

**UNIVERSITY OF SWAZILAND**  
**FACULTY OF COMMERCE**  
**DEPARTMENT OF BUSINESS ADMINISTRATION**  
**MAIN EXAMINATION**  
**ACADEMIC YEAR 2013/14**

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**TITLE OF PAPER:** Theory of Entrepreneurship

**DEGREE :** B.Com

**COURSE NUMBER:** FT/IDE: BA 304/404

**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

Mrs. Sibongile Dlamini aged 52 years took a voluntary early retirement offer from her place of work, Home Shoppers Supermarket. After receiving her retirement package of E65, 000, she realized that the money would quickly be used up and that it would be unlikely that she would get employment due to her age. She knew for a fact that she needed to do something to earn a living. Noticing the laborers from Matsapa Industrial Area walking two blocks further up the street to buy snacks and other food from a nearby café, she got the idea to open a tuck shop in the family yard in order to make a living. To minimize startup costs, she bought a 5x5 meter container which was divided into three sections: a kitchen which also served as a storeroom, an open plan shop area and a small office. She also bought kitchen equipment such as chip maker, refrigerators, microwaves and stoves. She then bought opening stock to the value of E10, 000 and she hired her husband and her unemployed school drop-out niece to work with her.

When Mrs. Dlamini opened her tuck shop, the laborers from the industrial area soon realized how convenient it was since it was closer to their workplace and was selling almost all the items they could buy from the café. As the laborers frequented the tuck shop, it soon showed an increase in turnover to E16, 000 per month and was so busy that she started to order her stock in bulk, with bigger suppliers delivering the orders. She also purchased a minivan to the value of E30, 000 and approached the Ministry of Trade and Industry to formally register the business.

In the meantime the pressure to employ more staff became evident. She thought about it and realized that two of her five children had completed school without prospects of entering tertiary institutions due to low grades. She began utilizing them in the shop during busy hours and on month ends. As payment, she increased their allowances. In due course, the café closed down and Mrs. Dlamini applied for and obtained a permit to zone the family property as a business area and constructed a permanent and bigger structure to replace the container, and a fully-fledged restaurant was born. As the business grew, her children approached her for a review of their payment system, demanding to be paid salaries instead of allowances, especially since they now worked on a fulltime basis. An emotional debate over dinner ensued, whereby she explained that since she catered for all their needs, she did not understand the need for payment. The children stopped helping out.

The business stabilized at a turnover of E50,000 for a period of ten years whilst demand grew as the number of companies in the industrial area increased and the number of laborers also grew. Mrs. Dlamini could not raise funds from financial institutions to expand the business and a large portion of her profits were controlled by her husband, and went into catering for family needs. Consequently a number of spaza shops opened around the area. After operating the restaurant for 10 years, Mrs. Dlamini decided to retire as her husband had passed on, and she had become eligible for old age pension funds. She decided to sell the restaurant to her niece rather than pass it on to her children.

### Questions

- a. Discuss the nature of the business as demonstrated by the characteristics it exhibits. (15 marks)
- b. What are the unique challenges emanating from the nature of this business? How could these be mitigated? (15 marks)
- c. Do you think it was a good idea for Ms. Dlamini to register the business? Discuss the advantages and disadvantages of registering a business. (10 marks)

### SECTION B

#### Question 1

Businesses can assume various types of legally recognized status in terms of ownership in order to operate. Discuss the factors that distinguish the legal types of business ownership in Swaziland, stating one disadvantage and disadvantage for each type of ownership. (20 marks)

#### Question 2

Most economies are actively pursuing and promoting the expansion of a vibrant entrepreneurial sector. Why do you think this sector is important? What sets it apart from other types of venture undertakings? (20 marks)

#### Question 3

In today's changing climate, large businesses should find ways of harnessing the drive, creativity, vision and ambition of entrepreneurship within their companies. The term intra-preneurship also called corporate entrepreneurship, refers to those who foster entrepreneurship concepts and attitudes within large companies. There are however, differences between a corporate entrepreneur and a stand-alone entrepreneur. Compare the factors that drive an entrepreneur versus a person in the corporate entrepreneurial environment. (20 marks)

#### Question 4

Commercial banks have a reputation of being inaccessible to small enterprises due to their inflexible lending criteria and procedures. Discuss some of the lending products available in commercial banks and critically analyze the commercial banks' lending criteria in relation to the availability of their services to SMEs. (20 marks)