



NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE

GRADUATE SCHOOL OF BUSINESS

GENERAL MASTER OF BUSINESS ADMINISTRATION

ENTREPRENEURSHIP

GMB 5265

Special Examination

OCTOBER 2016

This examination paper consists of 6 pages

Time Allowed: 3 hours

Total Marks: 100

Special Requirements: None

INSTRUCTION TO CANDIDATES

1. Answer Section A and any 3 questions from Section B.

INFORMATION FOR CANDIDATES

1. All questions carry equal [25] marks.
2. Questions can be answered in any order.
3. Credit will be awarded for appropriate use of examples

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SECTION A Compulsory

1. Which of these are not types of entrepreneurship?

- A. Founder entrepreneurs, franchise entrepreneurs, high potential entrepreneurs.
- B. Craftsmen entrepreneurs, opportunistic entrepreneurs, women entrepreneurs.
- C. Independent entrepreneurs, technical entrepreneurs, family entrepreneurs.
- D. Small firm entrepreneurs, micro entrepreneurs, lifestyle entrepreneurs.

2. Business risk falls into the following categories;

- A. Personal risk, liabilities risk insurance risk
- B. Property risk, insurance risk, personnel risk
- C. Liability risk, property risk, personal risk
- D. Property risk, personnel risk, liability risk

3. Which of these is not a requirement for successful entrepreneurship?

- A. Quality performance, customer focus, integrity & responsibility.
- B. Innovation, special niche, entrepreneurial teams.
- C. Previous experience, consensus building, obsession with business ideas.
- D. Creativity, outsourcing, quick decision-making.

4. The main advantages of locating a start-up on the internet are;

- A. Continuous innovation
- B. Continuous transactions
- C. Continuous access
- D. Continuous customer relationships

5. Which of these combinations most accurately describe the characteristics of an entrepreneur?

- A. Leadership Pragmatic, humble & comfortable with the status quo, determination.
- B. Leadership, Opportunity obsession, commitment & determination.
- C. Relationship building, uncertainty avoidance, advice seeking opportunity obsession.
- D. Team player, pursuer of many opportunities concurrently, leadership, commitment.

6. Start-up business ideas fall into 3 categories which are;

- A. Innovative ideas, profitable ideas, engineering ideas.
- B. New market, new technology, new benefit.
- C. Intellectual ideas, capital ideas, technical ideas.
- D. Large business, micro-enterprise, small business.

7. Which of these is not a measure of how well the firm is performing in getting a good return on its assets?

- A. Return on assets & return on equity
- B. Operating margin & asset turnover
- C. Return on assets and operating margin
- D. Accounts receivable turnover & inventory turnover

8. The main sources of start-up financing are;

- A. Family and friends, work loans and personal bank loans
- B. Work loans, credit cards, and other business operations
- C. Credit cards, personal savings and friends and family
- D. Personal savings, personal bank loans and other business operations

9. The main sources of new business ideas are;

- A. Work colleagues, friends/family, television.
- B. Prior work experience, personal interest/hobby, chance happening.
- C. Education/courses, personal hobby/interest, family/friends.
- D. Suggestions, family/friends, prior work experience

10. Which of these elements is not part of the cash budget;

- A. Sales revenue statement
- B. Income statement
- C. Operating expenses
- D. Borrowings

11. Innovative thinking for business ideas can best be achieved through;

- A. Borrowing of ideas from new products, use of new software that generates ideas, asking people.
- B. Problem-solving, experimenting with new technology, taking a cue from new industries, testing the market.
- C. Borrowing ideas from existing products and other industries, combining different businesses into one, adapting the product around customer needs, problem-solving.
- D. Reading books on products & customers, attending courses on entrepreneurship & innovation, copying other products.

12. Accounts payable can be managed through;

- A. Negotiation and borrowing

- B. Timing and negotiation
- C. Budgeting and timing
- D. Borrowing and budgeting

13. Once an opportunity has been identified and a business idea been developed, it must be subjected to;

- A. The government or local authority for approval, stress testing, due diligence.
- B. Internal analysis, external analysis, customer analysis.
- C. Internal analysis, external analysis, competitive advantage analysis.
- D. Regulatory analysis, start-up analysis, competitor analysis.

14. Franchising as an option to start or grow a business has the following advantages;

- A. Quick start-up, financial assistance, proven marketing methods, training.
- B. Quick start-up, free supply of services, referral of customers, logistics support.
- C. Quick profitability, technical back-up, free inputs, quick regulatory approval.
- D. Quick start-up, Training, referral of customers, fast turnover, guaranteed success.

15. Franchising as an option to start or grow a business has the following disadvantages;

- A. Regulatory restrictions, lack of customer support, political interference, high fees.
- B. Short working hours, restrictions on operating hours, low turnover, high bank interest rates.
- C. Restrictions, high fees and royalties, lack of franchisor support, loss of independence.
- D. Many competitors, takeover from foreign franchisers, high fees, poor input supplies.

16. The main objective of risk management is;

- A. Loss planning
- B. Loss detection
- C. Loss avoidance
- D. Loss transfer

17. Requirements for successful buying of a business include;

- A. Carrying out due diligence exercise, finding suitable managers to run the business, analysing the finances and strengthening the balance sheet, transferring ownership & registration.
- B. Finding the business, investigating & evaluating the business, finding out why the business is for sale, examining financial data, valuing the business.
- C. Identifying the suitability of the business location, doing due diligence on how much cash the business has, evaluating the number of employees, evaluating the structure of ownership.
- D. Finding out why the business is being sold, arrange financing for the acquisition, install new management & operate new business.

18. Capital Budgeting techniques include;

- A. Payback period and Net present value
- B. Internal rate of return and discounted cash flow
- C. Net present value and accounting rate of return
- D. Discounted cash flow and payback period

19. The 4 basic determinants of how a firm is financed are;

- A. The debts of the business, the character & number of the owners, the number of competitors, the premises from which the business operates.
- B. The rate of return, the firm's portfolio, the collateral, the market conditions.
- C. The firm's economic potential, the size & maturity of the company, the nature of its assets, the personal preferences of the owners on debt & equity.
- D. The cash flow of the business, the number of potential investors, the loan history, competitors.

20. The 5 Cs of credit that are used by bankers/financiers in making loan decisions are;

- A. Capacity, conditions, collateral, character, capital.
- B. Capacity, control, collateral, credit risk, character.
- C. Capacity, collateral, cash flows character
- D. Capacity, character, collateral, creditworthiness

21. Which of these is not a method for harvesting a business?

- A. Initial public offering and private placement of stock
- B. Dividend payments and employee stock ownership plan
- C. Private placement of stock and merger and takeover
- D. Employee stock ownership plan and initial public offering

22. Leasing is a popular form of financing for small businesses because;

- A. Leased equipment is owned after the lease period, leasing fees do not cover the cost of the leased equipment, leasing has tax advantages, leased equipment can be used as collateral for loans.
- B. Leasing does not require credit checks like for loans, leasing is short-term, leasing is cheaper for a business, the costs of leasing are tax deductible.
- C. Leasing frees cash for other uses, available lines of credit can be put to other uses, leasing hedges against equipment obsolescence, the cost of repairs is borne by the lessor.
- D. Leasing frees cash, Hedges against obsolescence, repairs borne by the lessor and makes it easier to get loans for the business in future.

23. The best way to manage accounts receivable and cash flows is to;

- A. Reduce credit and increase borrowings
- B. Increase credit and speed up collections
- C. Reduce inventories and speed up payments
- D. Increase inventories and reduce payments

24. The process of acquiring and structuring a loan for requires that the entrepreneur;

- A. Provide pro forma invoices of the products to be purchased
- B. Provide details of when the money is needed
- C. Provide details of the structure of the enterprise
- D. Provide details of the person that will transfer the repayments

25. The two types of investment capital that are useful in providing the entrepreneur with operational advice are;

- A. Bank institutions and Institutional investors
- B. Venture capitalists and Business angels
- C. Non-bank financial institutions and pension funds
- D. Institutional investors and private investment trusts

SECTION B Answer Any Three Questions

QUESTION 2

Discuss the inside-out and outside-in approaches to opportunity analysis and how best to select the best business ideas that have the greatest chance of success.

[25 Marks]

QUESTION 3

Compare & contrast the merits of franchising and buying an existing business and justify which approach you think is best to start a game lodge business.

[25 Marks]

QUESTION 4

Identify and discuss what are the main reasons why most entrepreneurs fail to properly groom successors for their businesses and what the process of succession entails if an entrepreneur wishes to successfully pass on the baton to the next generation of entrepreneurs.

[25 Marks]

QUESTION 5

Detail the flow of cash through a business and explain how you would manage accounts receivable, inventory & accounts payable in order to improve to cash position and general financial health of your business.

[25 Marks]

END OF EXAMINATION PAPER