UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION

ACADEMIC YEAR 2014/2015

TITLE OF PAPER: Applied Entrepreneurship/Entrepreneurship & Small Business Development II

DEGREE: FT & IDE Bachelor of Commerce/ IDE Bachelor of Education

COURSE NUMBER: FT BA305/ IDE BA405

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.

SECTION A: T*his section is compulsory*

Read the case below and answer the questions that follow:

The Harlow family opened its first motel in 1982. Initially, business was slow. It took almost 11 months to break-even and three years for the Harlows to feel that the operation was going to be a success. They stuck with it and by 1987; they were able to increase the size of the motel from 28 to 50 rooms. They expanded again in 1989, this time to 100 rooms. In each case, the motel's occupancy rate was so high that the Harlows had to turn people away during the months of November to April and the occupancy rate was 85 per cent during the other months. By industry standards, their business was one of the most successful motels in the country.

As they entered the 1990s, Harold and Becky Harlow decided that, rather than expanding, they would be better off buying another motel, perhaps in a nearby locale. They chose to hire someone to run their current operation and spend most of their time at the new location until they had it running properly. 1n 1992, they made their purchase. Like their first motel, the second location was an overwhelming success within a few years. From then on, the Harlows bought a number of new motels. By 1999, they had seven motels with an average of 100 rooms per unit.

During all this time, Becky and Harold kept their own financial records, bringing a chartered accountant only once a year to close the books and prepare their income tax returns. Last week the new accountant asked them how long they intended to keep seven motels. The Harlows told him that they enjoyed the operation and hoped to keep at it for another 10 years, when they planned to sell out and retire.

Harold admitted that trying to keep all of the motels going at the same time was difficult but noted that he had some excellent managers working for him. The accountant asked him whether he would consider incorporating (turning it into a company). 'If you incorporate', he said, 'you could sell shares and use the money to buy more motels. Additionally, you could keep some of the shares for yourself so you could maintain control of the operation, sell some for expansion purposes and sell the rest to raise some money you can put aside in a savings account or some conservative investment. That way, if things go bad, you still will have a nest egg built up'. The accountant also explained to Harold and Becky that, as a partnership, they are currently responsible for all business debts. With a company, they would have limited liability; that is, if the company failed, the creditors could not sue them for their personal assets. In this way, their assets would be protected, so the money the Harlows would get for selling the shares would be safely tucked away.

The Harlows admitted that they had never really considered another form of organization. They always assumed that a partnership was the best form for them. Now they are willing to examine the benefits of a private company and they will go ahead and incorporate their business if this approach promises them greater advantages.

a) What are the advantages and disadvantages of a partnership? (10 marks)

b) Contrast the advantages and disadvantages of a partnership with those of a private company. (20 marks)

c) Provide your opinion on whether the Harlows should be a private company. (5 marks)

d) Would the limited liability public company option be of value to them? Explain. (5 marks)

SECTION B: *Answer any three (3) questions from this section*

Question 2

Writing a business plan and establishing a business is only the beginning of the game as far as enterprise management is concerned. Managing the business once it has been established needs careful attention as the risk of failure is ever present. Financial management, in particular cash flow management is of particular importance as cash is the life blood of the business. What measures should one put in place to manage cash flow? Give reasons for your answer.

(20 marks)

Question 3

Swaziland is a neighbour to the Republić of South Africa (RSA), sharing approximately two thirds of its border with that country. RSA is one of the most developed economies in Africa. One would envisage that Swazi SMEs would take advantage of the neighbour's affluent market and sell their products to that country. However, the participation of local SMEs in this market is negligible. .Discuss the challenges that prevent Swazi SMEs from exporting to its neighbour. (20 marks)

Question 4

a. Define the term 'Going Public' in entrepreneurship. (2 marks)

b. State what is meant by underwriter and also spell out the criteria for underwriter selection. (8 marks)

c. Discuss the main contents of a prospectus as a document necessary for the registration of an entity in the stock exchange. (10 marks)

Question 5

The following information is extracted from the books of XYZ Limited for the year 2014:

	Bought Units		Sold Units
January	20 @ E30 each	March	15 @ E45 each
February	20 @ E35 each	December	50 @ E55 each
October	40 @ E40 each		

Using each of the following methods of pricing:

a. FIFO

b. LIFO

You are required to:

i. Calculate the value of closing stock in trade. (15 marks)

ii. Draw up trading accounts showing gross profits. (5 marks)