



**PAMIBIA 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: JULY 2023	PAPER: THEORY (PAPER 2)
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
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INSTRUCTIONS
1. Answer ALL the questions. 2. Read all the questions carefully before answering. 3. Number the answers clearly

THIS QUESTION PAPER CONSISTS OF 8 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.

1.1. Which of the following are 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

1.2. According to the Department of Trade and Industry, the following questions should be asked to assess 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

1.3 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

1.4 Some important questions to ask and answer before buying an existing business include

- 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
- F b and d

1.5 An advantage of doing a business valuation is

- 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

1.6 The entrepreneur must know that growth carries a degree of

- A strategy.
- B finance.
- C time.
- D achievement.
- E risk.

1.7 Growth is dependent on the venture's ability to attract new.....

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

1.8 A key factor of growth is

- A strategy.
- B risk.
- C desire, direction and potential.

D A, B and C

E none of the above

1.9 Which one of the following products/services has the lowest probability to sell online?

A Books

B Clothes

C Expensive jewellery

D Movie tickets

E Hair products

1.9 Intrapreneurship refers to

A the creation of new products

B the creation of new ventures

C the practice of entrepreneurship within the large business

D the practice of innovation within the large business

E the practice of entrepreneurship within the small business

(10 x 2 =20)

SECTION B

[80 MARKS]

QUESTION 2

Franchising is one of the forms of internal growth business can opt for.

2.1 Explain the advantages from the Franchisees view. Use practical examples to support your answer. (10)

2.2 Give three types of franchising and examples thereof in Namibia. (6)

[16]

QUESTION 3

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

Capital	560 000
Accumulated profits	350 500
Long term loan	100 000

Additional information

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

Year	2019	2018	2017	2016
Net Profits	200 900	180 200	150 500	90 400

3.1 Calculate the following:

- (3.1.1) Adjustable Tangible Net Worth (3)
- (3.1.2) Opportunity Cost (3)
- (3.1.3) Growth Rate % of Net Profit (3)
- (3.1.4) Estimated Net Earnings for the next year (3)

- (3.1.5) Extra Earning Power (3)
(3.1.6) Goodwill (3)
(3.1.7) Value of the Business (3)
3.2. List four non-monetary factors that may impact the final business purchase price. (4)
[25]

QUESTION 4

Leroy's Predicament

Leroy operates a home-based recording studio. Although his facility is adjacent to the house, it is private and looks professional. His customers have private parking space and enter the studio via a private entrance. Currently Leroy is doing everything himself. From reception to marketing, quotes, and the actual work, lessons, recording, mastering and editing, as well as the graphic design on CD covers and posters. He even does his own printing and packaging as the small quantities do not justify sub-contracting the work. The students who take Leroy's song and music classes are school pupils and they normally come during the afternoons. On the recording side, most of Leroy's customers are aspiring artists hoping to be heard and needing to earn a living. This means that they follow their dreams after hours and can only come for recording and backtracks after 6pm in the evenings. So far, Leroy has been able to handle the work as his mornings are relatively quiet. He has been able to attend to his administration, update his website, do his marketing, and so on.

Now that business is picking up, the song and music students provide a relatively steady monthly income, but Leroy's main income comes from the recording and making of CDs. Besides all the other small projects, Leroy currently has two full CDs that he is busy with, with set delivery dates. Leroy struggles because he is only one person and he finds himself juggling everything that needs to be done. He does not want to take in a partner, nor does he want to subcontract any work as this would impact on the price he had quoted. Because he spent so much time on one project, he cannot take on other projects and he is losing clients and potential income because the clients cannot wait for him. He is considering letting his students go to concentrate only on the production of CDs. However, this might be risky as he is afraid that he will lose his monthly song and music student income and many of the students are potential future recording clients.

"To turn around an ailing venture and put it back on the road of good performance and growth is not a small task" (Nieman & Niewenhuizen, 2014).

4.1. Identify and elaborate the causes of trouble. (8)

4.2 A lack of cash flow is one of the key signs when a business slide down the level of failure. List any 4 factors that contribute to cash flow problems.

(4)

[12]

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)

5.2 Mention and explain any 5 principles that an entrepreneur/owner, can adhere to, to ensure that s/he reaps the fruits of his/her hard work. (10)

[20]

QUESTION 6

E- Commerce ensure that businesses can market their products and services to untapped markets across the world. List 7 benefits of e-commerce for small and medium Namibian businesses.

[7]

END OF EXAM