



**NAMIBIA UNIVERSITY**  
OF SCIENCE AND TECHNOLOGY  
**FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION**  
**DEPARTMENT OF GOVERNANCE AND MANAGEMENT SCIENCES**

**MANAGEMENT SECTION**

<b>QUALIFICATION : BACHELOR OF BUSINESS MANAGEMENT</b>	
<b>QUALIFICATION CODE: 07BMAR</b>	<b>LEVEL: 7</b>
<b>COURSE CODE: BEM 711S</b>	<b>COURSE NAME: SMALL AND MEDIUM ENTERPRISE MANAGEMENT</b>
<b>SESSION: JUNE 2024</b>	<b>PAPER: THEORY</b>
<b>DURATION: 3 HOURS</b>	<b>MARKS: 100</b>

<b>FIRST OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	DR MOSES WAIGANJO (FULL TIME) MS ANNA SHIMPANDA (PART TIME & DISTANCE)
<b>MODERATOR:</b>	MR ERNEST MBANGA

<b>INSTRUCTIONS</b>
<ol style="list-style-type: none"><li>1. Answer ALL the questions in the answer book provided.</li><li>2. Write clearly and neatly.</li><li>3. Number the answers clearly.</li><li>4. Indicate your lecturers name on your answer sheet.</li></ol>

**THIS EXAM PAPER CONSISTS OF 7 PAGES (Including this front page)**

**SECTION A**

**[20 MARKS]**

**Choose the correct option and indicate your choice (a-e) next to the appropriate number in the examination book provided. For example, 1.1. b.**

**QUESTION 1**

- 1.1** Which of the following restraints may be placed on the franchisee?
- i territorial restraints.
  - ii price restraints.
  - iii restraints with regard to products and sales.
  - iv restraints relating to the franchisee's right to advertise.
- a i, ii, iii
  - b ii, iii, iv
  - c i, iii, iv
  - d i, ii, iv
  - e i – iv
- 1.2** Assess which two of the following statements are correct?
- i The lump-sum payment is usually an initial payment for the right agreed in terms of equipment, assistance, training and advice.
  - ii A franchise agreement may provide for additional levies related to specific services of the franchisor.
  - iii The royalties may be fixed amounts which are payable periodically.
  - iv The franchisee may not be obliged to pay the franchisor an amount for marketing or advertising campaigns.
- a i, ii
  - b i, iii
  - c i, iv
  - d ii, iii
  - e ii, iv
- 1.3** Select which one of the following important questions needs to be asked and answered before buying an existing business.
- a Why is the business for sale?
  - b Where did I hear about the business?
  - c What is the degree and scope of competition?
  - d What does the business cost?
  - e a and c
- 1.4** Which of the following is an advantage of doing a business valuation.
- a the securing of a business loan is much easier.
  - b it helps to determine whether there is a fit between the entrepreneur and the business.
  - c costs that you have to incur later in terms of rectifying situations may be

- prohibited.
- d a and c
  - e b and c
- 1.5** In order to achieve growth, the venture's ability to attract new..... is important.
- a customers.
  - b resources.
  - c people.
  - d markets.
  - e attention.
- 1.6** 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.
- 1.7** 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
- 1.8** When a venture integrates a business that is on the same level of value addition as itself. Then it is an example of
- a Lateral integration
  - b Horizontal integration
  - c Forward integration
  - d Backward integration
  - e Vertical integration
- 1.9** 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

**1.10** Assess 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

[10x2=20]

**SECTION B****[MARKS 80]****QUESTION 2**

The franchise concept gives an entrepreneur the opportunity to start a business that has been proven in the marketplace.

2.1 Argue the case for and against franchising from the viewpoint of the franchisor. (10)

2.2 Give any two (2) types of franchising opportunities and examples thereof in Namibia. (4)

**[14]****QUESTION 3**

**STUDY THE FOLLOWING CASE STUDY AND ANSWER THE QUESTIONS THAT FOLLOWS.**

**THE BUSINESS BUYOUT**

Beulah and Freddie are siblings and business partners who owns a Wholesome Bakery, which is situated in CBD, Windhoek. The bakery is profitable and currently has a net-profit after tax of N\$160,000. After 5 years of successfully managing the business, the pair have agreed to sale the business. Each desire to pursue other business ventures. Morris is a Real Estate businessman based in Okahandja and has been seeking for the past 3 years a successful business to buy out. During COVID-19, Morris realized that he needs to diversify his business interests to caution against exposure. His accountant, Samuel informed him about the Wholesome bakery which is up for sale. The idea greatly excited him and immediately he reached out the owners. They have hired a business consulting duo, Maano and Francios to conduct the business evaluation exercise. The following information was gathered by the business consultants:

	<b>Bakery 1</b>	<b>Bakery 2</b>	<b>Bakery 3</b>
Selling Price	450,000	650,000	800,000
After-Tax Earnings	100,000	85,000	200,000

Use the above information to answer the following questions.

3.1 Is the bakery business being sold on the market or off the market? Please justify your answer. (2)

3.2 List and discuss non-quantitative factors, that Morris should consider in evaluating Wholesome bakery. (8)

3.3 Morris is excited about the upcoming negotiations with the owners of the bakery. Which features will give him power heading into the negotiations? Advise him accordingly. (6)

3.4 List *any 4 traps* that Morris need to avoid in acquiring the bakery. (4)

### 3.5 Using the Market-Based Method

- i.) Calculate the average market price of the bakery. (1)
- ii.) Calculate the average after-tax earnings. (1)
- iii.) Calculate the Price-to-earnings ratio. (2)
- iv.) Finally calculate the Market Price for Wholesome bakery. (4)
- v.) Based on your financial assessment of the business, what recommendation will you give Morris and why? (2)

[30]

### QUESTION 4

The dawn of the internet not only opened new opportunities for major businesses in Namibia, but also for potential or existing entrepreneurs (Nieman & Niewenhuizen, 2015)

4.1 Has the internet changed the basic principles of starting a business? Discuss. (4)

4.2 Evaluate if consumers will acquire expensive jewelry over the Internet?

Why? (6)

[10]

### QUESTION 5

"Harvesting is the achievement of some or other end goal that will repay the entrepreneur for the hard work and inputs" (Nieman and Nieuwenhuizen, 2000).

5.1 Elaborate the reasons why an entrepreneur may decide to harvest his/ her business.

[10]

### QUESTION 6

**STUDY THE FOLLOWING CASE STUDY AND ANSWER THE QUESTIONS THAT FOLLOWS.**

*Velti Events stands as a prime example of how building a business to meet big ambitions can deliver results, no matter how humble its beginnings.*

When Paul Velti started Velti Events in 2009 he never wanted it to be small or even a medium sized business. "My goal was to become the biggest, best and most well-regarded events company in the industry within the next five to six years" he says.

He's well on his way to achieving that goal, with corporate clients and events that include the likes of MTV's first-ever Durban July event, Vodacom, Playstation, Proctor & Gamble and MINI, among many others.

Velti started small but set up the business to meet its ambitious growth targets. "Even though

the business was initially just me, I knew I had to create a brand that would be perceived by big corporate to be in line with what they were looking for. Before I launched the business, I made sure that the brand guidelines were in place, the marketing material was printed, and the website was developed.” He’s also invested in infrastructure and systems, such as sophisticated tracking software to streamline the events process and minimize issues that commonly arise.

The business has enjoyed considerable growth since Velti started it from home four years ago. Within three months he’d put together a team of four and moved into offices, and by the end of the first year he had ten staff members on board and had quadrupled the turnover. By the end of 2012 he more than quadrupled the turnover again and employs 25 full-time and 25 part-time staff.

Not bad for a business started in the middle of a credit crunch at time when most corporate were cutting back significantly on event and marketing budgets, and many events companies were scaling back.

6.1 Discuss six (6) internal growth methods the entrepreneur may embarked on. (12)

6.2 Wickham, (2006) states that growth of an organisation, due to the multifaceted nature of organisations; entrepreneurs must constantly view the growth and development of the organisation from the perspectives of four types of growth. List the (four) 4 types of growth their venture may experience. (4)

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**END OF QUESTION PAPER**