

UNIVERSITY OF ESWATINI
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
RE-SIT EXAMINATION
MAY 2019

TITLE OF PAPER: FOUNDATIONS OF ENTREPRENEURSHIP

COURSE CODE: BA 001

TIME ALLOWED: THREE (3) HOURS

INSTRUCTIONS:

1. THIS PAPER CONSISTS OF SECTIONS (A) AND (B)
2. THE CASE STUDY ON SECTION (A) IS COMPULSORY. TOTAL MARKS POSSIBLE: 40 MARKS
3. ANSWER ANY THREE QUESTIONS FROM SECTION (B): TOTAL MARKS POSSIBLE: 60 MARKS

NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH AND FOR ORDERLY PRESENTATION OF WORK

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SECTION A

As a business owner, Richard Rodrigues met a corporate planner, Kevin Watkins for a social drink. The two were old friends but as they had not met for some time, they were anxious to catch up on each other's news. Kevin was still working for a large utility company, as he had been when they last met. His work was to assist the line managers in his company to produce regular business plans which reflected corporate goals. Richards's business by comparison, was small and changing. He had owned a publishing company which specialized in producing magazines for the medical profession paid for from advertising from the companies.

"Yes, I think I was doing rather nicely in publishing when we last met", Richard commented to Kevin. "That's all changed now of course, generic prescribing came along and wiped out that business. Doctors have to prescribe non branded drugs where possible now, so there is little point in the drug companies advertising their branded products to them. My publications were dependent on that advertising, so the day that generic prescribing came in, I went out of business.

"You mean you stopped publishing altogether"? asked Kevin. "Didn't you see it coming and move into some other form of advertising"?

"Well I heard about it of course as it was being talked about well before it became policy", Richard replied. "But I did not think it would affect me the way it did. My advertising revenue dropped by 25% , which was enough to make the publications unprofitable. I had hoped I could ride the storm but there did not seem to be much point once I was losing money. If had had enough time to develop new products I probably would have stayed in the same business. There is still plenty of money to be made in medical publishing, but once the cash is flowing out of a business it's like taking the plug out of bath water, it's hard to put it back in the hole and keep what you have got. I decided to cut my losses and do something else.

"What did you do then"? asked Kevin

"I decided to do something completely different. I bought a toy company, making dolls and children's games.", announced Richard. "Want to buy it? It keeps me awake at nights with its cash flow problems".

"No thanks. Very seasonal business I imagine. Still, you would have known that before you bought it. What's been the problem"? Asked Kevin

"You are right", said Richard. "I did know it was a seasonal business, but I actually got a very good deal when buying it. The price was rock bottom. I didn't even have to take out any loans. It's just that so much depends on Christmas that it's impossible to plan anything. My accountant checked out the reported profits and balance sheet before I bought the business so I knew what I was getting. And the profits were there as the previous owner said they would be. He just forgot to tell me about the cash flow. I nearly went bankrupt in the first year waiting for Christmas.

"Didn't your business plan predict that, or at least indicate that there would be some serious troughs in your cash flow"? Asked Kevin

"Like I said, I did not need any loan so I did not need a business plan. I don't have a corporate planning department like yours you know", said Richard.

"Well I don't want to push my own profession but I think a business plan would have told you about these troubles in advance. But then I am biased", laughed Kevin.

Richard did not seem to appreciate the joke.

"If I had to put together the sort of five year plan you produce every time I make a decision I would get nowhere fast. As a matter of fact, when I found out about this toy company for sale there was another larger organization interested. It was only by going down there the next

day and making an offer on the spot that I clinched the deal. I expect your equivalent in this other company is still working on the business plans!! He retorted.

"I don't think that's fair at all", responded Kevin. "How can you know what you are doing without some sort of plan? It does not have to be complicated or time consuming. And it can show how sensitive a business is to seasonal factors or more permanent changes like in your last business. You know a business plan may have helped you there as well.

"I don't think so at all", retorted Richard indignantly. "What I needed then was creativity and innovation to change my business, not the straight jacket of some plan. Anyway they are only financial forecasts – crystal ball gazing. What's the point of that when you are going bust?"

"Okay so you don't believe in planning. How about objectives? Do you believe in setting those?" Asked Kevin.

"Of course I do" said Richard. "I just don't want to spend my time writing them down that's all. You sound like the sales manager of my toy company. He is always sending me endless statistics of how he is doing compared to last year. I tell him to get out and see customers. Don't worry about targets, I can set those, and I will tell you if you are not doing well. Just get out there and sell, that's all I ask.

"Well, you have certainly centralised control, at least that's something you have in common with us planners", smiled Kevin.

Questions

- (a) Discuss the ways by which Richard would have benefited from a business plan. (10 marks)
- (b) Richard claims that plans "are only financial forecasts and crystal ball gazing". What would you put in a business plan to make it more meaningful than that? Summarize in less than two hand written pages the contents of a business plan and reasons why these should be included.(20 marks)
- (c) Discuss some of the challenges one may encounter when writing a plan (10 marks)

SECTION B

Question 1

Franchising provides an alternative way to start a business using a proven formula. Discuss the benefits of franchising to both the buyer of a franchise and the seller. (20 marks)

(20 marks)

Question 2

Some believe that entrepreneurs are born and not made. Do you subscribe to this belief? Explain your reasons for your stance. What characteristics can be influenced and manipulated in order to cultivate an entrepreneurial attitude and aptitude? (20 marks)

Question 3

Youth unemployment levels are the highest in the kingdom of Eswatini. Wage employment opportunities are scarce and young people are encouraged to consider self-employment as an option. However there are challenges unique to young people that need to be addressed to

pave the way for their uptake of entrepreneurial activity. Discuss these challenges drawing examples from the context of the Eswatini environment. (20 marks)

Question 4

Quite often potential entrepreneurs are not hindered by lack of funds in pursuing businesses but by lack of viable business ideas. Identify and discuss at least ten possible sources of business ideas.