

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION PAPER

MAY, 2015

TITLE OF PAPER : FOUNDATION OF ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT

COURSE CODE : BA 00I

TIME ALLOWED : THREE (3) HOURS

- INSTRUCTIONS :**
- (1) TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS SIX (6)**
 - (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.

SECTION A: COMPULSORY

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

CASE: LEADER IN THE FIELD : Liberty life

Donald Gordon is an example of a brilliant innovator. He started a huge life insurance business, which has been successful for more than 40 years.

Donald Gordon completed matric in 1947 with a first class pass and with distinctions in mathematics, physics and geography. He studied chartered accountancy and qualified as a chartered accountant in 1953. After that, he accepted a partnership with Kessel Feinstein, an accounting company.

Even though friends and family advised him it would be too difficult to start an insurance company when there were so many big insurance companies around, he still wanted to start his own insurance company. He made a careful study of the insurance industry and decided that the industry needed management expertise and innovation which is the development of new ideas and concepts, and that there was a gap for a company that would provide these qualities. He resigned from his job at Kessel Feinstein.

In the 1950s, R100 000 was the statutory capital required in South Africa before an insurance company could be registered. Donald Gordon says that finding this money was the most difficult and frustrating task he has faced during his career. For nine months, he looked for people to invest in the life insurance company that he wanted to start. At one point, he wanted to give up and return to accountancy work.

However, he persevered, and managed to get the capital together. Liberty Life was registered. Since then, Liberty Life has become one of the very big companies in South Africa.

Liberty Life has been the first insurance company to offer different services in South Africa. Liberty Life was the first South African insurance company to introduce retirement annuities, the first insurance company to list on the Johannesburg Stock Exchange and the first to develop new ways for people who did not qualify to join pension funds to save for their retirement via this means.

Questions:-

- a. Identify all the important personal characteristics of an entrepreneur displayed by Donald Gordon. **[15 marks]**

- b. Which five broad approaches would have guided Donald Gordon in his techniques for generation of small business ideas? [10 marks]
- c. If you were Donald, what methods would you enforce in developing and improving your creative abilities (cultivating a creative attitude)?

[15 marks]

[Total marks 40]

SECTION B

Answer any three (3) questions from this section.

QUESTION 2

Explain in detail the difference between a close corporation and a private company, and why each would be suitable for your business clearly indicating their limitations. [20 marks]

QUESTION 3

As an entrepreneur you will require to employ skilled and competent people in your enterprise. Assuming, you have potential employees that have applied for the vacant position, explain the selection process you would follow in identifying the most suitable applicant for the available position. [20 marks]

QUESTION 4

Deciding on your product price is a fairly complex process because of many factors that influence / affect the price. Discuss these factors. [20 marks]

QUESTION 5

The size and influence of small business enterprises can be a disadvantage when it comes to obtaining finance. Discuss the typical problems experienced by small business entrepreneurs when approaching potential suppliers of finance. [20 marks]

QUESTION 6

A small business entrepreneur must decide on the type of packaging to use for his/her products. A number of choices are available. Discuss with examples. [20 marks]