



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF GOVERNANCE AND MANAGEMENT SCIENCES

QUALIFICATION: BACHELOR OF BUSINESS ADMINISTRATION	
QUALIFICATION CODE: 07BMAR	LEVEL: 7
COURSE CODE: BEM 711S	COURSE NAME: SMALL AND MEDIUM ENTERPRISE MANAGEMENT
SESSION: JUNE 2023	PAPER: THEORY (PAPER 1)
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	Ms. ANNA SHIMPANDA – PARTTIME Dr MOSES WAIGANJO – FULLTIME & DISTANCE
MODERATOR:	Mr. ERNEST MBANGA

INSTRUCTIONS
1. Answer ALL the questions. 2. Read all the questions carefully before answering. 3. Number the answers clearly

THIS QUESTION PAPER CONSISTS OF 6 PAGES (Including this front page)

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.) Which of the following statements is incorrect?

- A. Franchising systems have grown at a very high rate since 1994 and the expectation is that growth will be sustained until 2005.
- B. The franchisor gives the franchisee the right to operate a business using the franchise company's name, products and systems.
- C. Franchising is only suitable for a specific kind of business system.
- D. A franchise operation is a contractual relationship between the franchisor and the franchisee.

2.) Which of the following statements is incorrect?

- A. Contracts of the various franchise networks differ and don't have certain terms in common.
- B. Franchise contracts leave little room for negotiation.
- C. Franchise contracts are used as a tool to regulate the franchisor/franchisee relationship and to enforce uniformity within the franchise network.
- D. A franchise contract places obligations on both parties to their mutual advantage and provides a framework.

3.) Which of the following statements is false?

- A. Franchise agreements may provide for the termination of the contract after a period of time.
- B. Franchise contracts do not oblige franchisees upon termination of the contract to participate directly or indirectly in the management of a business which conducts business in the nature of franchised business for a certain period of time.
- C. The former franchisee is obliged not to disclose confidential information or other trade secrets of the franchisor.
- D. Upon termination of the agreement the franchisee must immediately cease any further use of trademarks and other intellectual property which was licensed to him

4.) Buying an existing business is known as

- A. a buy-out.

- B. joining a family business.
- C. starting a new business.
- D. entrepreneurship.

5.) The disadvantage(s) of buying an existing business is/are

- A. the business was never profitable.
- B. inadequate sales volume.
- C. poor reputation/image.
- D. operating in the shadow of the previous owner.
- E. all of the above
- F. a and c

6.) The fact that equipment, facilities and inventory are in place when you buy an existing business may be a disadvantage when

- A. their capacity is not great enough.
- B. they are obsolete.
- C. the technology used is too old.
- D. none of the above

7.) A _____ will identify the type of business you will be happy in and make a success of.

- A. self-audit.
- B. business analysis.
- C. environment analysis.
- D. none of the above

8.) According to the asset-based method, the value of a firm can be determined by using the following equation:

- A. $\text{equity} + \text{liabilities} - \text{total assets}$.
- B. $\text{total assets} + \text{equity} - \text{liabilities}$.
- C. $\text{equity} - \text{total assets} - \text{liabilities}$.
- D. $\text{liabilities} - \text{equity} + \text{total assets}$.
- E. none of the above

9.) Using the capitalised earnings approach, what will the value of the firm be if the net earnings (after deduction of the owner's salary) are R258 850 and the rate of return is 20%?

- A. R 51 770
- B. R 1 294 250
- C. R 1 105 000
- D. R 517 700
- E. None of the above

10.) In order to achieve growth, the venture's ability to attract new..... is important.

- A. customers.
- B. resources.
- C. people.
- D. markets.
- E. attention.

[20]

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

Consider the following figures from the Adjusted Balance Sheet and Condensed Income Statement of James CC, a SME from Keetmanshoop, in order to answer questions (a) to (g) below [Determine the **Value of the Business** for Buy-out purposes]:

Capital	660 000
Accumulated profits	350 500
Long term loan	100 000

Additional information

- 1 The salary foregone is N\$90 000
- 2 Risky investment of 20%
- 3 Growth wanted is 30%

Year	2018	2017	2016
Net Profits	200 900	180 200	150 500

Calculate the following:

- | | | |
|-----|--|-------------|
| (a) | Adjustable Tangible Net Worth | (3) |
| (b) | Opportunity Cost | (3) |
| (c) | Growth Rate % of Net Profit | (3) |
| (d) | Estimated Net Earnings for the next year | (3) |
| (e) | Extra Earning Power | (3) |
| (f) | Goodwill | (3) |
| (g) | Value of the Business | (3) |
| | | [21] |

QUESTION 3

Businesses go through different growth stages during its life cycle.

3.1 Diagrammatical illustrate the main the stages of growth a business may go through

- in its life cycle. (10)
- 3.2** List four types of growth that a firm must achieve. (4)
- 3.3** Briefly discuss the key factors that the entrepreneur needs to address during the growth stages of its business venture. (10)
- [24]

QUESTION 4

Succession is the process through which leadership in a family business is transferred to a subsequent family member.

- 1.) Identify and explain the management styles that may influence succession. (8)
 - 2.) Name the most appropriate management style that may positively impact succession. (2)
- [10]

QUESTION 5

Identify and discuss ANY six (6) factors that may impact export efforts of Namibian small and medium businesses. (12)

QUESTION 6

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).

- 6.1** Identify and briefly explain the principles of restructuring (turnaround) to ensure a successful turnaround process. (10)
- 6.2** In your opinion, if a turnaround is not viable, suggest (three) 3 other options that a business may consider. (3)
- [13]

END OF EXAM PAPER