

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION PAPER

MAY, 2010

TITLE OF PAPER : FOUNDATION OF ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT

COURSE CODE : BA 00I

TIME ALLOWED : TWO (2) 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 THE QUESTION IN SECTION A WHICH IS COMPULSORY AND ANY THREE (3) QUESTIONS IN SECTION B.
 - (4) THE MARKS ALLOTTED FOR A QUESTION /PART OF A QUESTION ARE INDICATED AT THE END OF EACH QUESTION / PART OF QUESTION.
 - (5) WHERE APPLICABLE, ALL WORKINGS / CALCULATIONS MUST BE CLEARLY SHOWN.

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

QUESTION 1; Read the case and answer the questions below:

CASE: THE MAIN ATTRACTIONS AT PEP STORES.

'The main attraction at Pep Stores is price', says Basil Weyers, managing director of Pep Stores. 'We sell consistently at low prices. We offer value for money.' Pep store has a very low mark-up and is proud of its claim that it is the cheapest store in town.

Pep has a uniform pricing policy which ensures that an item will cost the same at any Pep store. Pep's policy is to sell quality products at a low price to the lower-income group.

But how does Pep succeed in offering continuously low prices? There are a number of contributing factors, some of which are listed below:

- Volume bargaining power
- Lean management structure
- Simplified systems
- Tight security controls
- Pep is a cash store, which eliminates bad debts and lost interest on outstanding payments. To help the consumer lacking the necessary purchasing power, Pep has a lay-by system and also accepts credit cards
- Pep owns some of its own suppliers, making cost and quality control easier
- The staff is small but very well trained, which makes staff members effective and productive
- The outlets are small and relatively simple
- Pep is saving by curbing stock losses.

Any competitor thinking of competing against Pep will have to consider the above achievements carefully.

Questions:

- (a) What factors have affected the pricing followed by Pep? [10 marks]
- (b) If Pep were to consider adopting **Customer- oriented pricing approach**, explain the various pricing methods available in this area. [20 marks]
- (c) Explain the pricing options available under **Pricing relative to competitor approach** [6 marks]
- (d) What is Pep policy towards credit? [4 marks]

Total marks [40 marks]

SECTION B

Answer any three (3) questions from this section.

QUESTION 2

Themba, John and Andrew decided to start a consultancy business called DECORS in Manzini and agreed to be jointly liable for all debts incurred in this enterprise.

- (a) What form of enterprise will be the most suitable for DECORS? Give two reasons [3 marks]
- (b) Discuss the benefits and disadvantages of this form of enterprise [10 marks]
- (c) In what circumstances would you consider starting a private company? [7 marks]

Total marks [20marks]

QUESTION 3

'The market environment includes the enterprise and all the controllable variables and factors outside the enterprise that have positive or negative influence on the enterprise.' Discuss the most significant variables in this environment. [20 marks]

QUESTION 4

- (a) Selecting the most appropriate advertising media presents a challenge, especially for small businesses with limited budget. What are the factors that are likely to influence the choice of media? [10 marks]
- (b) Explain how the generic managerial functions (planning, organizing, activating and controlling) are applied in the financial management. [10 marks]

[Total marks 20]

QUESTION 5

Describe the activities of the purchasing function that are common in most businesses.

[20 marks]