



ASSIGNMENT MEMORANDUM

**SUBJECT : ENTREPRENEURSHIP (ENT)
ENTREPRENEURSHIP (ENT001)**

ASSIGNMENT : 2ND SEMESTER 2011

SECTION A (45 MARKS)

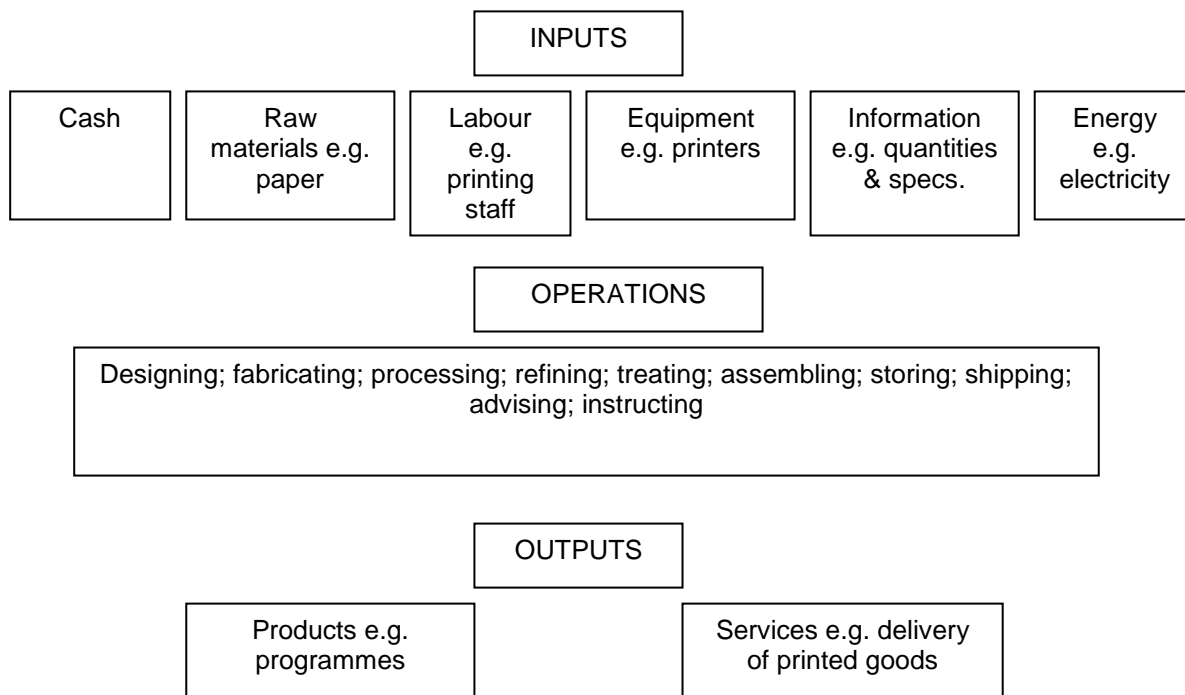
References are to: Longenecker, J.G., Moore, C.W. and Perry, J.W. 2010. <i>Small Business Management: An Entrepreneurial Emphasis</i> . 15 th edn. South-Western College.
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QUESTION 1	[45]
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1.1 See Longenecker et al. 2010: 576 – Working capital cycle
10 marks – 2 marks for each step

- Step 1** Purchase or produce inventory for sale, which increases accounts payable – assuming the purchase is a credit purchase – and inventories on hand.
- Step 2**
- a. Sell the inventory for cash, which increases cash
 - b. Sell the inventory on credit, which increases accounts receivable.
- Step 3**
- a. Pay the accounts payable, which decreases accounts payable and decreases cash
 - b. Pay operating expenses and taxes, which decreases cash.
- Step 4** Collect accounts receivable when due, which decreases accounts receivable and increases cash.
- Step 5** Repeat the cycle.

1.2 Operations process – 10 marks
Refer to Longenecker et al. 2010: 551



(1 mark each to identify inputs, operations and outputs; and 1 mark each for the different inputs and outputs; and 4 marks for any examples relevant to operations as given in the diagram; maximum 10 marks)

1.3 See Longenecker et al. 2010: 242-244
(1 mark to identify and 4 marks to discuss = 10 marks)

ATTRactions

- Financial considerations
- Family lifestyles.

CHALLENGES

- Business image
- Legal considerations.

1.4 See Longenecker et al. 2010: 154-161; also consult chapters supporting the elements within a business plan. (Maximum 15 marks)

1. Cover page
2. Table of contents
3. Executive summary
4. Industry, target customer, and competitor analyses
5. Company description
6. Product/service plan
7. Marketing plan
8. Operations and development plan
9. Management team

10. Critical risks
11. Offering/capital
12. Financial plan
13. Appendix/support documents

SECTION B (45 MARKS)

QUESTION 2

[45]

- 2.1 Framework of issues to be discussed: **(Discuss – 5 marks for each opportunity discussed = 15)**
- 2.1.1 Franchising **(See Longenecker et al. 2010: 95-110)**
- Relevant franchising concepts
 - Four types of franchises
 - Advantages and disadvantages of franchising.
- 2.1.2 Family business **(See Longenecker et al. 2010: 121-141)**
- Definition
 - Advantages and disadvantages of a family business
 - Culture of a family business
 - Family roles and relationships
 - Succession.
- 2.1.3 Buying an existing business **(See Longenecker et al. 2010: 110-116)**
- Reason for buying an existing business
 - Reduction of uncertainties
 - Acquisition of a going concern
 - A bargain price
 - Valuing a business
 - Asset-based valuation
 - Market comparable valuation
 - Cash flow based valuation
 - Non-quantitative factors.
- 2.2 Risk management process: **Refer to Longenecker et al. 2010: 609-613 (15 marks)**
- | | |
|--------|--|
| Step 1 | Identify and understand the risk (3) |
| Step 2 | Evaluate the risk (3) |
| | <ul style="list-style-type: none"> - Critical risk - Extremely important - Moderately important |
| Step 3 | Select methods to manage the risk (5) |
| | <ul style="list-style-type: none"> - Risk control to minimise loss through: |

- Loss prevention
 - Loss avoidance
 - Loss reduction
 - Risk financing – make funds available for losses
 - Risk transfer – buying insurance or contractual agreements to transfer risk
 - Risk retention – finance risk through earnings
 - Self insurance
- Step 4 Implement the decision **(2)**
- E.g. purchase insurance
- Step 5 Evaluate and review **(2)**
- Consider if the situation is changing – therefore risk is changing.

2.3 Refer to Longenecker et al. 2010: 246-252 (15 marks)

Type of customer served **(3 marks each for a maximum of 9 marks):**

- Business-to-business model – selling to business customers electronically
- Business to consumer – selling to final customers electronically
- Auction sites – web-based, offering participants the ability to list products for consumer bidding.

Degree of online presence **(any three for 2 marks each for a max of 6 marks):**

- Content based – website provides access but not the ability to buy or sell
- Information based – website provides info about the business, its products and other related matters but does not charge for it
- Transaction based – websites provides a mechanism for buying/selling products and services
- Emerging models – blogging etc.

PRESENTATION

[10]