

UNIVERSITY EXAMINATIONS



UNIVERSITEITSEKSAMENS

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MNE2601

(477116)

October/November 2014

**INTRODUCTION TO ENTREPRENEURSHIP AND SMALL BUSINESS
MANAGEMENT**

Duration 2 Hours

70 Marks

EXAMINERS

FIRST

SECOND

MS WT SAMI

MRS MJ PHILLIPS

Use of a non-programmable pocket calculator is permissible

Closed book examination

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This examination paper consists of 9 pages and comprises two sections, Section A (30 marks) and Section B (40 marks)

Section A is a **compulsory** section comprising 30 multiple-choice questions, which you have to answer on the mark-reading sheet. In Section B, you must answer Question 1 and then **either** Question 2 **or** Question 3

[TURN OVER]

SECTION A

Answer the following 30 multiple-choice questions on the mark-reading sheet provided. The questions are worth one (1) mark each. The total for this section is therefore 30 marks. Make sure that the following information appears on the mark-reading sheet:

- your **student number**
- the module code (**MNE2601**)
- the **unique number of the paper**

- 1 A person who sees an opportunity in the market, gathers resources and creates and grows a business venture to meet needs is referred to as a/an
 - 1 risk taker
 - 2 entrepreneur
 - 3 business owner
 - 4 manager

- 2 Role models are defined as individuals who influence an entrepreneur's
 - 1 career choice and style
 - 2 economic development
 - 3 location of business
 - 4 access to finance

- 3 Most entrepreneurs find it difficult to secure funding from banks in South Africa. More than 80 per cent of start-ups are financed by
 - 1 banks
 - 2 trade creditors
 - 3 investors
 - 4 personal savings

- 4 Which of the following individuals are **not** entrepreneurs?
 - a) Martha and Sue buy old books which they resell at their book stall
 - b) Johan resigns from his job as a teacher to manage his uncle's restaurant
 - c) Suzy turns part of her home into a day-care centre
 - d) Brian sells snacks at a soccer match. He gets paid R20 an hour
 - 1 a and b
 - 2 c and d
 - 3 b and d
 - 4 a and d

[TURN OVER]

- 5 What is acknowledged as the 'most precious asset' of a business?
- 1 current assets
 - 2 human resources
 - 3 funding
 - 4 physical resources
- 6 Women entrepreneurs
- 1 are short-term oriented
 - 2 have set the foundation in the business environment
 - 3 tend to start service-related businesses
 - 4 forge relatively weak ties with service providers
- 7 Sophie did not have any formal training as a hairdresser, but cut and styled her friends' hair as a hobby. Sophie is a _____ entrepreneur
- 1 basic survivalist
 - 2 subsistence
 - 3 small-scale
 - 4 micro
- 8 In the United Kingdom, it is estimated that social entrepreneurs create ten times more jobs than business entrepreneurs. Social entrepreneurs are individuals who come up with _____
- 1 innovative solutions to society's most pressing social problems
 - 2 value in the creation of new markets
 - 3 new scientific developments in the area of information technology
 - 4 ideas on how to create new products
- 9 A good idea is not necessarily a feasible and viable _____
- 1 business
 - 2 opportunity
 - 3 service
 - 4 product
- 10 There are many sources of business opportunities for the entrepreneur especially in a rapidly developing and changing society such as South Africa. Which one of the following is a common source of inspiration for business opportunities?
- 1 economics
 - 2 new competition
 - 3 ideas
 - 4 existing problems

[TURN OVER]

- 11 The three primary reasons for compiling a business plan are to
- 1 improve creativity, avoid risk and enable a start-up
 - 2 obtain funding, serve an internal purpose and reduce risk
 - 3 persevere, seek funding and transfer risk
 - 4 educate employees, be innovative and enable a start-up
- 12 A legal form of business that requires at least one member but not more than ten members is a
- 1 partnership
 - 2 private company
 - 3 close corporation
 - 4 business trust
- 13 The break-even point is an important guideline for the prospective entrepreneur as he/she should know the minimum turnover necessary to cover costs. The break-even point refers to the level of turnover where
- 1 gross profit is equal to the estimated operating costs
 - 2 net profit is equal to the estimated operating costs
 - 3 gross profit is less than the estimated operating costs
 - 4 net profit is more than the estimated operating costs
- 14 A number of myths and misconceptions surround creativity. Which one of the following is a myth/misconception about creativity?
- 1 Creativity is an innate skill and cannot be acquired through training
 - 2 Artists are not the only creative beings
 - 3 The majority of new products are a result of in-depth research
 - 4 You do not need to be highly intelligent to be creative
- 15 Susan intends to open a food stall in front of a shopping mall in her area. She will be selling meals and other perishable food stuffs. Susan will need to apply for a _____ from the local authorities before she can operate her business legally
- 1 copyright
 - 2 patent
 - 3 funding
 - 4 trading license
- 16 The process of starting up a new business is based on the fundamentals of management, which are
- 1 organising, selling, budgeting and leading
 - 2 financing, preparing, managing and planning
 - 3 planning, organising, leading and control
 - 4 planning, strategising, managing and control

[TURN OVER]

- 17 Quite often business ventures pay insufficient attention to risk management. Risk exists because valuable resources are committed to a venture. Which one of the following is an example of property risk?
- 1 natural disasters
 - 2 bad debts
 - 3 employee dishonesty
 - 4 product liability
- 18 Kate used to work in a coffee bar. She decided to start her own coffee bar and asked her former employer for advice on business. Kate is using a/an _____ network for entrepreneurs.
- 1 social
 - 2 extended
 - 3 business
 - 4 personal
- 19 A common source of short-term finance that is in the form of an overdraft facility is
- 1 bank credit
 - 2 trade credit
 - 3 consumer credit
 - 4 factoring
- 20 Instances where the possibility of loss cannot be completely eliminated but its impact reduced, are referred to as risk
- 1 retention
 - 2 reduction
 - 3 avoidance
 - 4 transfer
- 21 A source of long-term finance commonly used by public companies, where money is borrowed from outside sources by issuing printed documents that are fully negotiable and transferable is called
- 1 equity
 - 2 share capital
 - 3 debenture
 - 4 capital

[TURN OVER]

- 22 Traditional women business owners are
- 1 highly committed to entrepreneurial ideas but not to traditional gender roles
 - 2 not committed to entrepreneurial ideas but highly attached to traditional gender roles
 - 3 neither committed to entrepreneurial ideas nor to traditional gender roles
 - 4 highly committed to entrepreneurial ideas as well as conventional gender roles
- 23 Mary, Jane and Julia own and manage J & M's Kitchen, a take-away restaurant. Jane suddenly becomes ill and resigns from the business. Mary and Julia are willing to continue to run the business but their legal advisor informs them that legally the business has ceased to exist. Which form of business ownership did J & M's Kitchen have?
- 1 partnership
 - 2 close corporation
 - 3 company
 - 4 sole proprietorship
- 24 In the _____ plan of your business plan, you will focus on clearly identifying your target market, industry and competition
- 1 management
 - 2 marketing
 - 3 operations
 - 4 financial
- 25 Business support that is given to emerging entrepreneurs in South Africa includes business incubation. Business incubation is defined as
- 1 an ongoing long-term relationship between an entrepreneur and an experienced business advisor
 - 2 a beneficial relationship between individuals, groups or organisations
 - 3 an innovative system of support that nurtures start-up and early stage enterprises in a managed workspace
 - 4 a process of meeting people and sharing information and ideas
- 26 The management style in a family business can influence succession. A leader who rules for a limited term of office, retires and switches to other vocational outlets is referred to as a/an
- 1 monarch
 - 2 general
 - 3 ambassador
 - 4 governor

[TURN OVER]

- 27 Someone who has developed a business system, owns certain intellectual property and has the opportunity to make the system and the use of intellectual property available to others in exchange for payment is known as a/an
- 1 creditor
 - 2 franchisor
 - 3 investor
 - 4 franchisee
- 28 Several methods can be used to determine the value of a business when selling it. A method where the value is obtained by adding the total assets and subtracting the liabilities is known as the -based method
- 1 market
 - 2 asset
 - 3 earnings
 - 4 profit
- 29 Business mentoring is
- 1 a process whereby business problems are diagnosed and resolved
 - 2 an ongoing, long-term counselling relationship with the help of an experienced business advisor through the various stages of the business
 - 3 a new and innovative system of support designed to nurture start-ups in a managed work space
 - 4 a supportive environment in which emerging entrepreneurs can function
- 30 The physical environment can act as a barrier to creativity through
- 1 routine
 - 2 rewards
 - 3 culture
 - 4 finance

Total: 30

[TURN OVER]

SECTION B

Answer **two (2)** questions from Section B **Question 1 is compulsory** Choose and answer then **either question 2 or 3**. Please write the number of the questions that you have answered on the cover of your answer book

QUESTION 1 (compulsory)

Read the case study below and answer the questions 1.1 to 1.5 that follow

James is considering starting a business and utilising the alternative routes to entrepreneurship. There are several alternative routes that are available to him, namely entering a family business, buying a franchise or buying an existing business. He comes across information below on franchising,

With the influx of big-name businesses such as Burger King and Walmart entering South African markets, franchising has become a popular way for many people to start their own businesses. It offers a tried and tested business idea, with products that are usually well known to consumers. This takes most of the start-up risk out of the equation and allows the franchisee to get on with running the business and fine-tuning the profit-making performance. The total cost of setting up a franchise these days is seldom below a million rand, the costs usually include initial (setup) costs, upfront fees to the franchisor, an ongoing management service fee and a contribution to the franchisor's advertising fund. The essence of a franchise is that every part of the business is mapped out for you and the support is meant to help you fit into the key standards and procedures that should lead to success. Some entrepreneurs might find this model a bit restrictive, as it may not allow much room for creativity. Such entrepreneurs would be better off trying their own thing. How do you know which franchise is for you? Start with a lot of research and have a good look at your own skills and abilities, to satisfy yourself that you have what it takes to run this kind of business. Next, do the calculations for start-up costs, which include franchise fees, rental fees, equipment, food, employees' salaries and advertising fees. Then decide on what type of franchise you would like to consider.

Adapted from Paul Crankshaw 2013. How to buy a franchise. Available at www.smallBusinessConnect.co.za (accessed December 2013)

[TURN OVER]

You are a business consultant and you have been asked by James to advise him on acquiring a business through franchising

- 1 1 Define franchising. Point out the **five** advantages of franchising, as mentioned in the case study, to James (8)
 - 1 2 Advise James on any **four** main costs, as mentioned in the case study, he is likely to incur in setting up a franchise (4)
 - 1 3 When considering which type of business he should start, James may utilise the option of buying an existing business. What **eight** questions should James address when evaluating a business to buy? (8)
- [20]**

Answer any **ONE** of the following two questions (**EITHER** question 2 **OR** question 3)

QUESTION 2

- 2 1 The marketing plan section of a business plan should clearly specify the marketing goals of the business. Describe what the marketing plan of a business plan should include (10)
 - 2 2 Women have strategically advanced their rights and interests in society, yet they still face enormous barriers and stereotyping. List any **five** barriers that female entrepreneurs are facing in today's business environment? (5)
 - 2 3 Explain the **five** blocks to creativity that may exist in the economic environment (5)
- [20]**

OR

QUESTION 3

- 3 1 List any **five** problems that may be encountered when compiling a business plan (5)
- 3 2 A small business in South Africa can take any of four legal forms. Describe a partnership as a legal form of business ownership (10)
- 3 3 Briefly explain any **five** sources of short-term finance available to a business venture (5)

[20]

TOTAL: [70]

PART 1 (GENERAL/ALGEMEEN) DEEL 1

STUDY UNIT e.g. PSY100-X
STUDIE EENHEID by PSY100-X

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INITIALS AND SURNAME
VOORLETTERS EN VAN

DATE OF EXAMINATION
DATUM VAN EKSAMEN

EXAMINATION CENTRE (E.G. PRETORIA)
EKSAMENSENTRUM (BY PRETORIA)


UNIQUE PAPER NO
UNIEKE VRAESTEL NR


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For use by examination invigilator
Vir gebruik deur eksamenopsiener

IMPORTANT

BELANGRIK

- USE ONLY AN HB PENCIL TO COMPLETE THIS SHEET
- MARK LIKE THIS 
- CHECK THAT YOUR INITIALS AND SURNAME HAS BEEN FILLED IN CORRECTLY
- ENTER YOUR STUDENT NUMBER FROM LEFT TO RIGHT
- CHECK THAT YOUR STUDENT NUMBER HAS BEEN FILLED IN CORRECTLY
- CHECK THAT THE UNIQUE NUMBER HAS BEEN FILLED IN CORRECTLY
- CHECK THAT ONLY ONE ANSWER PER QUESTION HAS BEEN MARKED
- DO NOT FOLD

- GEBUIK SLEGS N HB POTLOOD OM HIERDIE BLAD TE VOLTOOI
- MERK AS VOLG 
- KONTROLEER DAT U VOORLETTERS EN VAN REG INGEVUL IS
- VUL U STUDENTENOMMER VAN LINKS NA REGS IN
- KONTROLEER DAT U DIE KORREKTE STUDENTENOMMER VERSTREK HET
- KONTROLEER DAT DIE UNIEKE NOMMER REG INGEVUL IS
- MAAK SEKER DAT NET EEN ALTERNATIEF PER VRAAG GEMERK IS
- MOENIE VOU NIE

PART 2 (ANSWERS/ANTWOORDE) DEEL-2

1	e1	e2	e3	e4	e5	36	e1	e2	e3	e4	e5	71	e1	e2	e3	e4	e5	106	e1	e2	e3	e4	e5
2	e1	e2	e3	e4	e5	37	e1	e2	e3	e4	e5	72	e1	e2	e3	e4	e5	107	e1	e2	e3	e4	e5
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35	e1	e2	e3	e4	e5	70	e1	e2	e3	e4	e5	105	e1	e2	e3	e4	e5	140	e1	e2	e3	e4	e5

Specimen only