

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
MAIN EXAMINATION
ACADEMIC YEAR 2018

TITLE OF PAPER: Applied Entrepreneurship and Small Business Management

COURSE NUMBER: BUS 304; BA304 (FT/IDE/Bed)

TIME ALLOWED: Three (3) hours

INSTRUCTIONS

1. THIS PAPER CONSISTS OF SECTION (A) AND (B)
2. THE CASE STUDY SECTION (A) IS COMPULSORY
3. ANSWER ANY **THREE** QUESTIONS FROM SECTION B

NOTE: You are reminded that in assessing your work, account will be given of the accuracy of language and the general quality of expression, together with the layout and presentation of your final answer.

THIS PAPER MUST NOT BE OPENED UNTIL THE INVIGILATOR HAS GRANTED PERMISSION.

SECTION A

United Sports established by Phinda Dlamini in 2000 develops and manages sports centers in major towns and cities for five of the major sports namely netball, soccer, swimming, tennis and athletics. It also generates half of its income from selling sports equipment and uniforms. It sets up the necessary infrastructure such as swimming pools, sports fields, tennis courts, athletics tracks and sports equipment for body conditioning. It hires personnel on an ad hoc basis to provide the necessary sports training, and permanent staff to maintain and administer the centers. The centers are open for use to the public at a fee.

In 2007 United Sports submitted a tender to the Sports Association of Swaziland (SAS) to host the annual national sports competition for five years. This entailed availing their facilities as practice venues for the competition and main event, as well as an added tender for supplying all the sports needs for the competition. These included sports uniforms, accessories, sports material such as balls, nets, goal posts, and others. They also had to oversee the administration and scheduling of events during the competition.

The contract was a dream come true for the owners of United Sports, and from then on the majority of activities focused on the production and delivery of the contract. They had to appoint 10 additional people in the facilities as well as two administrative staff members to service the contract. A further impact was that three additional suppliers were contracted to enable them to service the contract.

One of the negative impacts of the contract was that it was shared with a competitor, Sports Biz. Due to delays in procurement and purchasing, some of the contracts for the supply of sports uniforms were lost to competitors. In addition, more venues than planned were allocated to Sports Biz due to delays in preparations by United Sports which led to their tennis courts and swimming pools in three venues not being ready in time for the main event. Nevertheless United Sports served and fulfilled the contract which ended in 2011. In July 2012, a year after the contract Phinda realized after the Financial Manager had resigned that the performance of the company had been slowing down and that the business had shown a loss for four consecutive months and some employees had not been paid the previous months salaries. All this information was not documented by the Financial Manager.

The company's general public customer base had narrowed down to soccer and swimming, with only a few tennis and athletics remaining, due to its preoccupation with the contract, these customers had been neglected in the past five years. United Sports supplier base had also shrunk, and suppliers seem to be unwilling to extend credit to the company, hence tools and material to maintain the facilities and sports equipment sales had been depleted. Phinda tried hard to promote the business to the general public but to no avail. Most former customers had established relationships with other sports facilities providers during the five years of the contract with the SAS and were not willing to change them. Phinda applied for a bank loan but does not feel positive about his chances of securing it.

Questions

- (a) Do you think United Sports is headed for a financial crisis? What are the warning signs that this is so? (15 marks)
- (b) What strategies should United Sports implement if they want to turnaround the performance of the company? (15 marks)
- (c) Describe the internal and external factors that contributed to the situation that United Sports find themselves in. (10 marks)

SECTION B

Question 1

One of the noticeable challenges amongst SMEs in Swaziland is the poor business growth rates. Discuss with the aid of examples some of the internal growth strategies that can be engaged by businesses to expand their business operations. Why do you think SMEs do not apply business growth strategies? (20 marks)

Question 2

Raw materials have a direct impact on the ultimate output of a business and it is important to purchase them properly. The role of the purchasing function in the business is to ensure that production means of the right quality are supplied to the business in the right quantities, at the right time, to the right place, from the right suppliers at the right price. In order to do this, businesses pursue and seek to achieve a number of long term purchasing objectives. State and explain these objectives. (20 marks)

Question 3

Once raw materials and/or stock has been purchased by a business it is important to manage it effectively. Give reasons why it is important to do so and discuss some of the methods by which this can be done. (20 marks)

Question 4

Pro- forma financial statements constitute part of business planning and are intended to provide an indication of the potential financial performance of the intended business or business expansion. After they are prepared, they need to be interpreted using indicators such ratio analysis and /or break-even point analysis. Make and explain the following calculations:

- (i) Calculate the Break Even turnover where the operating expenses are E100,000 and the desired gross profit level is 20% of turnover (5 marks)
- (ii) Explain the break even concept, its usefulness and challenges. (10 marks)
- (iii) Calculate the Break Even Quantity where the Total Fixed Costs are E50,000, the Selling Price per unit is E60 and the variable costs per unit are E40 (5 marks)