UNIVERSITY OF KWAZULU-NATAL, PIETERMARITZBURG
SCHOOL OF MANAGEMENT, HONOURS PROGRAMME
EXAMINATIONS: November 2007

COURSE: Honours
MODULE: Entrepreneurship: Small Business Development and Venture Creation
CODE: ENTR7COP2

DURATION: THREE (3) HOURS

TOTAL MARKS (100)

Internal Examiner: Prof RC O'Neill

External Examiner: Mr J Welman

NB:
STUDENTS ARE REQUESTED IN THEIR OWN INTEREST TO WRITE LEGIBLY AND IN INK.

INSTRUCTIONS:

1. ENSURE THAT YOUR STUDENT NUMBER APPEARS ON EACH ANSWER BOOK/SHEET IN THE SPACE PROVIDED
2. ANSWER ALL QUESTIONS
3. ALL EXAMINATION QUESTION PAPERS ARE TO BE HANDED IN WITH THE ANSWER BOOK(S)

THIS EXAMINATION PAPER CONSISTS OF 4 PAGES (INCLUDING THIS COVER PAGE). PLEASE ENSURE THAT YOU HAVE ALL OF THEM.
Question 1  

a) Explain how market research could benefit a small business owner.  
b) List some potential sources of information. 

Question 2  

Read the case study below and answer the questions that follow. 

“Beauty R Us” (fictitious example)  

Jaconet Brunette opened her beauty salon in Menlyn shopping centre in Pretoria in April 1992. She grew up in an entrepreneurial home and, except for a short period in training, had always had her own business. By October 1995 she had four employees and her turnover had trebled. In March 1996 she opened a second salon in Hatfield in Pretoria some 5 km away from the Melyn salon. She appointed her best employee to run the business, hoping to convert it into a franchise eventually. In June 1996 she went to a major exhibition in London and managed to identify a range of products to import exclusively for the franchise system. A few containers were imported and most of the products were sold. It did, however, require additional financing from the bank and time to arrange for clearing of the goods at Customs and Excise in Kempton Park. 

The Hatfield branch never seemed to take off and only managed to break even. Jaconet spent a lot of time at the Hatfield branch trying to develop a client base and to control activities. The good employee turned out not to be such a good manager and eventually resigned. By the end of 1999, Jaconet decided to sell the Hatfield branch as it did not seem to grow at all. She believed that the attention Hatfield required was impacting negatively on her Menlyn salon which, after a few years, had shown a decline in turnover. She downsized this salon from five to four employees and the business is back on track again. When asked about further expansion her comment was: “I don’t want the hassle of another branch. I’m quite happy with the present business. I did not make any more money having two outlets.” 

Source: Nieman et al, 2003, Entrepreneurship p.243  

Questions  

a) Does the desire to grow make a venture more entrepreneurial? Discuss.  
b) Discuss the pressure on resources in this case.
Question 3  
(10 Marks)

If fixed costs = R390 000 and variable costs are R 12.10 per unit and selling price = R17.50, calculate:

a) The contribution margin per unit.  
(5)

b) The break-even volume (units) required  
(5)

Question 4  
(10 Marks)

How could a business successfully trim overhead costs? Name at least ten methods.

Question 5  
(5 Marks)

Calculate the breakeven selling price if Total variable cost per unit = R6.98 Fixed costs = R110 000 and number of units produced = 50 000. Show all your calculations.

Question 6  
(10 Marks)

Discuss the potential advantages that the global market may offer a small business owner.

Question 7  
(10 Marks)

What strategic advice would you offer an entrepreneur who is about to start an e-company?

Question 8  
(10 Marks)

What are the five C’s of credit? How do lenders apply them when evaluating a request for financing?
Question 9  
(10 Marks)
Discuss internal growth strategies. Can any of the growth strategies be used to achieve some of these strategies?

Question 10  
(10 Marks)
Why are strategic issues so important in determining whether a venture should be turned around?

Total: 100 Marks