (private electronic market). Electronic commerce that is conducted between businesses and consumers, on the other hand, is referred to as business-to-consumer or B2C. This is the type of electronic commerce conducted by companies such as Amazon.com. This model could be useful to an entrepreneur who wants to open an on line bookshop.

Electronic commerce is generally considered to be the sales aspect of e-business. It also consists of the exchange of data to facilitate the financing and payment aspects of the business transactions.
E-Commerce Features
E-commerce software ranges from affordable, off the shelf packages designed for small business owners, to fully customizable software for larger firms. E-commerce software typically offers user design tools, integrated with other utilities such as inventory control, accounting, sales and purchasing, web-based reporting and robust security features to ensure secure financial transactions and customer privacy. Off the shelf software seem to work for the small business owner or entrepreneur. This software provides an affordable way to open an online sales channel. Web-based user design tools, shopping cart templates and built-in support for secure transactions make it possible to get a business up and running in a matter of days.

Why should an entrepreneur be concerned about E-Commerce? The following section examines the benefits he is likely to receive:

- **More exposure, more profit.**
  Marketing a product or a service via the Internet provides direct company exposure 24 hours a day, 365 days a year all over the world. This gives the company a better chance to earn more profit by providing the means to reach more customers.

- **Reduces company expenses**
  Setting up and maintaining an e-commerce web site is more economical than setting up a retail outlet or maintaining a large office. The company no longer needs to spend so much on promotional materials or installation of expensive equipment to be used for customer service, nor does it need to hire more personnel to do the inventory duties. An online database keeps the purchasing history of the company and the customers. A single person can retrieve the database to check purchasing histories easily. It can also reduce operations cost, as the employees can electronically share and access data, preventing the need for multiple printings.

- **Information sharing between business Partners and other businesses**
  E-commerce provides an effective way to exchange business information with partners, as it is Internet-based. E-commerce also allows companies to buy the goods and services presented by other online companies (suppliers) - known as business-to-business (B2B). An entrepreneur's customers are also likely to benefit from E-Commerce in the following ways:
    - **Convenient and time-saving shopping**
      The e-market is open 24 hours, every day. There is no need for the customers to travel, wait in long lines or even carry an item back home. A click on the product and your credit card information (for Electronic Fund Transfer) are all it takes to purchase an item and have it delivered. Aside from credit cards, customers can also choose from a variety of convenient payment.
    - **Better choices.**
      Aside from the opportunity to visit a wide variety of on-line shops, e-commerce allows customers to check complete information about a certain product. In addition to that, there are no sales persons pressuring the customer into buying a product.
    - **Cheaper prices.**
      Going on-line reduces company expenses. As a result, customers can buy items from many online companies at lower prices than offered by traditional stores.
    - **Customer satisfaction.**
      The Internet provides real-time, interactive communication. The company utilizes these features of the Internet to quickly respond to customer queries, thus providing better customer service and greater customer satisfaction.
The Entrepreneur’s interest

The entrepreneur thinking about trading through E – Commerce should carry out a feasibility study to see whether the project can generate a return on investment. It is important that the entrepreneur is not carried away with the hype of technology. The need for this technology should translate into positive returns after a while.

The entrepreneur is likely to increase sales as he will be running parallel systems for a while before going full scale into e-commerce, should he decide to do this. He will need to get an Internet Service Provider (ISP) to host the e-commerce site. The ISP will facilitate the creation of an Internet presence of the business. This may be one of the set up costs the entrepreneur should be prepared to incur. The entrepreneur should also bear in mind the security issues as he goes into e-commerce. E-Commerce exposes the business to the Internet where all sorts of data traverse. Some of this data may pose a threat to the business in the sense that confidential information may be picked up by a third party and used maliciously for personal gain.

THE ENTERPRISE WEBSITE

A connected group of pages on the World Wide Web regarded as a single entity. Each Web site contains a home page, which is the first document users see when they enter the site. The site might also contain additional documents and files. Each site is owned and managed by an individual, company or organization.

Benefits that could accrue to an entrepreneur-from-a-well-designed customer oriented website.

- Reaching a wider Audience
  The first and perhaps most obvious advantage of a business website is the potential for reaching a wider audience. The internet is used by literally millions of people. Building a website for your business will mean you could potentially reach these otherwise unreachable customers. Your business might be local, but you might have the potential to sell your products or services to a wider market, whether it is people in the next town, the nation as a whole or even the international market. Data shows that internet shopping is still on the rise, so taking your business online will potentially allow you to take advantage of the growth and expand your business. Even if you have no intention of using a business website to sell, you still might want to let customers know about your business. People commonly research businesses online before actually visiting the business location. So having a well-designed website will help encourage them to come and visit you or be able to find your business in the first place.

- Anyone, Anywhere & Anytime
  An advantage of having a website is your business information and details about your products and services can be accessed by anyone, no matter where they are on the planet or what time of day it is. The internet is online 24 hours a day, 7 days a week. So even if your business isn’t open your website will be.
  If you have a contact form or another way for people to be able to contact you even if it is as simple as your e-mail address on your website, then people can potentially get in contact with you, whether you’re in front of a computer or not.
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TOPIC 7

NATURE OF BUSINESS COMMUNICATION

MEANING OF COMMUNICATION

Communication to the transmission or exchange of information between two or more persons. The information emanates from the source to the destination and eventually back to the source in the form of a feedback. The information being exchanged is referred to as a massage and the process develops to a communication process.

Communication is all about sending and receiving information. It is in its simplest sense a human relationship involving people who come together to share, to dialogue and to continue. Peter Little defines communication in his words “communication is the process by which information is transmitted between individuals and or, organizations so that an understanding response results”

William Scott in his organization theory defines communication” Administrative communication is a process which involves the transmission and accurate replication of ideas ensured by feedback for the purpose of eliciting action which will accomplish the organizational goals”

Areas of emphasis when defining communication

i) The process of communication involves communication of ideas.
ii) The ideas should be accurately replicated ie. reproduced in the receiver’s mind.
iii) The transmitter is assured of the accurate replication of ideas by feedback.
iv) The purpose of any communication is to elicit action.

Note:
The above definition covers almost all aspects of communication but should also include two important aspects
i) The concept of idea should be adequately enlarged to include.
ii) Even in the administrative communication the purpose may not always be to elicit action but to
   • Seeking information
   • Persuading others etc.

All communication has to be originated produced, transmitted, received and understood. The main aspects of communication which need to be considered are;

• The source of communication i.e... the message – (sender)
• The contents of communication is produced eg. dictation – (Message)
• The method of transmission e.g... faxing (channel)
• The process involved in receiving e.g... mail handling
• The destination of the communication i.e., recipient. (receiver)
• The understanding of the communication (feedback)

We can therefore conclude that communication exists when,
i) there is a person (a sender or transmitter) desirous of passing on some information
ii) There is another person (receiver) to whom the information is to be passed on.
iii) The receiver partly or wholly understands the message passed on to him (message)
iv) The receiver responds to the message (feedback)

THE PURPOSE OF BUSINESS COMMUNICATION

1. Inform others and being informed
2. Evaluating an organization's input & output
3. Directing others and being directed
4. Influencing others and being influenced
5. Integrating management functions.
6. Facilitating internal and external communications.

The importance of communication

1. Better performance
2. Efficiency and timely delivery
3. Improved customer relations
4. Creation of better business prospective
5. Better management
6. Harmony among employment
7. Coordination
8. Proper resource utilization
9. Building of business reputation

Effects of poor communication

• Confusion
• Mistakes
• Wastage
• Accidents
• Frustrations
• Low morale and lack of motivation
• Strikes and unrest
• Poor transfer of information
• Feeling of dissatisfaction
The importance of effective communication in business

I. Set up and establishment of a business
Communication maybe described as the lifeblood of business. No business can develop in the absence of effective internal and external communication.

II. Management
Communication is a vital tool of management the potentials of communication as a management too are so great and include.
- Favorable dealing with outside companies
- Effective relationships within an organization
- Conducting effectively the functions of the organization
- Controlling and coordination in order to meet the organizational goals and objectives
- Maintaining external relationships with customers and suppliers

III. Organization Structure
The structure of the organization and delegation/ consultancy
- The leadership style of management adopted by the organization will have significant impact on the amount and effectiveness of the communication.
- A democratic style of leadership involves junior people in the organizational decision making process to varying degrees, this requires a two-way communication for the structure to be effective
- Organizations with autocratic leaders are likely to have less communication and much of it one way I.e...Downward communication.

IV. Motivation
- Motivation techniques have changed in the recent years. Although money is still perceived as a chief motivator, non financial methods have taken over and relate to communications & job design
- Effective communication is currently the chief motivator and generates excellent relationship between employers and employees.

V. Decision making
- Communication in an organization not only receives records and processes information but also communicates this information to management to enable the management make effective and timely decisions with regard to, directing controlling and coordinating the activities of the organization.

VI. Implementation of change
- Effective communication is an essential element of business success. It enables change implementation encourages and develops commitment to the business from employees at all levels within the organization.

VII. Appointment and promotion of employees
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TOPIC 8

WRITTEN COMMUNICATION

Definition of Written Communication

It refers to the innovative activity of the mind which involves a careful choice of written words organized in a correct order of sentences in order to pass information from one person to another.

Written communication involves any type of interaction which makes use of written words, organized in a correct order of sentences in order to pass information from one person to another.

Written communication is very common in business situations facilitating both internal and external communication in the form of memos reports letters etc.

Advantages of written communication

1. Written communication helps in laying down apparent principal policies and rules for an organization.
2. It is a permanent means of communication and therefore useful where records have to be maintained.
3. Assists in establishing accountable delegation of responsibilities
4. Written communication is more precise and explicit in passing information (messages)
5. It provides records for future references
6. Legal defense can depend upon written communication.

Disadvantages of written communication

1. Written communication does not save on costs and tends to be bulky.
2. Slow response and may lack spontaneous clarification especially where distance is involved
3. Written communication is time consuming as feedback is not immediate due to the encoding and decoding procedures
4. Written communication may be unsuitable for illiterate receivers or senders
5. Effective written communication requires greater skills and competencies in language and use of vocabulary.
6. Too much paper work and e-mail burden is involved.
RULES OF EFFECTIVE WRITING

Writing skills are an important part of communication. Effective writing allows for efficient communication of any information with a lot of clarity and ease to all audience. Poor writing skills create first impression and many readers will have an immediate negative reaction where they spot mistakes such as grammatical mistakes or spelling mistakes. A well written article attracts attention and desire to read the information.

The following are the main guidelines of effective writing skills

1. The writer should use correct grammar and make sure that corrections on all grammar errors are done. Use short clear sentences when writing.
2. Avoid of wrong words and spellings mistakes- check for poor writing spellings & mistakes in order to avoid any misinterpretations or understanding by the reader.
3. The wording should be polite and simple to understand.
4. Display should be pleasant and in accordance with accepted procedures.

Channels/ forms of written communication

Written communication may flow or take any of the following forms
i) Correspondence (letters)
ii) Internal memorandum (memo)
iii) Reports
iv) Circulars
v) Minutes
vi) Bulletins, notices or house journals
vii) Suggestions schemes etc

Written communication once fully prepared and is ready to be sent the following are the main ways of conveying written communication

- **Messenerial –services** is the oldest type of service, where evidence is desired of the sending process. They use messengers who use delivery book.
- **Postal services / courier services** - Are service providers who facilitate delivery of letters or any other correspondence
- **Mechanical transmitters** - There are several types of transmitters which include
  i) Tele printers
  ii) Telegraphs
  iii) Telexes
  iv) Fax miles
  v) E-mails
The main forms of written communication

BUSINESS CORRESPONDENCE

Correspondence refers to the written communication between an organization with its stakeholders such as suppliers, customers, government department’s financial institutions etc. The use of letters is the most common form of correspondence and business letters therefore are very important in communicating ideas, facts, orders etc of an organization. They form the greatest share of formal communication.

Types of letters

Broadly speaking letters can be classified as personal and non-personal letters

Personal letters are informal and are written to exchange ideas or seek favors. They include letters to relatives and friends. They are written in a friendly and informal style.

Non-personal letters are written to achieve a specific purpose and often give rise to legal obligations. (Formal communication)

Business letters

Business letters are non-personal letters and are classified as official letters. They may take the form of

a) Demi – official (D.O letters)

✓ These are letters official in purpose but are addressed to a person by name.
✓ D.O letters may be written if.
  • The matter requires personal attention of the addressee
  • The matter is of confidential nature

b) Form – letters

✓ Form- letters are used for correspondence of recurring or routine nature. They are used in cases of acknowledgements, reminders, interviews, notices appointments etc.

✓ They have a standard form with blanks left on them to be filled. Sometimes these form letters carry a number of paragraphs which can simply be ticked (√) known as forms of paragraphs usually printed on post cards.
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TOPIC 9

ORAL AND NON-VERBAL COMMUNICATION

ORAL COMMUNICATION IN BUSINESS

**Definition**
Refers to the sending and receiving of messages/information by use of spoken words.

Oral communication requires that the sender and receiver(s) communicate with each other by that use of words of mouth.

It may be carried out through, face to face interactions, interviews and meetings etc.

**Advantage of oral communication**
- i. There is physical proximity
- ii. Allow for instant exchange of ideas
- iii. Feedback is immediate
- iv. Easier to persuade

**Disadvantages of oral communication**
- i. Difficult to control when large numbers are involved
- ii. Lack of time to think through
- iii. Lacks reference for records keeping

**The channels of oral communication**

1. **Telephone/mobile conversations**

Telephones are the most common and effective mechanical device for verbal (oral) communication.
With modern switch boards, more extensions have facilitated communication both internally and externally to levels of teleconferencing.
Telephones have some unique advantage as means of communication. It is immediate two way and cost effective.

**Advantages of telephone**
- 1. Saves on time facilitating instantaneous communications
- 2. Facilitates receiving immediate feedback
- 3. Telephone communication may be as effective as face to face communication effective through voice modulation.
4. Telephone communication becomes more effective than personal visits especially where people are of different ranks.
5. Provides a variety of services including trunk calls, personal calls, intercom e.t.c.
6. Cost saving as opposed to travels.

Disadvantages of the telephone

1. Communication depends each other voices limiting the enhancing features such as facial expressions, gestures, etc.
2. Easy to assume that attention is there whereas the may lack attention interest or good reception.
3. Easily misused especially in office environments
4. Requires instant response without giving the response without giving the receiver chance to think through
5. When calling, one may not get change to study the mood of the receiver
6. A telephone message does not provide a permanent record for legal purposes.

How to use the telephone effectively

1. Speak politely, confident and in a positive friendly tone
2. Always have a message pad telephone directory and appointment book near by
3. While taking hold the mouthpiece property
4. Avoid murmuring i.e. taking through the nose or teeth.
5. Don’t shout into the phone or speak so low- try being neutral
6. Do not waste time with useless talks in order to save on costs.

Guidelines of receiving/ answering the phone calls

1. Always be prepared to receive a call – to give and receive information with note pad and pen.
2. first introduce the company, the department and your self
3. say a present good morning – afternoon etc
4. be polite on any clarifications
5. use an official note pad for official messages
6. take down the name and telephone number of caller
7. note the time of call and suitable times to be contacted
8. relay the message to the person/ department the message was meant for
9. Call back if such promises were made.
10. listen carefully without interrupting the caller

Guidelines when making calls

1. Prepare mentally before dialing i.e. be clear with the message to be passed – jointing down such messages is important
2. verify that the number is correct before dialing
3. when phone is received wait for introduction of the receiver before you speak
4. speak clearly and precisely
5. ascertain clarity where a pardon is requested for
6. deliver all the details of the message and make sure it is understood
7. Return receiver gently in order not to be offensive.

The Art general conversation

Conversations provide us opportunities for self – expression. Or pooling information or simply sharing interest

Conversations are a two way thing involving two parties at least – it is a give and take action and reaction

The attitude in conversations is the ability to see things from other fellow’s point of view

For effective conversations
- be interested in the conversations and friendly
- be cheerful and relaxed
- be flexible and tactful

2. Charts on –line by the use of the internet may be verbal where using visual mechanism oral communication can take place.

Face to face communication

Is the most natural means of oral communication. It is one of the means of securing co-operation and resolving problems effectively. In face to face communication the ideas can be conveyed by words and gestures or expressions.

The obvious difficulty is that personas have to move back and forth to communicate with each other.
The face to face communication may take several forms such;

EFFECTIVE LISTENING

Listening is an important aid to communication and bad listeners. Make up bad communicators. A sent researcher should know that 63% of the Americans time is spent listening, while 4% on reading and 22% speaking

The main purpose of listening included:-
- To obtain information
- To solve problems
- To share experience
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TOPIC 10

MEETINGS

Definition of Meetings

Meeting are proceeding carried out by two or more people over matters of common interest which are discussed over a given period of time or
It is a gathering of a number of people for transactions of common business or for legal purposes

Meeting can be principally categorized into
  o Formal
  o Committee meetings
  o Command meetings

Meetings are associated with time wasting but when property handled can be useful means of especially group communication.

Success of a meeting will depend on.
  i. A clear definition of the purpose of the meetings
  ii. Distributing the agenda among all the members on time
  iii. Providing the facts in advance for easy deliberations
  iv. Restricting the numbers invited to the meetings

NOTICES OF MEETINGS

For a meeting to be carried out there should be a notice to stakeholders (members) and should always state the following.
  • The venue for the meeting
  • The time for the meeting
  • The subject
  • The date for the meetings
  • The day of the meeting
  • The agenda of the meetings

Case Kaye V craydon transways Co. (1898)

A notice conveying a meeting stated that the objects of the meeting were to adopt an agreement for the sale of the company’s undertaking to another company. The notice did not disclose that the directors were interested in the agreement as a substantial part of the sales proceeds was to
be paid to the directors as compensation for loss of office. Held, the notice was bad as it did not fairly disclose the purpose for which the meeting was called.
The notice shall contain a statement of the business to be transacted or the meeting; the business may be ordinary or special business. In case of an annual general meeting, the following business is deemed as ordinary business.

i. the consideration of the accounts, balance sheet and the reports of the board of directors and auditors
ii. the declarations of dividends
iii. the appointment of directors in place of those retiring
iv. the appointment of auditors and the fixing of their remuneration

Special business – any business other than the ordinary business in case of an AGM is deemed special, examples of special business
- removal of rights/ bonus shares
- Election of a person (other than a retiring director)

1. QUORUM FOR MEETING

Quorum is the minimum number of members who must be present in order to constitute a valid meeting and transact business thereafter. The quorum is fixed on the articles. If the articles of a company do not provide for a larger quorum, the following rules apply.

1) 5 members personally present in the case public company (other than deemed public company) and 2 in the case of any other company of any the company for the purposes of quorum for a meeting of the company for the purpose of quorum a person may be counted as 2 or more members if he holds shares in different capacities e.g as a trustee and also in his own right.
2) If within half an hour, quorum is not present in the meeting if called upon requisition of members stand dissolved. In any other case it shall stand adjourned to the same day, place and time in the next week.
   - if at the adjourned meeting also quorum is not present within half an hour, the members present shall be the quorum.

Rule in sharp V Dawes: one person cannot constitute a meeting.

The word meeting Prima facie means a coming together of more than one person. Strictly speaking, therefore one shareholder cannot constitute a meeting. This is known as Rule in sharp V Dawes. (1876).
- A general meeting of a company was called for; use purpose for making a call. Only one shareholder attended the meeting. The business of the company was concerned through including a call of the shareholders D was sued for the call he has failed to pay. In his defense D argued that the call has not been validly made at a general meeting held. Once person could not constitute a meeting.

Exceptions – cases where one person may constitute a meeting
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TOPIC 11

INFORMATION TECHNOLOGY AND COMMUNICATION

Introduction

Technology and communication refers to the process of combining various technologies in order to improve the efficiency of receiving recording and transmitting information. The system developed increase the productivity managerial users and offer professionals time and effort needed to produce access and receive business communication promptly

THE INTERNET

- The internet is a giant worldwide network. The internet started in 1969 when the United States Government funded a major research project on computer networking called ARPANET (Advanced research Project Agency Network) when on the internet you move through cyberspace.
- Cyberspace – is the space of electronic movement of ideas and information.
- The web provides a multimedia interface to resources available on the internet. It is also known as WWW or World Wide Web. The web was first introduced in 1992 at CERN (Centre of European Nuclear Research) in Switzerland. Prior to the web, the internet was all text with no graphics animations, sound or video.
- Common internet applications
  - Communicating on the internet includes e-mail, discussion groups, charts, graphs
  - You can use e-mail to send or receive messages to people around the world
  - You can join discussion groups or chat groups on various topics

Shopping

- Shopping on the internet is called e-commerce
- You can window shop the cyber malls called web storefronts
- You can purchase goods using checks, credit cards or electronic cash called electronic payment.

Researching

- You can research on the internet by visiting virtual libraries and browse through stacks of books
- You can read selected items at the virtual libraries and even check out books
Entertainment

- There are many entertainment sites on the internet such as live concerts, movie previews and book clubs
- You can also participate in interactive live games on the internet.

How do you get connected to the internet?

You get connected to the internet through a computer. Connection to the internet is referred to as access to the internet. Using a provider is one of the most common ways users can access the internet. A provider is one of the most common ways connected to the internet. A provider provides a path or connection for individuals to access the internet.

There are three widely used providers.

i) Colleges and universities – colleges and universities provide free access to the internet through their Local Area Networks

ii) Internet service providers (ISP) ISPs offer access to the internet for free. They are more expensive than online service providers.

iii) Online service providers- provide access to the internet and a variety of other services for a fee. They are the most widely used source for internet access and less expensive than ISP.

Connections

There are three types of connections to the internet through a provider

a. Direct or dedicated
b. SLIP or PPP
c. Terminal connection

Direct or dedicated
This is the most efficient access method to all functions on the internet. However it is expensive and rarely used by individuals. It is used by many organizations such as colleges, universities, service providers and corporations.

SLIP and PPP
This type of connection is widely used by end users to connect to the internet. It is slower and less convenient than direct connection. However it provides a high level of service at a lower cost than direct connection. It uses a high speed modem and standard telephone line to connect to provider that has a direct connection to the internet. It requires special software protocol. SLIP (serial Line Internet Protocol) or PPP (Point-to Point Protocol). With this type of connection your computer becomes part of a client/ server network. It requires special client software to communicate with server software running on the provider’s computer and other internet computers.
Terminal connection
This type of connection also uses a high speed modem and standard telephone line. Your computer becomes part of a terminal network with a terminal connection. With this communication that occurs between the provider and other computers on the internet. It is less expensive than SLIP or PPP but not as fast or convenient.

TCP/IP
The standard protocol for the internet is TCP/IP. TCP/IP (transmission Control Protocol/internet protocol) are the rules for communicating over the internet. Protocols control how the message are broken down, set and reassembled. With TCP/IP a message is broken down into small parts called packets before it is sent over the internet. Each packet is sent separately, possibly travelling through different routes to a common destination. The packets are reassembled into correct order at the receiving computer.

Internet Services
The four commonly used services on the internet are;
  - Telnet
  - FTP
  - Gopher
  - The web

Telnet
- telnet allows you to connect to another computer (host) on the internet
- with telnet you can log on to the computer as if you were a terminal connected
- there are hundreds of computers on the internet you can connect to.
- Some computers allow free access, some charge a fee for their use.

FTP (File Transfer protocol)
- FTP allows you to copy files on the internet
- If you copy a file from an internet computer to an internet computer it is called downloading.
- If you copy a file from your computer to an internet computer, it is called uploading.

Gopher
- Gopher allows you to search and retrieve information at a particular computer site called a gopher site.
- Gopher is a software application that provides menu-based functions for the site.
- It was originally developed at the university of Minnesota in 1991.
- Gopher sites are computers that provide direct links to available resources, which may be on other computers.
- Gopher sites can also handle FTP and Telnet to complete their retrieval functions.
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TOPIC 12

ETHICS AND INTEGRITY IN BUSINESS

CONCEPT OF ETHICS AND INTEGRITY

Ethics refers to standards of behavior that tell us how human beings ought to act in many situations in which they find themselves – as friends, citizens, business people, professionals, etc.

Ethics is not the same as:

i. Feelings
ii. Religion
iii. Following the law
iv. Following culturally accepted norms

Ethics in communication refers to the standards of right and wrong that apply when sending and receiving messages. They are the principals what is right and what is wrong based on values shared in the communication process.

Business integrity

Business integrity is the reliability with which the business undertakes its transactions with the various parties with which it interacts. It is the soundness and honesty with which it conducts its business transactions and relationships.

When business ethics and integrity are present, all parties dealing with the business know that they can rely on the standards with which the business conducts its business transactions and the business products.

Business ethics and integrity are important because consumers can only make ethical decisions on choosing the right business organisation when they have access to accurate and complete information about the practice of different businesses.

Any business organisation that aims to be socially and ethically responsible must make a priority of streamlining on ethical communication both internally and externally.

Ethics and integrity definition

Refers to the degree of trustworthiness and ethical behavior on an individual with considerations for knowledge of the impact and consequences making a decision.

The ethical and integrity concepts related to the following aspects.

1. A person’s ability to listen to others and communicate in an effective way i.e. (communication)
2. The ability of a person to approach a problem business using a logical systematic sequential approach i.e. (Analytical thinking)
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