

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

TITLE OF PAPER: Applied Entrepreneurship
COURSE NUMBER: BUS 304; BA304 (FT/IDE/Bed)
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

Mr. John Thwala has applied for a loan at the Big Bucks Bank to start a retail shop selling men's wear. The bank requires that he submits a concise budget showing cost estimates for his business and have also told him to submit a cash-flow projection statement showing whether the business will make sufficient money to cover its expenses and repay the loan installments. Mr. Thwala is not able to produce these documents and has hired you to draw them up for him. He is only able to describe the expenditure activities envisaged and expected sales quantities and prices for his business as follows:

Mr. Thwala has secured rental property in Manzini for E10,000 per month on which a security deposit of the monthly rental plus advance rent shall be paid. He has also hired a carpenter to partition and install shop fittings at the shop premises for an amount of E20,000 in labor costs. Mr. Thwala shall buy the shop fittings from Nelspruit for an estimated E30,000 plus transport hired for E2000 to deliver the fittings to Manzini. He also intends to buy a second hand delivery vehicle to be used in transporting merchandise from suppliers in Gauteng. The vehicle will cost him E300,000. He has hired two shop assistants on a temporary basis at the salary of E3000 per month each. He intends to be responsible for manning the cash register as he will be working at the shop on a fulltime basis, drawing a salary of E5,000 per month. He estimates that he will spend E1,000 on electricity and E500 on water consumption per month. He is required to pay E500 subscription to the Small Business Association where is a member. The business is already licensed and registered but he has been told that there is a license renewal fee of E1000 per year.

Mr. Thwala has worked as a manager in a similar store and has made calculations of the stock he will purchase on a monthly basis and from his experience, he knows that sales tend to decline at the beginning of the year in January and February by about 15 per cent and peak during the Christmas season by 20%. Otherwise he estimates that the sales quantities will consistently be on average 20 full suits per month at E3000 each, 25 shirts at E500 each, 10 ties at E120 each, 15 pairs of shoes at E700 each and other small items including underwear from which he expects to make 15% of the total sales. He estimated the cost of stock to be 60 percent of sales in any given month.

Mr. Thwala wants will buy 5 mannequins on which to display his merchandise for E300 per mannequin and thinks he may buy space in the newspaper to advertise the shop during the festive season and mid-year on which he is willing to spend E2000 in total. Last year, the electricity company increased charges at least twice by 10 percent in May and October, so that is the expectation for the budget year as well. Mr. Thwala wants to borrow E350,000 from the bank and the instalments shall be fixed at E7,000 per month including interest. Company taxes are also fixed at 33% on profit by the government of Eswatini.

Questions

- (i) Table the income, capital and operational budgets for Mr. Thwalas business (20 marks)

- (ii) Develop a cash flow projection table for the business and comment on its potential profitability on the basis of the cash-flow chart (20 marks)

SECTION B

Question 1

Businesses are encouraged to carry more than one product or service line to manage price and sales risks. There are different product and service mixes that can be adopted by businesses in their selection of products or services to increase their product lines.

- (i) Using examples, explain what is meant by a product line. (2 marks)
- (ii) Identify and discuss the possible product mixes using examples (8 marks)
- (iii) What are the factors affecting a business's selection of a product mix? (8 marks)

Question 2

Small businesses often apply an arbitrary approach to pricing their goods and services instead of using a logical and systematic approach. There are -cost-oriented pricing, customer-oriented pricing, and pricing relative to competition approaches to pricing. Identify and explain the specific methods used under each of these approaches. (20 marks)

Question 3

Joint ventures also referred to as strategic alliances can be a useful tool for small businesses wishing to expand their businesses. Define a joint venture and discuss the possible types of joint ventures. How can businesses ensure the success of joint ventures? (20 marks)

Question 4

Businesses can be legally constituted in various form of ownership including sole proprietorship, partnership, companies and cooperatives. Explain the differentiating factors between these businesses providing an analysis of the implications posed by each factor for each type of ownership. (20 marks)