FIRST OPPORTUNITY EXAMINATION QUESTION PAPER

EXAMINER(S)  DJ DU PLESSIS
            F VAN WYK
MODERATOR:  DR ADEGOGE

INSTRUCTIONS

1. Answer ALL the questions.
2. Write clearly and neatly.
3. Number the answers clearly.

THIS QUESTION PAPER CONSISTS OF 6 PAGES (including this front page)
SECTION A

QUESTION 1

Choose the correct option and indicate your choice (a-e) next to the appropriate number in the examination book provided. For example 1. b.

1.1 How do advisory boards help family businesses?
   a They make the family business more formal.
   b They support entrepreneurial behavior.
   c They act as “referee” in quarrels.
   d a and c
   e b and c

1.2 Choose which of the following are the advantages of franchising from the franchisee's viewpoint?
   i A proven system
   ii Ongoing assistance
   iii Rapid expansion possible
   iv Easier to obtain finance
   a i, ii, iii
   b ii, iii, iv
   c i, ii, iv
   d i, iii, iv
   e i – iv

1.3 Which of the following questions, according to the Department of Trade and Industry, questions should be asked to assess if a franchise opportunity in Namibia:
   i Is it possible to obtain trade or bank references?
   ii On what criteria are franchises selected?
   iii What do you look for in a prospective franchisee and why?
   iv What are your obligations as a franchisee?
   a i, ii, iii
   b ii, iii, iv
   c i, ii, iv
   d i, iii, iv
   e i – iv
1.4 Evaluate which of the following are correct?

i One of the duties of the franchisee is to assist the franchisor in the buying of stock and to acquire services and equipment necessary for the operation of the franchise.

ii The franchisee must ensure that the franchised business conforms with other franchised businesses operated in accordance with the business system.

iii The franchisor may require the franchisee to redecorate or refurbish the premises.

iv The franchisee is required to observe minimum business hours.

a i, ii, iii
b ii, iii, iv
c i, iii, iv
d i, ii, iv
e i - iv

1.5 The gaining of advantage through being the most efficient operator and competing in the market on the price advantage that is available as the result of this is known as

a differentiation.
b cost leadership.
c specialisation.
d economies of scale.
e price leadership.

1.6 Determine the objective of backward integration:

a to control the purchase of material
b to control the sale of material
c to control the organising of material
d to control the supply of material
e to control material

1.7 When a venture integrates a business that is on the same level of value addition as itself. Than it is an example of

a Lateral integration
b Horizontal integration
c Forward integration
d Backward integration
e Vertical integration
1.8 Select which of the following should be controlled very well, as it is the final key to success?
   a) sales forecast
   b) cash flow
   c) capital budget
   d) all of the above
   e) none of the above

1.9 Determine which one of the following products/services has the highest probability to sell online?
   a) Books
   b) Banking services
   c) Flowers
   d) Online learning
   e) jewellery

1.10 Access which of the following are sources of opportunities found outside the business?
   i) Process needs
   ii) Demographic changes
   iii) Changes in perception
   iv) New knowledge
   a) i, ii, iii, iv
   b) i, ii, iii
   c) i, ii, iv
   d) ii, iii, iv
   e) i, iii, iv

(10 x 2 = 20)
SECTION B

QUESTION 2

Succession is the process through which leadership in a family business is transferred to a subsequent family member. Assess the obstacles to a successful succession. Refer to Namibian examples where applicable to support your discussion.

(12)

QUESTION 3

Consider the following figures from the Adjusted Balance Sheet and Condensed Income Statement of Tomas CC, a SME from Oshakati, in order to answer questions (a) to (g) below

[ Determine the Value of the Business for Buy-out purposes]:

<table>
<thead>
<tr>
<th></th>
<th>Capital</th>
<th>Accumulated profits</th>
<th>Long term loan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>560 000</td>
<td>350 500</td>
<td>100 000</td>
</tr>
</tbody>
</table>

Additional information

1. The salary foregone is N$90 000
2. Risky investment of 30%
3. Growth wanted is 45%

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profits</td>
<td>200 900</td>
<td>180 200</td>
<td>150 500</td>
<td>90 400</td>
</tr>
</tbody>
</table>

Calculate the following:

(a) Adjustable Tangible Net Worth
(b) Opportunity Cost
(c) Growth Rate % of Net Profit
(d) Estimated Net Earnings for the next year
(e) Extra Earning Power
(f) Goodwill
(g) Value of the Business

(20)
QUESTION 4

Businesses go through different growth stages during its life cycle.

4.1 Identify the main the stages of growth a business may go through in its life cycle. Explain what one can expect to happen during each stage of growth in a business life cycle. (10)

4.2 Briefly discuss the key factors that the entrepreneur needs to address during the growth stages of its business venture. (10)

QUESTION 5

To turnaround an ailing venture and put it back on the road to good performance and growth is no small task. (Nieman and Nieuwenhuizen, 2000).

5.1 Identify and briefly explain the principles of restructuring (turnaround) to ensure a successful turnaround process. (10)

5.2 In your opinion, suggest (four) 4 options than a turnaround. (4)

QUESTION 6

Formulate a list of factors that may impact the export efforts of Namibian Small and Medium businesses. (14)

END OF EXAM PAPER