

UNIVERSITY OF SWAZILAND

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION

ACADEMIC YEAR 2013/2014

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: This section is compulsory**Question 1: Read the case below and answer the questions that follow.****Mangaliso's Dilemma**

Mangaliso Dlamini sat quietly in his car, pondering why he had failed to convince Bhekiwe Zwane, managing partner of Next Century Venture Capital, to provide the startup he needed to launch the business that would set in motion his new high-tech medical invention. Dlamini had spent the past three-and-a-half years researching and developing the concept, and now that he had a product in hand, he was ready to take it to the market. The idea of Dlamini's new venture had been simmering for many years during his stints as a researcher for a major medical lab and as a sales representative for a medical products company. Dlamini had learned a great deal about selling medical products in his sales job, which he took after earning a Master's degree. But it was during his tenure at the medical lab that Dlamini saw the importance of staying on the cutting edge of successful medical products.

Driving home, Dlamini replayed his meeting with Bhekiwe in his mind. "How could those venture capitalists have missed the tremendous opportunity right in front of them?" he mused. During his 45-minute meeting with Bhekiwe and her staff, Dlamini had spent 30 minutes explaining how the technology had evolved over time, how he had developed the product, and why it was technologically superior to anything currently on the market. "I have got them where I want them now," he remembers thinking. "They can't help but see the incredible power of this technology." Throughout his corporate career, Dlamini had earned a reputation for his ability to explain abstract ideas and highly technical concepts to his fellow scientists. Over the years, he had made dozens of presentations at scientific professional meetings, all of which were well received.

Dlamini had to admit, however, that he was really puzzled by all of the questions Bhekizwe had asked him toward the end of their meeting. They weren't at all what he was expecting! "She never asked a single question about my product, its design, the technology behind it, or the patent I have pending," he muttered. He remembered her questioning him about a "market analysis" and how and to whom he planned to market his product. "How foolish!" he thought. You can't forecast exact sales for a new product. Once the product is on the market and the medical industry sees what it can do,

we'll have all the sales we'll need – and more.” Dlamini was convinced that Bhekiwe didn't understand that new, innovative products create their own markets. “I have seen it dozens of times,” he said. Mangaliso was beginning to believe that venture capital firms were too focused on revenues, profits, and return on investment. “Don't they know that those things are outcomes?” he thought. “They come.....in time.”

QUESTIONS

1. Identify the possible problems with Mangaliso Dlamini's presentation of his business plan to Bhekiwe Zwane. (15 marks)
2. Should potential lenders and investors evaluate new ventures that are based on cutting –edge technology differently from other business ventures? Explain. (15 marks)
3. List at least five suggestions you would make to Mangaliso Dlamini to improve his business plan and his presentation of it. (10 marks)

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

Question 2

Businesses can assume various types of legally recognized status in terms of ownership in order to operate. Discuss the factors that distinguish three (3) legal types of business ownership, stating two advantages of each type of ownership. (20 marks)

Question 3

Describe each of the three financial statements that are mandatory for the financial segment of a business plan. (20 marks)

Question 4

Franchising offers someone who has developed a certain business system (franchise) and owns the intellectual property rights (trademarks, copyrights, patents) to make the business system available to others in exchange for payment. S/he gives exclusive rights of local distribution to independent retailers. The major advantage of buying a franchise is buying a business concept that is already in existence and is proven. However, it is not foolproof against failure. It is important to evaluate a franchise opportunity carefully. Discuss the factors that need to be critically assessed by an entrepreneur when buying a franchise. (20 marks)

Question 5

Identify the critical entrepreneurial and strategic skills that are needed to effectively manage the (internal) growth of the new venture. (20 marks)