

UNIVERSITY OF FORT HARE
DEPARTMENT OF BUSINESS MANAGEMENT
SUPPLEMENTARY EXAMINATION

Introduction to Specialised Business Management
BEC123F / L

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Internal Examiners: Dr Herring Shava
Dr Tendai Chimucheka

MARKS: 50

DURATION: 1 Hour 30 Minutes

(Final mark will be given as a percentage)

1. Answer TWO questions:

Question 1 in SECTION A, which is compulsory.
ONE question from Section B.
2. Number the questions correctly.
3. Write your student number and name on your answer books.
4. Write legibly.
5. Enter the numbers of the questions answered on the front cover of your answer books.
6. Indicate the number of answer books handed in on the front cover of each book.
7. Enter your student number on the multiple choice answer sheet provided with this paper and place the answer sheet inside the front cover of your answer book.

PLEASE NOTE: THIS PAPER CONSISTS OF 5 PAGES.

Section A: Multiple Choice and a long question (All questions are compulsory in section A)

1. _____ is the ability of the business to satisfy its short-term obligations as they become due. [1]
 - a) Solvency
 - b) Liquidity
 - c) Debt
 - d) Profitability
 - e) Gearing

2. Which of the following is NOT a short-term financing option? [1]
 - a) Trade credit
 - b) Accruals
 - c) Capital market investments
 - d) Bank overdrafts

3. Which of the following is generally NOT considered as a small business option for financing? [1]
 - a) trade credit
 - b) mortgage loans
 - c) small business loans
 - d) debentures

4. Which of the following are considered to be external factors influencing the scheduling of purchases? [1]
 - a) Policy, funding, lead times and supplier reliability
 - b) Policy, funding, requirement changes and physical facilities
 - c) Physical facilities, funding, lead times and market conditions
 - d) Market conditions, government regulations, lead times and supplier reliability

5. The acid-test ratio should be used in combination with the _____ as a criterion for evaluating liquidity. [1]
 - a) solvency ratio
 - b) debt ratio
 - c) current ratio
 - d) gearing ratio

6. Where are suppliers reflected in a balance sheet? [1]
 - a) suppliers are reflected under liabilities on a balance sheet

- b) suppliers are reflected under fixed assets on a balance sheet
 - c) suppliers are reflected under stockholder equity on a balance sheet
 - d) suppliers are reflected under current assets on a balance sheet
7. Which of the following is NOT correct? Financial management is the art and science of..... [1]
- a) obtaining enough finance/funds for a business at the lowest cost
 - b) maintaining the correct stock levels to ensure that cash flow problems are not experienced
 - c) investing in assets earning greater interest than cost of capital
 - d) managing profitability, liquidity and solvency of the business
8. Michael Porter developed the notion of generic strategies that organisations can choose from to use when implementing a strategy. Which one of the following is NOT one of these a generic strategy? [1]
- a) Differentiation strategies
 - b) Cost leadership strategies
 - c) Focus strategies
 - d) Target strategies
9. Which of the following is NOT a stage of the cash cycle? [1]
- a) Investing cash in raw materials
 - b) Converting the raw materials to finished products
 - c) Selling the finished products on credit
 - d) justification of budget requests
10. The gearing ratio can be calculated using the following formula; [1]
- a) net profit of the business after tax divided by shareholders interest in the business
 - b) owners' equity divided by the debt of the business
 - c) business debt divided by the assets of the business
 - d) current assets of the business divided by current liabilities of the business
11. Which of the following CANNOT be considered to be a cost of granting credit? [1]
- a) Costs associated with determining customer's creditworthiness
 - b) Costs related to processing cash
 - c) Administration and record keeping costs
 - d) Bad debts
12. The future value of an investment is determined by _____ [1]

- a) zero budget calculations
- b) discounting
- c) compounding
- d) net effects

13. 'Receipts, inspection and distribution' is regarded as step _____ of the purchasing and supply cycle. [1]

- a) three
- b) nine
- c) five
- d) six

14. Which of the following strategic control aspects are NOT necessary to monitor and evaluate strategic management fully? [1]

- a) ensure the required level of vertical integration is achieved
- b) have an internal and external focus
- c) be systematic and ensure that the process is continuous
- d) be forward looking as well as backward looking

15. Imagine that you need a piece of machinery for your business. You are considering two different machines that have a life expectancy of five years. Each machine costs R10 000 but have different income forecasts. You have conducted some research and found out that the machines will each provide you with a return on investment (ROI) of 15% per annum. So which machine will you buy? (Round off to 3 decimal places). [10]

		Machine 1		Machine 2	
Year	15% ROI	Net cash inflow		Net cash inflow	
1		R2800		R6500	
2		R2800		R3500	
3		R2800		R3000	
4		R2800		R1000	
5		R2800		R1000	

[Section A = 25 marks]

SECTION B: (Answer either question 2 or question 3).

Question 2

a) Discuss the importance of managing working capital in a retail business. Use an example to illustrate your answer. [5]

b) What do you understand by the concept 'time value of money'? Use an appropriate example to illustrate your answer. [5]

c) What is the difference between the net present value (NPV) and the internal rate of return (IRR)? [5]

d) In the strategic-management process, explain the concept of internal analysis, its importance and how it is carried out. [10]

[25 marks]

OR

Question 3

a) Explain the following terms using appropriate examples:

i) Trade credit [5]

ii) Accruals [5]

iii) Bank overdraft [5]

b) Explain the role of quality in purchasing. [10]

[25 marks]