

KATHMANDU UNIVERSITY
End Semester Examination
February/March, 2019

Marks Scored:

Level : B. E.

Year : IV

Exam Roll No. :

Time: 30 mins.

Course : CIEG 405

Semester : I

F. M. : 10

Registration No.:

Date 08 MAR 2019

SECTION "A"

[20 Q. × 0.5= 10 marks]

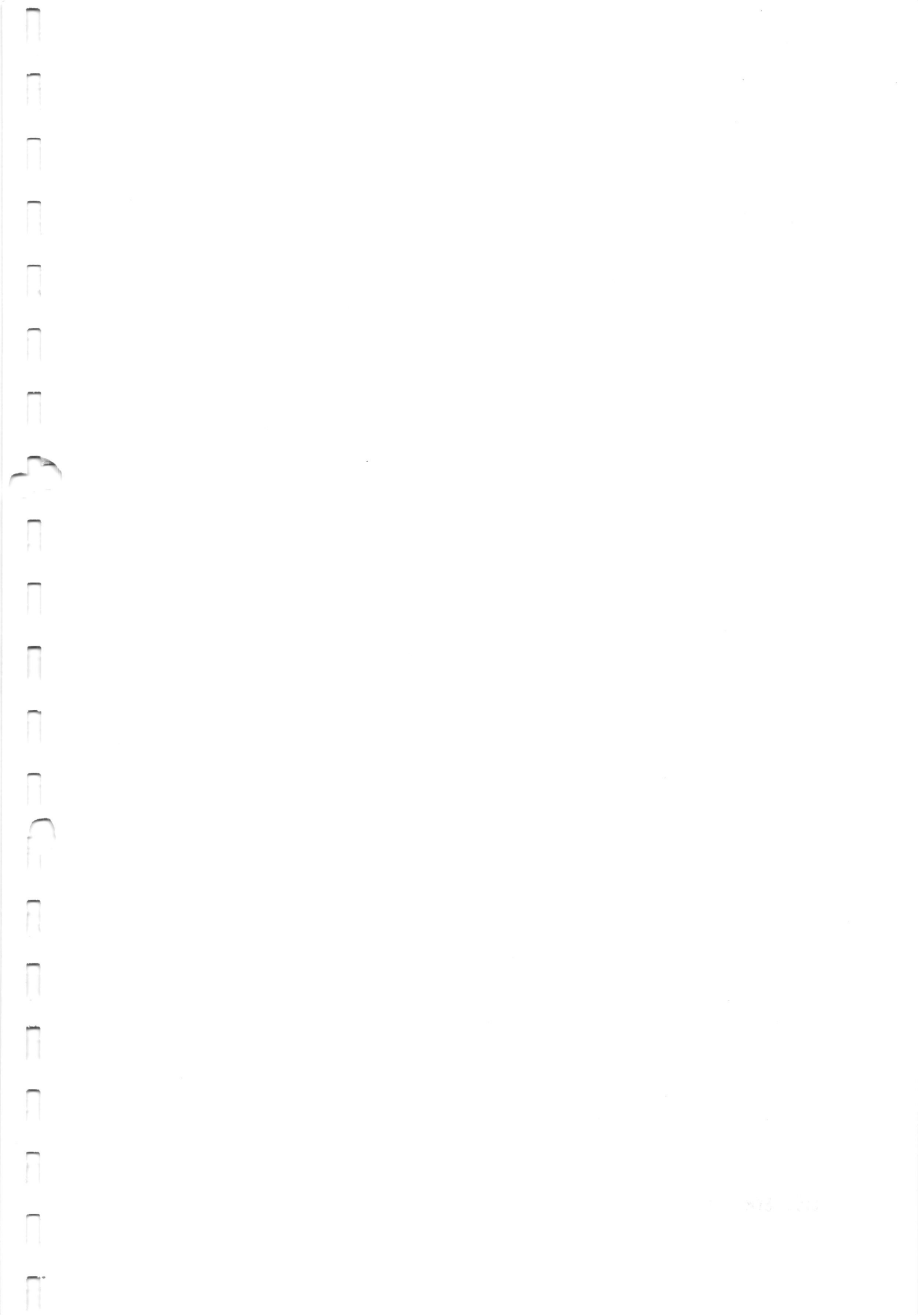
Encircle the most appropriate answer(s) among the given choices.

1. According to the text, which is the proper sequence of events in developing successful business ideas?
 - a) Opportunity recognition, feasibility analysis, development of a business plan
 - b) Feasibility analysis, opportunity recognition, development of a business plan
 - c) Development of a business plan, opportunity recognition, feasibility analysis
 - d) Feasibility analysis, development of a business plan, opportunity recognition
2. A business plan is important for two reasons: first reason is that it forces the founding team to systematically think through every aspect of their new venture. Which one of the following is the second reason?
 - a) It is a budget
 - b) It is a public relation document that can be used to promote the firm
 - c) It is a contract that is signed by the founders of the firm
 - d) It communicates the merits of a new venture to outsiders such as investors and bankers
3. Which one of the following is an example of an industry-level factor as opposed to a firm-level factor?
 - a) A firm's assets
 - b) A firm's culture
 - c) A firm's products
 - d) Threat of substitutes
4. Prof. Shrestha has just finished writing a business plan for a start up in the medical products industry. She has now reached the point where she needs to develop a plan for how her firm will compete, use its resources, structure its relationships interface with customers, and create value to sustain itself on the basis of the profits it earns. Prof Shrestha needs to establish her firm's which one of the following?
 - a) Tactical plan
 - b) Feasibility plan
 - c) Business model
 - d) Operating plan
5. Fixed Cost is divided by break-even revenues to calculate
 - a) Cost Margin
 - b) Fixed Margin
 - c) Contribution Margin
 - d) Revenue Margin
6. In the context of "leading by example", which one of the following is not considered the key to building a strong ethical culture in a firm?
 - a) Having leaders who intentionally make ethics a part of their daily conversations and decision making,
 - b) Supervisors who emphasize integrity when working with their direct reports,
 - c) Peers who encourage each other to act ethically.
 - d) Meeting all contractual obligations.

7. Any word, name, symbol, or device used to identify the source or origin of products or services and to distinguish those products or services from others is a kind of intellectual property. Which one of the followings is the best suited with this definition?
 a) Trade secret b) Patent c) Copy right d) Trade marks
8. _____ expresses the relationship between the capital contribution from creditors and those from owners and measures how highly leveraged a company is:
 a) Debt to Equity Ratio b) Debt to Net worth Ratio
 c) Debt Ratio d) a & b
9. Shyam's appliance shop makes a sales turnover (credit) of Rs. 1.5 Million and Rs. 200,000 is their yearend account receivable. If the company operates for 365 days a year then calculate its Average Collection Period (in number of Days)
 a) 50 Days b) 40 Days c) 55 Days d) 60 Days
10. Fixed costs amount to Rs. 500. The variable cost per unit is Rs. 30. The selling price per unit is Rs. 80. The break-even volume will be:
 a) 10 units b) 5 units c) 8 units d) 15 units
11. Supreme Inc. has a Cash balance of \$23126, Inventory of \$49,997 and prepaid Expenses of \$1800. Similarly the firm has a short term debt of \$28,748 and the firm recently acquired a five year loan of \$25000. Then find the quick ratio of the firm
 a) 0.80 b) 2.60 c) 1.39 d) 1.0
12. Which of the following shows the process of creating something new?
 a) Business model b) Modeling
 c) Creative Thinking d) Innovation
13. What involves an interest-bearing instrument, usually a loan, the payment of which is only indirectly related to sales and profits?
 a) Equity Financing b) Internal or External Funds
 c) Banking Funds d) Debt Financing
14. What is a form of business organization in which two or more business owners share the management and risk of the business:
 a) Limited liability company b) General partnership
 c) Corporation d) Sole proprietorship
15. Which of the following is not the type of Bank Loans?
 a) Inventory loans b) Accounts payable
 c) Account receivable d) Real estate loans
16. Suppose nestle wants to expand its line of food products. The managers conduct survey from customer to determine which food items would appeal to customer. Nestle is currently in which of the following phase of new product development:
 a) Business analysis b) Idea generation
 c) Idea screening d) Test marketing

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17. Team leader Gary is scheduled to prepare a performance of Lisa, a team member who also happens to be his wife's closest friend. The ethical temptation Gary faces is:
- a) Sexual harassment
 - b) Misuse of corporate resources.
 - c) Dealing with confidential information
 - d) Conflict of interest
18. Which of the following is the impact of promotion cost during the decline stage of the Product life cycle?
- a) Promotion cost is high
 - b) Promotion cost is increased
 - c) Promotion cost is not adjusted
 - d) Promotion cost is decreased
19. Pricing strategy used to set prices of products that are must be used with main product is called:
- a) Optional product pricing
 - b) Product line pricing
 - c) Competitive pricing
 - d) Captive product pricing
20. Gross margin is added to cost of sold goods to calculate:
- a) Selling Price
 - b) Profit
 - c) Revenues
 - d) Purchase



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SECTION "B"
[4 Q × 6 = 24 marks]

Attempt *ANY FOUR* questions.

1. Freedom Electronics is a start-up with about 20 sales representatives. The company has solid product line but knows that to remain competitive it must continue recognizing opportunities for new products and services. The firm has not developed a systematic way for its sales staff to report new ideas. Suggest some ways that Freedom can generate record and protect the ideas of its sales representatives.
2. Describe the four primary factors that play a role in determining the nature and intensity of the bargaining power of suppliers. How does the bargaining power of suppliers have the potential to suppress an industry's profitability?
3. Do you think that the business models of daily newspapers are viable in the long run in Nepal? If you were the owner of a daily newspaper in Nepal, would you try to maintain the print edition of your paper, evolve to strictly an online presence, or do something else?
4. Imagine you're opening a tutoring service (tuition service) near Kathmandu University. Explain how Entrepreneurs like you can take best advantage of the World Wide Web and social media to build your brand, engage customers, and generate leads and produce sales.
5. What is the most common source of equity funds in a typical small business? If an owner lacks sufficient equity capital to invest in the firm, what options are available for raising it?
6. Mr. Ram Karki is purchasing a business in Kathmandu. The business has had several brushes with the law during the past several years, dealing with claims of false advertising and wrongful termination of employees. As a result, Mr. Karki is very concerned about the ethical culture of the firm. Explain, what should Mr. Karki do to increase the emphasis placed on business ethics when he takes control of the firm?

SECTION "C"
[2 Q × 8 = 16 marks]

Attempt *ALL* questions.

7. The Birat Textile Corporation has Rs. 875,000 in current assets and Rs. 350,000 in current liabilities. Its initial inventory level is Rs. 250,000, and it will raise funds as additional notes payable and use them to increase inventory.
 - a) How much can the firm's short-term debt (notes payable) increase without violating a current ratio 2 to 1? [4]
 - b) What will be the firm's quick ratio after it has raised the maximum amount of short-term funds? [4]

8. Read the following case and answer the question carefully.

KC's Paradise

Mr. Bhuwan KC and his son Mr. Anamol KC are about to launch a business that specializes in children's parties and event planning. Their target audience is upscale families who want to throw unique, memorable parties to celebrate special occasions for their children between the ages of 5 and 15 years. They have leased a large building and have renovated it to include many features designed to appeal to kids, including special gym equipment, a skating rink, a mockup of characters of Motu- Patlu (famous cartoon characters), and even a virtual reality gaming house. They can offer simple birthday parties (Cake and Ice Cream) or special theme parties as elaborate as the customer wants. Their company will provide magicians, clowns, comedians, jugglers, tumblers, and a variety of other entertainers. In addition, KC's also provide professional photography services which will allow the customers to relax and enjoy the special Birthday Parties & Events as they create lovely and breathtakingly beautiful images and bundle them in a photo-album. The professional photography services are intended to create value for their customers as the emotional and close moments can be captured forever in time and preserved for generations to come.

Mr. Bhuwan and Mr. Anamol have each invested Rs. 2.5 million each to get the business ready to launch. Based on the quality of their business plan and their preparation, they have negotiated a Rs. 2 million bank loan. Because they both have families and own their own homes, they want to minimize their exposure to potential legal and financial problems. A significant proportion of their start-up costs went to purchase a liability insurance policy to cover the risk of the children being injured in the party. If their business plan is accurate they will make a small profit in their first year (about Rs. 0.15 million) and a more attractive profit of Rs. 0.50 million in their second year of operation. Within five years, they expect the company to generate as much as Rs. 5 million in profits. They have agreed to split the profits-and the workload-equally.

Questions: *(The number in parentheses indicates respective marks)*

- a. What Economic & Social Trends in Nepalese market have been identified by KC's that had led them to opt for this business? [2]
- b. Which form(s) of ownership would you recommend for KC's and what factors should the KC's consider while evaluating the ownership? Please keep the discussion in Nepalese context. [2]
- c. Based on the identified Economic & Social Trend, does the intended business model fit the Targeted Audience? Why or Why not explain? [2]
- d. List out some of the suitable Promotional Techniques for KC's that would help them market their product for the identified target market. [2]