

MNE2601

OCTOBER/NOVEMBER 2015

INTRODUCTION TO ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT

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**MNE2601**

(492438) October/November 2015

**INTRODUCTION TO ENTREPRENEURSHIP AND SMALL BUSINESS
MANAGEMENT**

Duration : 2 Hours

70 Marks

EXAMINERS :

FIRST :

MR RW KOK

SECOND :

MRS MJ PHILLIPS

Use of a non-programmable pocket calculator is permissible.

Closed book examination.

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THIS PAPER CONSISTS OF 17 PAGES. THIS IS A FILL-IN EXAMINATION PAPER AND THE WHOLE PAPER MUST BE SUBMITTED AT THE END OF THE EXAMINATION SESSION.

INSTRUCTIONS:

This paper comprises two sections, namely **section A** and **section B**.

Section A

- Section A is **compulsory** and comprises multiple-choice questions which you have to answer on the mark-reading sheet.
- Each question counts one **(1) mark**.
- The total for this section is **30 marks**.

Section B

- Section B comprises **three essay-type** questions which must be answered on the **examination paper**, in the spaces provided.
- Question 2 is **compulsory**.
- Each question is worth **20 marks**.
- The total for this section is **40 marks**.
- Indicate the numbers of the questions you have answered on the **cover** of this book.

[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 (492438)**

1. Buying an existing business can be an option for an aspiring entrepreneur. Which one of the following is an advantage of buying an existing business?
 - 1 experienced employees
 - 2 poor reputation
 - 3 inadequate sales
 - 4 unfavourable location

2. The ... method uses the price of similar businesses sold as a guideline to determine the value of a business.
 - 1 asset-based
 - 2 discounted future earnings
 - 3 market-based
 - 4 earnings-based

3. Which one of the following factors does not influence entrepreneurial orientation?
 - 1 education
 - 2 age
 - 3 family and role models
 - 4 culture

4. Which one of the following is not included in the marketing plan of the business plan?
 - 1 market size
 - 2 competitive advantage
 - 3 products/services
 - 4 market evaluation

[TURN OVER]

5. If one owner leaves the business, the whole business is dissolved and a new agreement has to be concluded. This is **true** for a ...
- 1 company
 - 2 close corporation
 - 3 partnership
 - 4 sole proprietorship
6. The registered exclusive right of an inventor to make, use or sell an invention is known as ...
- 1 a trademark
 - 2 a patent
 - 3 a design
 - 4 copyright
7. Domestic women business owners ...
- 1 have little commitment to entrepreneurial ideas and to traditional gender roles
 - 2 are not committed to entrepreneurial ideas but have a high attachment to traditional gender roles
 - 3 are highly committed to entrepreneurial ideas but not to traditional gender roles
 - 4 are highly committed to entrepreneurial ideas as well as to conventional gender roles
8. Individuals with innovative solutions to society's most pressing social problems are referred to as ... entrepreneurs.
- 1 technology
 - 2 youth
 - 3 tourism
 - 4 social
9. If a small business owner or an entrepreneur makes use of an independent consultant to critically assess the business plan, it will help avoid the problem of ...
- 1 a lack of objectivity
 - 2 inappropriate market research
 - 3 a disregard of legal requirements
 - 4 a lack of demand for products

[TURN OVER]

10. The people and their efforts, skills, knowledge and insights they contribute to the success of the business are referred to as ... resources.
- 1 human
 - 2 information
 - 3 physical
 - 4 financial
11. The process of developing an innovation is one through which a new venture is created by an entrepreneur. The four distinct phases in the process of developing an innovation are:
Generation of ideas – develop ideas – turn the ideas into a product/service – and ...
- 1 problem definition
 - 2 find a solution
 - 3 protect results
 - 4 learn from your mistakes
12. After inheriting her grandfather's coffee shop business, June transfers the business to her sister's son. This is an example of a ... business.
- 1 family
 - 2 partnership
 - 3 small
 - 4 private
13. Which one of the following is NOT a characteristic of an entrepreneur?
- 1 leadership
 - 2 creativity and innovation
 - 3 positive attitude
 - 4 education
14. SMMEs in South Africa can access appropriate technology by seeking the services offered by organisations such as the National Research Foundation (NRF). The use of up-to-date and new technology leads to ...
- 1 reduced operational and production costs
 - 2 better networking opportunities
 - 3 commitment to the business
 - 4 access to start-up and expansion costs

[TURN OVER]

15. The following are success factors for women entrepreneurs, which motivate them to continue with their business ventures EXCEPT ...
- 1 social recognition
 - 2 gender discrimination
 - 3 diversification
 - 4 flexibility
16. Student entrepreneurship can be encouraged through ...
- 1 investors
 - 2 economic activity
 - 3 social networks
 - 4 innovative educational programmes
17. The business and product/service description part of the business plan includes all of the following EXCEPT ...
- 1 market evaluation
 - 2 the business
 - 3 industry
 - 4 product/service
18. Transport infrastructure is one of the factors to consider in ...
- 1 establishing management controls
 - 2 establishing a quality system
 - 3 the physical establishment of a business
 - 4 risk management
19. The organisation that established an implementation strategy for SMMEs and the delivery of programmes that would contribute to economic growth in South Africa is ...
- 1 Small Enterprise Finance Agency
 - 2 the Department of Trade and Industry
 - 3 the Small Enterprise Development Agency
 - 4 The Enterprise Organisation

[TURN OVER]

20. Katlego is thinking of opening a bed and breakfast business and wants to register it as private company. Katlego's contribution will be referred to as...
- 1 capital accounts
 - 2 share capital
 - 3 company capital
 - 4 members' contribution
21. When a business offers a product or service that customers perceive to be superior to those of competitors and one that the competitors find very difficult or impossible to imitate, they have a sustainable ...
- 1 industry competitiveness
 - 2 strategic differentiation
 - 3 competitive advantage
 - 4 organisational competence
22. In a family business, leaders who leave office gracefully and serve as post-retirement mentors from time to time are known as ...
- 1 ambassadors
 - 2 monarchs
 - 3 governors
 - 4 generals
23. In South Africa, a high number of small and micro-enterprises fail during the first few years of operation. They face many challenges which include ...
- 1 a lack of marketing managers
 - 2 a lack of direction
 - 3 job frustration
 - 4 access to resources
24. The following three characteristics are **true** for the entrepreneurial venture as compared to a small business ...
- 1 incubation, security and profit making
 - 2 innovation, potential for growth and strategic objectives
 - 3 support, profit making and short-term oriented
 - 4 owner centred, independence and security

[TURN OVER]

25. Franchising can be considered as one of the ways of starting a new business venture. An advantage to the entrepreneur associated with franchising is ...

- 1 rapid expansion
- 2 decreased set-up costs
- 3 ongoing assistance
- 4 flexible operating procedures

Use the table below to answer questions 26-28 by matching the stages in the process of attracting investors in Column A with the action associated with it in Column B.

| Column A | Column B |
|---------------------|--|
| STAGES | ACTION |
| 26. deal evaluation | 1. The way the entrepreneur and investor make contact. 2. Initial evaluation to make sure the deal is right for the investor. 3. Detailed evaluation to assess risk and return. 4. Investor's entry and exit strategy. 5. Monitoring, control and support given by the investor. |
| 27. making contact | |
| 28. deal selection | |

29. Non-quantitative measures can be used when valuing a business. These measures include ...

- 1 annual earnings
- 2 employee contracts
- 3 assets
- 4 market-based measures

30. The following are reasons why bigger businesses leave gaps in the market EXCEPT:

- 1 technological inertia
- 2 politics and internal fighting
- 3 they have a stronger position
- 4 underestimating new opportunities

TOTAL SECTION A [30]
[TURN OVER]

SECTION B

Answer **two (2)** questions from section B. **Question 2 is compulsory.** Choose and answer **either questions 3 or 4.** Please write the number of the questions that you have answered on the cover of your answer book.

QUESTION 2 (Compulsory)

Read the case study below and answer the questions that follow.

Ina Paarman's story

Ina Paarman was inspired by her grandmother's cooking, and her own interest and talent guided her to be a home economics teacher. She pursued her career as teacher and lecturer, and also travelled extensively to learn as much as possible about food in other cultures. With the support of her husband and her mother she then ventured into her own business in 1982 and started a cookery school. Ina's Kitchen began operating from the converted garage of her family home with only six pupils and one employee, her domestic worker.

Owing to good exposure through an opportunity to present a TV show, she became well known and many more enrolled in her school. She started to develop new food products, the first being her Seasoned Sea Salt. She also self-published her first cookbook after all the publishers she approached turned it down, which became and remains a bestseller.

In 1990 her son Graham, a finance graduate with excellent financial knowledge and expertise, joined the business. He recommended a new strategy for growth and began to focus on large-scale production, expanding into manufacturing by extending the product range, revamping the packaging and relocating to factory premises. Today the factory employs 120 workers and produces a wide range of products including seasoning; spices; sauces; marinades and many more. Paarman Foods is a multimillion-rand South-African brand, servicing local and overseas markets with a diverse product offering. They are constantly innovating, invest in high-technology equipment to ensure that their products are tasty, fresh and healthy, and have high nutritional value.

Source: Nieman, G. & Nieuwenhuizen, C.(ed). 2014. *Entrepreneurship: a South African Perspective*. 3rd ed. Van Schaik: Pretoria

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Answer any ONE of the following two questions (EITHER question 3 OR question 4).

Question 3

3.1 As a business consultant, Len approaches you and asks you to assist him in preparing a business plan. Briefly explain what a business plan is and highlight any nine items that such a plan includes. (10)

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Question 4

4.1 A competitive advantage exists when a firm offers a product or a service that the customers perceive to be superior to those of competitors. List the five possible bases to achieve a competitive advantage. (5)

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4.2. Give **five** disadvantages of buying an already existing business. (5)

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4.3 Discuss the five critical steps that an entrepreneur needs to apply in order to ensure successful succession planning in a family business. (5)

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4.4 List and briefly explain the five stages of the creative problem solving process. (5)

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TOTAL MARKS 70

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ROUGH WORK PAGE