

MNE3701

May/June 2015

ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT

Duration 2 Hours

70 Marks

EXAMINERS

FIRST

MRS MJ PHILLIPS

SECOND

MS WT SAMI

EXTERNAL

PROF M PRETORIUS

Closed book examination

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This paper consists of four pages

This paper may be answered in either English or Afrikaans

Make sure that the following information appears on the cover of your answer book

- your **student number**
- the **module code (MNE3701)**
- the **numbers** of the questions you have answered

Section A is a compulsory section which you have to answer. In Section B you must answer two of the three questions.

Answer the questions in the answer book provided. Please number your answers clearly and correctly.

[TURN OVER]

SECTION A

Answer all the questions in this section.

QUESTION 1

- 1 1 Jenny is the owner-manager of a small accounting practice. She holds bi-weekly employee meetings to cover company goals, focus points for the future and keep the employees updated on current tax changes. She has developed significant bonds with the employees so they share work (and personal) problems with her more than in the past. Often Jenny can be found assisting new clients and aiding in paperwork completion especially around February 28th.

Explain any three types of leadership styles that Jenny displays and indicate how? (6)

- 1 2 Marketing means different things to different people. Some entrepreneurs view marketing as simply selling a product or service. Others view marketing as those activities directing the flow of goods and services from the producer to consumer or user. Small business marketing is much broader.

- 1 2 1 Discuss the steps in the marketing research process (in detail) that will enable an entrepreneur to obtain relevant and accurate market information. (10)

- 1 2 2 Identify and explain the importance of five indicators of extraordinary customer service. (5)

- 1 2 3 No mathematical formula can answer the question "How much should a small business spend on promotion?" There are, however, four common-sense approaches to budgeting funds for small business promotion.

Explain the approaches in determining the appropriate level of promotional expenditure. (4)

- 1 3 Luke has a new company and is considering equity financing. Currently, Luke is the only owner and source of equity for the business and makes all the executive decisions for daily operations. What effect could the addition of other investors have? (5)

(30)

[TURN OVER]

SECTION B

Answer any two of the following three questions.

Question 2

- 2 1 To recruit effectively, the small business manager must know where and how to find qualified applicants. Sources are numerous, and it is impossible to generalise about the best source in view of the differences in companies' personnel needs and quality of the sources from one locality to another.
- Explain the strengths and weaknesses of any five (5) sources of employees (10)
- 2 2 Compare and contrast the three marketing philosophies and indicate why these methods would be used (3)
- 2 3 A small firm can increase the cost effectiveness of its purchasing activities by adopting appropriate purchasing practices/policies.
- Explain the nature of four such purchasing practices (4)
- 2 4 Discuss the three considerations in constructing a channel of distribution (3)
- (20)**

Question 3

- 3 1 Since a product's name is so important to the image of the business and its products, careful attention should be given to the selection of a name. Discuss the five rules that generally apply in naming a product (5)
- 3 2 Insurance is one of the primary means to transfer business risk. Seeing that there is no clear cut answer to questions such as what kind of risks can be covered by insurance or how much coverage is adequate, entrepreneurs should be aware of the basic principles of a sound insurance programme.
- Discuss the three basic principles that are used in evaluating an insurance programme (6)
- 3 3 Julie and Diane are starting a new company decorating wedding cakes that are unique in their design and structure. Both women are certified chefs and have ten years of experience between them. Discuss the issues that they should consider in choosing between a general partnership and a private company? Which form would you recommend? (9)
- (20)**

[TURN OVER]

Question 4

- 4.1 We are currently living in a digital economy fuelled by the tremendous growth of the internet. Access to the internet continues to transform the way we live and the way business is conducted. It is important for aspiring entrepreneurs to learn as much as they can about cyberspace because there's opportunity online. Explain the potential benefits of locating a start-up on the internet. (5)
- 4.2 Describe the four stages of small business growth and how the owner would function. (6)
- 4.3 Many small business owners do not use discounted cash flow techniques. Discuss any four reasons why they do not? (4)
- 4.4 Although techniques such as break-even analysis yield a good idea of a feasible price for a specific product, their seemingly precise nature can be very misleading. Such analyses are only one kind of tool for pricing and should not by themselves determine the final price. Discuss in detail any five (5) pricing strategies. (5)

(20)**[Total: 70]**