

BINDURA UNIVERSITY OF SCIENCE EDUCATION
FACULTY OF COMMERCE
GRADUATE SCHOOL OF BUSINESS
MASTER OF SCIENCE IN ENTREPRENEURSHIP AND INNOVATION
ENTREPRENEURIAL FINANCING (MEI 502)

EXAMINATION PAPER

DURATION: 3 HOURS 30 MINUTES

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. The paper carries six questions.
 4. All questions in Section B carry equal marks of 20 each.
 5. The use of cell phones is not allowed in the examination.
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JUN 2024

SECTION A: [COMPULSORY]

QUESTION 1

CASE STUDY: GOVERNMENT INTENSIFIES PARASTATAL REFORM

Finance Minister Mthuli Ncube yesterday said the government has roped in development partners to help it reform state entities which have continued to drain the fiscus due to poor financial management and corruption.

In October 2020, data detailing problems affecting state-owned firms said their contribution to Gross Domestic Product (GDP) has slowed to 12%. State entities used to contribute 40% to the GDP. In yesterday's 2022 mid-term economic review and supplementary budget, Ncube said the World Bank and the African Development Bank (AfDB) had scaled up their interventions.

"In undertaking this task, the government appreciates assistance that has been received from development partners including the World Bank (WB), the African Development Bank (AfDB), the French Development Bank (AFD), the European Union (EU), among others and looks forward to such continued support," he said.

"The parastatal reform programme, undertaken since 2018, is meant to improve public service delivery, enhance their contribution to the overall economy and employment creation. To date, the International Finance Corporation has concluded the market assessment study for the privatisation of NetOne and TelOne which will identify and describe in detail some of the critical success factors, which would lead to the realisation of a successful partial-privatisation transaction." TelOne has been affected by a debt now estimated at US\$419,5 million that it inherited from the now defunct Posts and Telecommunications Corporation over a decade ago.

Source: Tatira Zwinoira (2022): The Zimbabwe Independent, Local News, July 29 to 4 August, page 3

Required:

Carefully consider the following questions and answer them based on the case study above as well as your broad appreciation of issues in entrepreneurial financing.

- a. Why do you think an enterprise would seek external financial assistance? **(5 marks)**

b. Specifically, how do local enterprises stand to gain if the government ropes in development partners? (10 marks)

c. In your view, how beneficial is privatisation as a way of financing a state-owned business? (10 marks)

d. TelOne is said to have been affected by an inherited debt. Discuss whether debt finance is inherently bad. (10 marks)

e. The International Finance Corporation is said to have completed a market assessment study for the privation of NetOne and TelOne. Identify some critical success factors for inviting private partners which the study could have picked up in this case. (5 marks)

[Total: 40 marks]

SECTION B : Answer any 3 questions from this section.

QUESTION 2

Discuss the financing needs of an entrepreneurial firm. [20 marks]

QUESTION 3

Discuss the benefits of equity finance for entrepreneurial firms in Zimbabwe. [20 marks]

QUESTION 4

Discuss issues in entrepreneurial financing that are the subject of current research focus. [20 marks]

QUESTION 5

Discuss the variation factors that a potential investor assesses before deciding to invest in a new small business in Zimbabwe. [20 marks]

QUESTION 6

Assess any two methods that are used in the valuation of new ventures. [20 marks]

END OF EXAMINATION PAPER.