

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

GRADUATE SCHOOL OF BUSINESS

MASTER OF SCIENCE IN EDUCATION

ENTREPRENEURSHIP AND FINANCIAL MANAGEMENT (ME 517)

EXAMINATION PAPER

DURATION: 3 HOURS 30 MINUTES

AUG 2023

INSTRUCTIONS AND INFORMATION TO CANDIDATES

1. Section A is compulsory and carries 40 marks.
 2. Answer Question One from Section A and any three (3) questions from Section B.
 3. Students are expected to give real life examples in their answers.
 4. The paper carries six questions.
 5. All questions in Section B carry equal marks of 20 each.
 6. The use of cell phones is not allowed in the examination.
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SECTION A: [COMPULSORY]

QUESTION 1

CASE STUDY: GROWTH IS GOOD, RIGHT?

Entrepreneurial spirit is characterized by innovation and risk-taking, and is an essential part of a nation's ability to succeed in an ever changing and increasingly competitive global marketplace.

The process of entrepreneurship is the one which leads to the birth of a small business

The Small Business Administration (SBA) traditionally defines a small business as one employing fewer than 500 employees. However, more than 90 percent of all businesses employ fewer than 500 workers, and most people find it difficult to think of a 400-person firm or even a 200-person firm as "small." In contrast, the Organization for Economic Cooperation and Development (OECD) and the U.S. Chamber of Commerce prefer to designate as a small business any firm employing fewer than 100 people. In the minds of many business owners, however, even a firm with 100 employees does not seem small. Most people may enter into small business because of lack of adequate education and difficulty of finding formal employment.

In 2002 Chuck Young started Division 9 Flooring, a carpet, tile and hardwood floor Installation Company, in Woodinville, Washington, and a year later sold 40 percent of the company to his uncle, Mike Quinton, in a move to manage the company's rapid growth. "I don't have the experience to run a multi-million dollar business," says Young, who started in the industry as an installer. Four years later, Young and Quinton sold 20 percent of the company to Mellisa Boggan, who is the company's chief financial officer and handles office duties such as budgets and billing. Despite a slowdown in its residential business, Division 9's growth has been propelled by strong sales among commercial accounts, primarily through large contractors, and the company's reputation for honesty and good customer service.

The company's fast growth track has created a common problem; cash flow. "Growth is good," says Young, but we need to balance it with cash flow." The company's residential customers typically pay 50 percent of both material and labor costs up front, but commercial clients do not pay for materials for their jobs until several weeks after Division 9 has already paid for them, forcing the small company to use bank loans to finance its materials purchases. Constant borrowing has pushed the company's debt-to-equity ratio to 2.2:1, well above the industry standard of no more than 1.2:1. Young, Quinton, and Boggan want to lower the debt-to-equity ratio but are not sure where they can find the money to finance their purchases of inventory and materials.

At times, the partners also struggle to maintain open lines of communication among themselves and their employees and to distribute their managerial duties so that they remain focused on the tasks that are most important to the company's success. The partners schedule regular meetings but often find themselves discussing the same topics repeatedly. "We need to be accountable to each other," says Young. Boggan agrees and says that she is frustrated by the partners' vague meeting agendas. "Usually, the subject is 'How should we totally re-organize our business this week?'" As the newest addition to the company's ownership, Boggan's role is least defined. Her job title is chief financial officer, but last week she processed the company's payroll. Young and Quinton handle sales and manage the 15 to 25 contract installers who work for Division 9 on any given day.

Young created a business plan when he started the company. One of the goals stated in the plan was to achieve \$15 million in sales, which Division 9 has accomplished. The partners admit that they have not revised the original business plan, however. "We focus on doing business as best as we can", says Young.

Like many small companies experiencing rapid growth, managing people is a constant challenge. Boggan is concerned about the confusion among staff members over the role of the company's latest hire. The partners are impressed with new employee's intelligence and experience and see her personality as a good fit with Division 9's culture, but they hired her without a job description or specific title. "No one (on the staff) knows what she's doing or why she's here," admits Boggan sheepishly.

Source: Based on Phaedra Hise, 'Floored by Growth,' FSN, July, August 2018

Required:

- a) What propelled Division 9's growth among the slowdown in the residential housing industry? (10 marks)
- b) Why did the company use bank loans to finance its operations? (10 marks)
- c) Suggest how the company could improve its human resources management. (10 marks)
- d) Discuss the major issues about the definitions of small business. (10 marks)

[Total: 40 marks]

SECTION B: Answer any three (3) questions from this section.

QUESTION 2

Discuss the requirements for starting a small to medium business enterprise of your choice.

[20 marks]

QUESTION 3

Analyse the characteristics and attributes required for entrepreneurial leadership in Zimbabwe.

[20 marks]

QUESTION 4

Briefly discuss the entrepreneur's financial management functions.

[20 marks]

QUESTION 5

Discuss the Financial Management concept of sources and uses of business finances.

[20 marks]

QUESTION 6

Explore the process of digital transformation for small and medium enterprises.

[20 marks]

END OF EXAMINATION QUESTION PAPER