

# UNIVERSITY OF SWAZILAND

## FACULTY OF COMMERCE

### DEPARTMENT OF BUSINESS ADMINISTRATION

#### FINAL EXAMINATION PAPER

**MAY 2006**

**FULL TIME & I. D. E. STUDENTS**

**TITLE PAPER : RESEARCH METHODOLOGY**

**COURSE TITLE : COM 400**

**TIME ALLOWED : THREE (3) HOURS**

- INSTRUCTIONS :**
- (1) TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS FIVE (5)**
  - (2) THE PAPER CONSISTS OF SECTION A AND SECTION B.**
  - (3) ANSWER SECTION A WHICH IS COMPULSORY AND ANY TWO QUESTIONS FROM SECTION B.**
  - (4) THE MARKS AWARDED FOR A QUESTION /PART OF A QUESTION ARE INDICATED AT THE END OF EACH QUESTION / PART OF QUESTION.**

**NOTE: MAXIMUM MARKS WILL BE AWARDED FOR GOOD QUALITY LAYOUT, ACCURACY, AND PRESENTATION OF WORK.**

**THIS PAPER MUST NOT BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.**

**GOOD LUCK!!!**

## **SECTION A (COMPULSORY)**

### **Q1. CASE STUDY**

#### ***Introduction:***

From the claims record in judicial courts ('Third of claims', 1992), it appears that the non-availability of cash is still the predominant cause of bankruptcy in all small businesses in South Africa. Research on possible contributory causes of bankruptcy therefore remains of the utmost importance. Friedman and Rosenman (1994) came to the conclusion that risk factors for bankruptcy (such as poor credit control and debt collection) were predictors of fewer than half the cases of bankruptcy. According to these authors, businesses that exceed their bank overdraft run a greater risk of becoming bankrupt.

During the eighties, the findings on the importance of bank overdraft usage as predictor of bankruptcy were contradicted in several prominent investigations, and enthusiasm for this issue waned. These investigations tended to take bankruptcy into consideration on the basis of bank overdraft usage without taking other risk factors, such as cash flow problems into account.

Levy (1998) believes that, statistically, bank overdraft usage is a less important predictor of bankruptcy than management skills, and that there is a mutually operative relationship between bank overdraft usage and management skills in this regards. As a possible explanation of the data, they obtained in investigating the opinion of Levy above, Kreitler and Brunner (1997) suggest that '*in a business where management skills such as co-ordination of enterprise functions is highly developed ... tends more to make use of bank overdraft as a means for controlling cash flow problems*' (p. 493).

There are various means by which management skills and cash flow problems might combine with bank overdraft usage to give rise to bankruptcy. Accordingly, over-extension of bank overdraft need not represent a risk on its own; it can become a risk only if it linked to specific levels of other variables (Maticsek, 1998). Thus bank overdraft usage and cash flow problems do not have to be played off against each other regarding their ability to predict bankruptcy, because this ability to predict is in fact increased by viewing these factors jointly. The purpose of the present research thus was to look at the various issues raised in predicting bankruptcy status.

#### ***Subjects:***

The names and telephone numbers of small businesses that employed between 40 to 60 employees who were declared bankrupt in the preceding two years were obtained from the Receiver of Revenue in Pretoria. The owners of small businesses situated in Pretoria city were contacted by telephone to secure their co-operation in completing the questionnaire. Only three refused to participate in the project. Appointments were made with 36 owners, during which they were given the questionnaires and told how to complete them. A control group of an equal number of small business owners who were prepared to participate in the project of corresponding sizes (number of employees) and

comparable business sectors (for example bakeries, second hand car sales, and so on) but without any record of bankruptcy completed the questionnaire in the same manner. The average size of the bankrupt group was 50 employees and that of the control group was 49.

**Procedure:**

Apart from the business owners having to indicate the size of the small business (number of workers employed) and business sector, they also had to indicate the amount by which they exceeded their overdraft limit on average per month. They also had to indicate on a four- point scale the extent to which they are / were prone to have cash flow problems by choosing between F (completely false), f (more false than true), t (more true than false) or T (completely true). Bankruptcy was scored a 1 (one) and non-bankruptcy a 0 (zero).

**Result:**

The correlations among variables are given below:

Correlation matrix of variables.

	Bank overdraft usage	Bankruptcy status
Cash flow problems	0.83	0.45
Bankruptcy status	0.94	

Bank overdraft usage (reported amount by which bank overdraft were exceeded) correlated significantly high ( $r = 0.94$ ) with bankruptcy status and also showed a significantly high positive correlation of 0.83 with cash flow problems. Cask flow problems showed a correlation of 0.45 with bankruptcy status.

**Reference:**

Third of claims (1992, 18 December). *The Star*, p.8.

Levy, H.J. (1998). The perspective importance of management skills, bank overdraft and interaction effects for the genesis of bankruptcy. *Management skills and small businesses*, 9, 453 – 464.

Friedman, M. & Rosenman, R. H. (1974). Association of bank overdraft usage patterns with increase in bankruptcy. *Journal of the American Business Association*, 44, 525 – 553.

Maticsek, R. (1998). Synergetic effects of bank overdraft, cash flow problems and risk factors in bank overdraft usage. *Financial Business Skills*, 34, 267 – 272.

Kreitler, S. & Brunner, D. (1997). The relation of bank overdraft to financial risk factors for bankruptcy. *Management Skills and Small Businesses*, 12, 487 – 495.

***Read the case study carefully and answer the following questions:***

- (a). Give appropriate title to this case study. (5marks).
- (b). What type of sampling is used in this research? Briefly explain your answer. (5marks).
- (c). What type of research design is utilized in this case? Support your answer. (8marks).
- (d). Compile a list of the four most important variables in this case study and identify the type of variable they are. Briefly give reasons for your answer and explain the relationship(s) between the variables. (10marks).
- (e). To what extent does the research design used in this case study make provision for threats to internal and external validity? Explain your answer in terms of the aim of the study and refer critically to sampling used in the case. (12marks).
- (f). What type of measurement level is involved in the explanatory and criterion variables? Explain your answer. (10marks).

**Total = 50marks.**

**SECTION B (ANSWER ANY TWO QUESTIONS).**

**Q2.** (a). Explain the term *ethnography* and *its key features* in research. (15marks).

(b). To enhance communication, conceptual definitions in research must possess certain attributes. Enumerate four of these attributes. (10marks).

**Q3.** Read this statement:

*We cannot separate rating scales from the people (the raters) who are implementing them. The validity of rating scales is usually negatively affected by the presence of certain responses styles on the part of the raters.*

Discuss six of these factors and how they can be prevented. (25marks).

**Q4** (a). What are the limitations of survey research with regard to the study of behaviour? (12marks).

(b). Why is it important to know the methodology of research? (13marks).

**Q5.** (a). Discuss some of the main criticisms that are frequently leveled at qualitative research. (10marks).

(b). Enumerate the argument for and criticism against Likert scales. (5marks).

(c). Discuss briefly, the sources of error in measurement. (10marks).