

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION
ACADEMIC YEAR 2009/2010

TITLE OF PAPER: Small Business Management
DEGREE : Bachelor of Commerce
COURSE NUMBER: IDE/BA 415
TIME ALLOWED: Three (3) hours

INSTRUCTIONS

1. THIS PAPER CONSISTS OF SECTION (A) AND (B)
2. THE CASE STUDY SECTION (A) IS COMPULSORY
3. ANSWER ANY THREE QUESTIONS FROM SECTION B

NOTE: You are reminded that in assessing your work, account will be given of the accuracy of language and the general quality of expression, together with the layout and presentation of your final answer.

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

GOOD LUCK!!!

SECTION A

Mr. M. Msibi's latest invention is the Auto Mini Wheeler, a motorized wheelchair made especially for children. His lightweight, relatively inexpensive model has no direct competition in a field dominated by companies producing scaled-down versions of adult models that are inappropriate to the needs of children. It will weigh almost 50% less than the standard motorized wheelchair, by using less material in its making. In addition, it has numerous safety features that are not found on any other available wheelchair. These include a sensitive bumper strip surrounding the vehicle, a hand held remote control allowing adults to take over control of the chair from the occupant, a power deactivating mechanism that is sensitive to uneven and hazardous surfaces. It also boasts of variable speed control panel. It will retail at half the cost of other motorized children's wheelchairs due to cost savings made in materials used, which also account for the reduced weight.

The market for wheelchairs is growing at 10% per annum with children under the age of 10 years accounting for 20% of the market. A new trend in wheelchairs in the market influenced by the introduction of Para-Olympics is a focus on technological improvements based on new materials and new additional features. Other demands include the ownership and use of two or more wheelchairs by individuals and a steady demand for new designs, range of colors and styles to choose from.

There are several competitors in the wheelchair industry that have so far focused on new marketing strategies to reach customers directly. Other competitive dimensions include new technologies, the use of new manufacturing materials, wheelchair weight, and maneuverability parameters. The current price for wheelchairs is in the range of E3,000 to E20,000, with an average weight of 20 to 30 pounds.

Auto Mini Wheeler will establish two different styles of distribution systems. A direct system will employ individuals who will call on hospitals, and other institutions connected with the care of handicapped children. It is envisaged that this will account for 90 % of sales. Several retail outlets will be used including pharmacies, bicycle shops and medical supply shops, to sell the remaining 10%. The retail selling price shall be E1,850 including 30% commission to retailers. Quality brochures describing the product and its features will be developed and distributed as point of sale material in the retail outlets as well as in all hospitals, clinics and other organizations working with handicapped children, including a price list.

The business is located in Matsapa within leased premises that include the factory floor and a suite of offices. The company also pays for the utilities. A working prototype has been built, office space and manufacturing capacity contracted, and an initial sales force recruited. Mr. Msibi needs E150,000 to establish and develop the business and to produce the first 200 units. The pro forma income statements and indicate tremendous growth and profit potential. (attached)

- (a) What are the strengths and weaknesses of the marketing mix developed by Mr. Young? (20 marks)
- (b) How sound are the forecasts? If not, where are the deficiencies and describe the adjustments you would make to correct them? (15 marks)
- (d) Is \$150,000 the “right” amount of capital to ask for? (5 marks)

SECTION B

Question 1

Upon completion of their studies, most students may be engaged in wage employment before starting their own businesses, if at all. As graduates of entrepreneurship studies, students are expected to exhibit an entrepreneurial spirit and behavior even within those organizations in which they are employed. There is a difference in the culture of a corporate organization that promotes entrepreneurial behavior and one that adheres to traditional management styles. Compare and contrast the factors that distinguish one from the other. (20 marks)

Question 2

Lack of finance is always said to be the major challenge for SMEs in starting and expanding their businesses in Swaziland. List the possible sources of finance in Swaziland and discuss their advantages and disadvantages of each in terms of their usefulness to SMEs (20 marks).

Question 3

An important advantage buying a franchise versus establishing a business from scratch is that the entrepreneur does not have to incur all the risks associated with creating a new business. However, franchising is not without its particular risks. Discuss some of the pitfalls that one may encounter when investing in a franchise. (20 marks)

Question 4

Generally, most business plan users such as banks, investors, advisors etc, complain that plans are poorly prepared by entrepreneurs, and may fail to invest or lend to the business simply because the plan presented is inadequate. Discuss the most common factors that result in poorly prepared business plans. (20 marks)