

CENTRAL UNIVERSITY



END OF SECOND SEMESTER EXAMINATIONS: 2016/2017

VISION AND LEGACY DEPARTMENT

CUVB 102: ENTRPRENEURSHIP

LEVEL 100

JUNE 2017

3 HOURS

STUDENT ID No.....

Campus: Programme:

Session.....Date

INSTRUCTIONS

Answer all questions in Sections A and B, and any TWO from Section C.

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Section A- Multiple Choice (40 marks): Select the best option from the alternatives provided.

1. The people who initiate and take control of many of the successful small businesses to support the foundation of the economies of nations are known as _____.
 - a) entrepreneurs
 - b) managers
 - c) ministers
 - d) supervisors

2. An entrepreneur usually brings together all of the following resources to establish and manage a business enterprise **except** _____.
 - a) customers
 - b) equipment
 - c) financing
 - d) workers

3. Which of the following statements about a small business owner and the entrepreneur is not true?
 - a) Small business owners aim solely at personal objectives but entrepreneurs do not
 - b) Small business owners use planned business concepts but entrepreneurs do not
 - c) Small businesses are extensions of the owner's needs but not the extension of the entrepreneur
 - d) The entrepreneur's business is growth oriented, whilst small business owner's is not

4. Which of the following statements does **not** describe the characteristic of the successful entrepreneur?
 - a) Entrepreneurs are creative and innovative
 - b) Entrepreneurs are the highest risk takers
 - c) Entrepreneurs convert ideas into businesses
 - d) Entrepreneurs recognize and seize opportunities

5. Which of the following statements does **not** constitute an advantage of starting a small business?
 - a) Existing customers become loyal
 - b) External influence is minimized
 - c) Owner is satisfied when he succeeds
 - d) The owner enjoys freedom of choice

6. The process of generating ideas that welcomes all views and does not inhibit, criticize or evaluate any contribution is known as _____.
- a) brainstorming
 - b) focus group
 - c) free association
 - d) heuristics
7. The following situations are the reasons why small businesses often fail **but not** _____.
- a) management incompetence
 - b) lack of experience
 - c) poor financial control
 - d) unavailability of customers
8. Which of the following statements truly describes the difference between the entrepreneur and the traditional manager?
- a) Entrepreneurs are motivated primarily by promotion at work
 - b) Entrepreneurs usually aim to achieve long term goals
 - c) Managers actively and directly get involved in the venture
 - d) Managers are primarily motivated by independence at work
9. There has been a sharp rise in entrepreneurial activities in recent decades due to all of the following factors **except** _____.
- a) demographic factors
 - b) entrepreneurial education
 - c) political support
 - d) technological advancement
10. When a small enterprise is involved in determining the nature and number of its competitors in a business plan, it is undertaking a(n) _____ feasibility.
- a) competitive
 - b) industry
 - c) organizational
 - d) production
11. The analysis of the organizational capabilities of a new business venture includes all of the following features **except** the _____.

- a) characteristics of potential employees
 - b) managerial requirements of the firm
 - c) potential sources of funds for the venture
 - d) the required skills of personnel in the organization
12. In which of the following business situations is the risk involved greatest?
- a) Buying an existing business
 - b) Creating a new enterprise
 - c) Establishing a new subsidiary
 - d) Undertaking a franchise
13. Two course mates and I have just finished national service, with not too great savings and wish to start a business in which we can pool our expertise to develop solutions for profit. Which of the following venture types should we consider?
- a) Co-operative
 - b) Partnership
 - c) Public corporation
 - d) Sole proprietorship
14. Akua had been a very successful business owner for the past ten years but due to an incapacitating sickness developed recently, her business is no longer operating. What type of business do you think Akua owned?
- a) Co-operative
 - b) Partnership
 - c) Public corporation
 - d) Sole proprietorship
15. Akua had recovered from a long sickness which brought her hair dressing salon business to a shut down. Which of the following would be your recommendation to her if she wants to restart her former business and look forward to a venture which should outlive her?
- a) She should get more financial inflows into the salon
 - b) She should register the venture as a partnership
 - c) She should register the venture as a sole proprietorship
 - d) She should solicit for more foreign investors
16. Budget Rent-a Car is a brand name in which the franchisee gets the right to use the franchisor's trade name. This is a typical example of a _____ franchising.

- a) comprehensive
 - b) product
 - c) pure
 - d) trade name
17. In a franchising agreement, the entity whose name and ways of doing business is made available to another body for use is known as the _____.
- a) franchise
 - b) franchisee
 - c) franchising
 - d) franchisor
18. Which of the following considerations **cannot** be regarded as a disadvantage for the franchisee?
- a) Huge upfront fees
 - b) Lack of independence
 - c) Limited product range
 - d) Management support
19. When planning to engage in a successful franchising agreement, the following guidelines can be considered necessary **except** _____.
- a) clearly defining the obligations of both parties
 - b) knowing the location of franchisor's competitors
 - c) looking for an experienced franchising lawyer
 - d) talking to customers of other franchisees
20. Apart from registering the name of my new business, which of the following organizations must I obtain permit from if I wish to engage in radio broadcasting?
- a) Cable News Network
 - b) Ghana Broadcasting Corporation
 - c) Ghana Institute of Journalism
 - d) National Communications Authority
21. An enterprise which is owned and controlled by all the people working for it for their mutual benefit is known as a _____.
- a) company
 - b) cooperative

- c) corporation
- d) partnership

22. Which of the following statements about a business plan is **not** true?

- a) It describes the direction of firm
- b) It ensures business competitiveness
- c) It serves more than one purpose
- d) It shows how goals will be achieved

23. Though a business plan does not follow any particular set format, it needs to address all of the following areas **except** the _____.

- a) executive plan
- b) financial plan
- c) industry analysis
- d) marketing plan

24. Which form of business is always a legal entity, separate and distinct from its owners?

- a) Company
- b) Enterprise
- c) Partnership
- d) Sole proprietorship

25. In a corporation, all the owners who contribute financing for the activities of the entity are known as _____.

- a) participants
- b) partners
- c) shareholders
- d) stakeholders

26. Entrepreneurship impacts the economies of countries in all of the following respects **except** in _____.

- a) bringing new products to market
- b) contributing to government revenue
- c) enhancing job creation
- d) ensuring ethical standards

27. Which of the following occurrences is **not** a primary factor which will cause a person to decide to be an entrepreneur?

33. If I am contributing my personal savings into my new business venture, my contribution is an example of _____ finance.
- a) debt
 - b) equity
 - c) forwards
 - d) futures
34. Which of the following is **not** a prime reason for an entrepreneur to grow her business?
- a) To enjoy economies of scale
 - b) To have a level of influence
 - c) To increase market share
 - d) To pay managers highly
35. When we say the entrepreneur has internal locus of control, it implies that he _____.
- a) controls all employees in the organization
 - b) controls all financial resources in the firm
 - c) believes in collaboration and partnership
 - d) can influence events and their outcomes
36. Entrepreneurs are individuals who recognize _____ where others see _____ and _____.
- a) confusion, hope, chaos
 - b) opportunity, chaos, confusion
 - c) problems, opportunity, anarchy
 - d) stability, chaos, opportunity
37. In order for a person to be a successful entrepreneur, that person has to be _____.
- a) a businessman's son
 - b) a highly qualified academic
 - c) an influential man
 - d) anybody at all
38. Which of the following aspects of the entrepreneurial process seeks to determine the competitiveness of the new venture?
- a) The business model
 - b) The business plan

- c) The feasibility analysis
- d) The sources of finance

39. Employees who demonstrate creativity, solve problems and develop new product or service ideas in big corporations, are referred to as _____.

- a) entrepreneurs.
- b) enterpreneurs.
- c) interpreneurs.
- d) intrapreneurs.

40. Which of the following criteria is **cannot** be regarded as a part of the definition of a small business according to Ghana's National Board for Small Scale Industries?

- a) Capital investment of the small business is \$100,000 or less
- b) Office space of the small business is 500 square feet or less
- c) The small business generally employs 29 people or less
- d) The small business is not an extension of another business

Section B: Case Study (40 marks) – Read the following passage and answer the questions that follow.

MONSTER TREE SERVICE is a five-year-old tree pruning and removal business based in Fort Washington, Pa., north of Philadelphia. It is owned by Josh Skolnick, 29, an entrepreneur since boyhood, whose outdoor businesses have evolved from lawn mowing to mulching to his current company, which has 15 employees and annual revenue of more than \$2 million. Mr. Skolnick, who manages the business, takes pride in the fact that he has “never pulled the cord on a chain saw.”

THE CHALLENGE Having established himself in a profitable niche, Mr. Skolnick wants to add more locations, but he is not sure whether he wants to own the locations or franchise them.

THE BACKGROUND Like many boys growing up in the suburbs, Mr. Skolnick mowed lawns in the neighborhood. At first he did it to earn spending money, but by the time he graduated from high school, he had three employees and 110 clients. He bought his first house (for \$167,000) when he was 18. His friends had headed off to college, and Mr. Skolnick realized, “I didn’t want to be cutting grass for the rest of my life.” He took landscaping courses at a vocational school and started offering additional services, like putting in patios, walkways and ponds with waterfalls. He acquired other landscaping businesses, paying much of the purchase price out of future earnings, and folded them into Josh Skolnick Landscaping.

Sensing an opportunity, Mr. Skolnick began to focus on one aspect of his business, mulching. He bought trucks and mulch-blowing equipment to spread wood chips for shopping centers, office parks, universities and municipalities. In 2007, he sold the landscaping business for \$70,000 to concentrate on mulch. That company soon grew to two dozen employees who operated seven trailer- and truck-mounted units, the larger ones costing \$275,000. His clients stretched from Long Island to Northern Virginia. Best of all, the mulching business increased in spring and ended in early summer, leaving him free to head to the shore and spend time on his boat — while still producing more than \$1 million a year in revenue.

Ultimately, though, Mr. Skolnick put that business in his rearview mirror, too. “When I see an opportunity that’s bigger and better or more profitable,” he said, “I’m all over it.” The new opportunity was tree removal and trimming, which Mr. Skolnick stumbled upon when he arranged the removal of a dead tree for a friend. On site with the crew he had hired, neighbors up and down the block came by to ask: “Can you help me, too?”

He said he discovered an industry where major players, like Bartlett Tree Experts and SavATree, tended to concentrate more on fertilizing and maintenance and to leave the removal jobs — which can cost more than \$1,000 — largely to mom-and-pop companies, many of them ill equipped for the kinds of towering mature trees that can be found in established suburbs.

“Big or small, we do them all,” Mr. Skolnick said, naming his new business after the behemoths on which he planned to build his reputation. “Our slogan,” he said, “is estimates in hours, not

days." Monster Tree took in \$1.6 million in sales in 2010, its first full year in business, and grew by more than half a million dollars the following year.

Unlike lawn care and mulching, the tree business is year-round. "But the trade-off," Mr. Skolnick said, "is my income has tripled, if not quadrupled; I'm 29 now. I have a wife and two kids."

THE OPTIONS Mindful of the future — and that 35 percent annual increases in sales would be far less likely without opening new locations — Mr. Skolnick pondered two courses. He could open and operate a second company-owned location. To do so, he would have to assume additional debt to cover the \$250,000 to \$500,000 costs of opening and staffing a new office and outfitting it with the necessary equipment and bucket trucks. He would need to train a manager to run the office. He could expect to repay his debt out of operating profits.

Mr. Skolnick weighed that against his second option, franchising — "where you're really trusting other people with your brand." The two franchising consultants he brought in to advise him both felt strongly that he had a replicable model and good systems in place. There would, of course, be added costs in setting up as a franchiser — \$100,000 or more. Thereafter, he would have to pay the salary of a full-time director of franchising. In return, the franchisees would pay him a percentage of their revenue — and there was a chance the chain could grow extremely quickly. Still, he had been told it could take 15 to 20 operating franchises, or perhaps two years or so, before he would earn back his investment. (Source: *The New York Times*)

Questions:

1. Josh Skolnick has been involved in all of the following enterprises **except** _____.
(5 marks)
 - a) landscaping and mulch
 - b) lawn mowing and mulching
 - c) tree pruning and removal
 - d) truck hiring and maintenance

2. What is Josh's latest business enterprise? (5 marks)
 - a) Fishing and farming
 - b) Heading to the shore
 - c) Tree cutting and trimming
 - d) Tree fertilizing and maintenance

3. How did Josh stumble upon his latest business opportunity? (5 marks)
 - a) After Solving a problem for a friend
 - b) By observing trends in the economy

- c) When shopping around for equipment
 - d) When writing a letter to the district office
4. What type of entrepreneur would you ascribe to Mr. Skolnick? (5 marks)
- a) Political entrepreneur
 - b) Senior entrepreneur
 - c) Social entrepreneur
 - d) Young entrepreneur
5. Looking into the future, which two options is Mr. Skolnick contemplating? (5 marks)
- I. Invite new partners
 - II. Look out for franchisees
 - III. Open up a new branch
 - IV. Sell the business outright
- a) I and II only
 - b) I and III only
 - c) II and III only
 - d) II and IV only
6. What do you think Josh means when he says “I have never pulled the cord on a chain saw. (5 marks)
7. In case you want to negotiate a franchise with Josh’s company, name three advantages and two disadvantages that will come your way. (10 marks)

Section C: Essay (20 marks) - Answer any two questions. All questions carry equal marks.

1. Though there is no rigid format for the design of a business plan, describe any five critical areas that need to be featured when drawing up a business plan for a new venture. (10 marks)
2. Discuss any three advantages and two disadvantages of setting up your own business enterprise. (10 marks)
3. Discuss five social and economic impacts entrepreneurship has had on Ghana. (10 marks)
4. Explain four competencies you need to have to be a successful entrepreneur. (10 marks)

