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KATHMANDU UNIVERSITY
End Semester Examination
February/March, 2019

Level : B. E./ B. Sc./B. Pharm./B. Tech.
Year : IV

Course : MGTS 402
Semester: I

Exam Roll No. :

Time: 30 mins.

F. M. : 10

Registration No.:

Date :

FEB 18 2019

SECTION "A"

[20 Q. × 0.5= 10 marks]

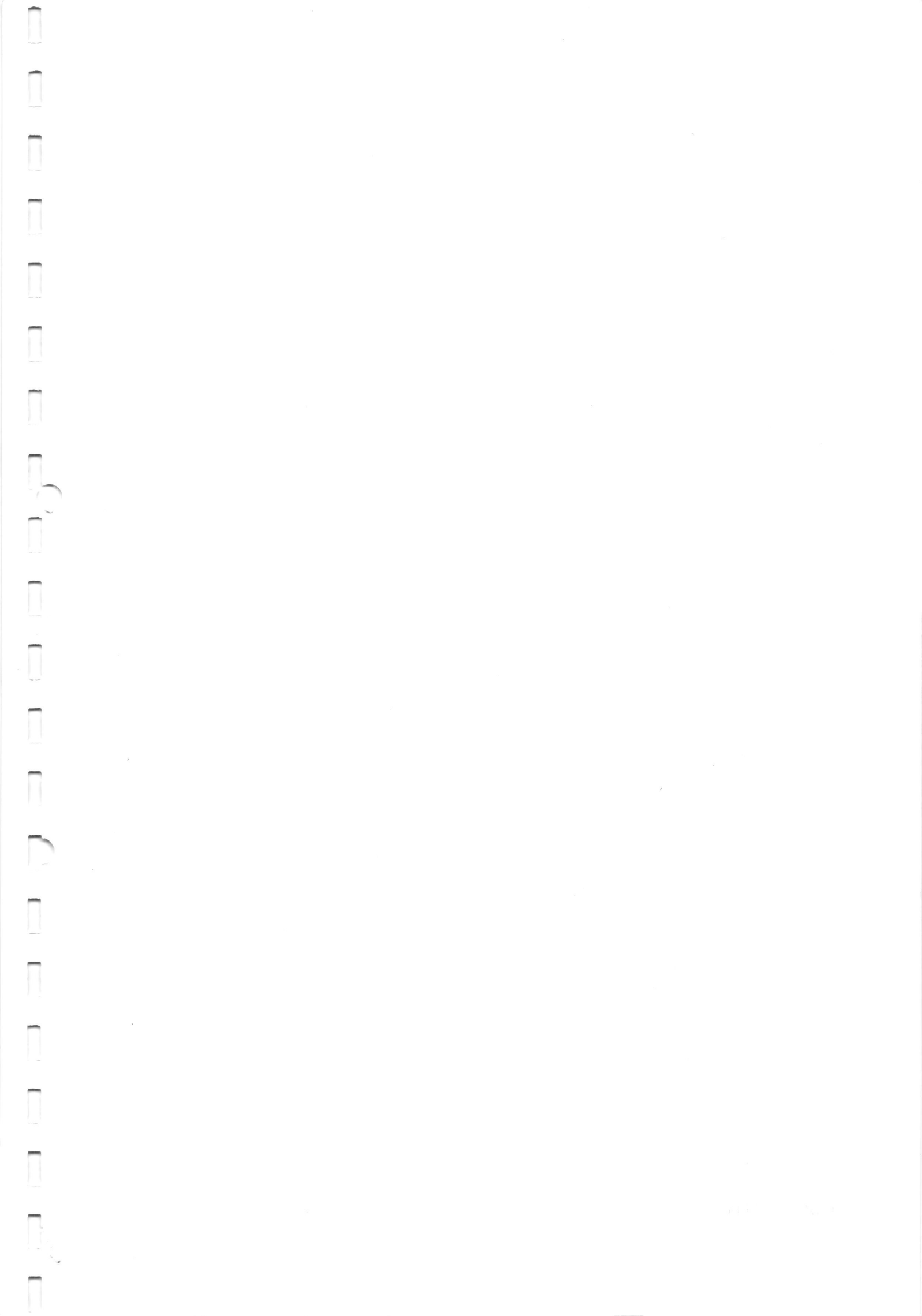
Select the most appropriate choice for the following:

1. The ability to develop new ideas and to discover new ways of looking at problem and opportunities is referred to as _____
a. innovation b. invention c. creativity d. brainstorming
2. _____ gives a firm a unique position in the market that is superior to its competitors.
a. Core competencies b. Strategic Management
c. Competitive advantage d. Vision
3. _____ is a process in which a small group of people interact with very little structure with the goal of producing a large quantity of novel and imaginative ideas.
a. Brainstorming b. Mind mapping
c. Nominal Group Technique d. Prototyping
4. _____ is concerned with a bundle of right to reproduce, derive, distribute, perform and display an original creative work in a tangible form for the life of author plus 70 more years thereafter.
a. Copyright b. Service mark c. Patent d. Trademark
5. The _____ sets forth what the company is attempting to do, and is usually what the public sees.
a. vision statement b. mission statement
c. goal statement d. objectives
6. In which form of business, there is unlimited liabilities to the business owner?
a. Partnership b. Cooperative c. Company d. Franchise
7. Which stage of product life cycle is characterized by very slow rise in sales and very low profit?
a. Introductory phase b. Growth and acceptance
c. Maturity and competition d. Decline stage
8. Which business has to pay fees and royalty to parent business?
a. Retailer b. Wholesaler c. Franchise d. Manufacturing

9. Which pricing creates the psychological impression of low price?
a. Opportunistic pricing b. Odd pricing
c. Leader pricing d. Zone pricing
10. The cost of raw material is categorized as:
a. fixed costs b. variable costs
c. pre-operating costs d. overhead costs
11. What do venture capital companies do?
a. Invest in ventures that has high growth and high profit potential.
b. Invest in running organization which has high profit.
c. Invest in technical organization which has high profit potential.
d. Invest in new business and startups.
12. While the _____ shows the fundamental soundness of a company by reflecting its financial position at a given date, the _____ shows the record of a company's operating results for the whole year as well as how the company may do in the future.
a. income statement; cash flow statement
b. balance sheet; income statement
c. balance sheet; cash budget
d. income statement; balance sheet
13. Which of the following is one of the simplest form and lowest in entry costs.
a. Direct mail marketing b. Online marketing
c. Sales promotion d. Export marketing
14. Sunshine Conservatories has launched a series of ads in which it attempts to demonstrate its products superiority on selected attributes relative to competitive brands. It is attempting to _____ its product.
a. Segment b. Profile c. Promote d. Position
15. The price of prescription medicine is high, partly because when someone is sick there is no real alternative to buying medicine. Which of Porter's Five Forces explains how this aspect of the prescription medicine industry helps keep its profitability high?
a. Rivalry among existing firms
b. Threat of new entrants
c. Threat of substitutes
d. Bargaining power of buyers
16. Given selling price is Rs 10 per unit, variable cost is Rs 6 per unit and fixed cost is Rs 5,000. What is break-even point?
a. 500 units b. 1,000 units c. 1,250 units d. 2,000 units

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17. Rameshwar is the owner of a company Laxmi Group that specializes in a variety of floor waxing and polishing products. His company managers are in the process of finding answers to questions such as: how well is our current strategy working, what is our current situation, etc. Which one of the following will best answer his questions?
- a. Analysis of strengths and weaknesses
 - b. SWOT analysis
 - c. Analysis of weaknesses and threats
 - d. Strategic brainstorming session
18. Which of these examples of a mission statement's focus area is not effective?
- a. AT&T focuses on communication rather than telephones.
 - b. Starbucks focuses on the café experience rather than coffee.
 - c. Exxon/Mobil focuses on oil and gas rather than energy.
 - d. Universal Studios focuses on entertainment rather than movies.
19. In which of the following, the ownership of venture is reflected by ownership of shares of stock?
- a. Partnership
 - b. Limited partnership
 - c. Corporation
 - d. Proprietorship
20. _____ is used when it is difficult to differentiate your product from other similar offerings.
- a. Differentiation strategy
 - b. Skimming strategy
 - c. Discounting strategy
 - d. Penetration strategy



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Time : 2 hrs. 30 mins.

Course : MGTS 402
Semester: I
F. M. : 40

SECTION "B"

[6 Q × 4 = 24 marks]

Attempt *ANY SIX* of the following questions.

1. Describe why innovation is considered to be an integral part of entrepreneurship.
2. Rojesh Hamal owns a small chain of fast-food restaurants in Kathmandu, which sell sandwiches, soups, wraps, and desserts. In general, his restaurants are successful, but he feels they are getting "stale" and could benefit from new ideas. Suggest him some ways to generate new business ideas for his restaurants.
3. Explain how threat of new entrants has the potential to suppress an industry's profitability? Highlight your claim on behalf of the five major sources of barriers to entry.
4. Co-founders of Ben and Jerry's Homemade Inc. states "Our customers don't just like our ice cream, they like what our company stands for. They like how we have differentiated from our competitors." Ben & Jerry claims further, "We are not only selling ice cream but are reaching millions of hearts through our state-of-the art dine-in facilities at various cities." Explain Ben and Jerry's sustainable competitive strategy.
5. List and explain various sources of debt capital.
6. Explain the significance of big three of cash management for a startup venture.
7. Write short notes (*ANY TWO*):
 - a. Pricing strategy
 - b. Financial ratios
 - c. Venture capital

SECTION "C"

[2 Q × 8 = 16 marks]

Attempt *ALL* questions.

8. Read the following case and answer the following questions:

After a trip to Italy in the early 1980s, Howard Schultz was inspired to transform Starbucks - then just a handful of coffee shops in Seattle - into a chain of European-style coffeehouses. His vision wasn't based on selling only gourmet coffees, espressos, and lattes. However, he wanted to provide customers with what he called a "third place"- a place away from home and work.

It wasn't long before Starbucks became a household word - a power-house premium brand in a category that previously consisted of only cheaper commodity products. In 20 years'

time, Schultz grew the company to almost 17,000 stores in dozens of countries. From 1995 to 2005, Starbucks added U.S. stores at an annual rate of 27%. At one point, Starbucks opened over 3,300 locations in a single year - an average of 9 per day. In one stretch of crowded Manhattan, a person could get their caffeine fix at any of five Starbucks outlets in less than a block and a half. In fact, cramming so many stores so close together caused one satirical publication to run this headline: "*A New Starbucks Opens in the Restroom of Existing Starbucks.*"

However, Starbucks' steam engine of growth started to slow. Then it started running in reverse. By the end of 2008, the 20% annual growth had dropped to 10%, with existing store sales decreasing by 3%. Total company profits dropped by a scalding 53% for the year. And for a second year in a row, Starbucks' stock value dropped by 50% to around \$10 a share. In 2008, Schultz announced store closures - first 600, then 300 more.

One issue often mentioned from the experts was that, Starbucks had developed an identity crisis with respect to its target customer. In its early years, the Starbucks customer profile was clearly defined. The typical customer was wealthier, better educated, and more professional than the average American. The customer was far more likely to be female than male, predominately between the ages of 24 and 44. It was this customer who fell in love with the Starbucks Experience. She was very loyal, often visiting a store every day or even more than once a day. She loved the fact that the barista greeted her by name when she came in and chatted with her while making her custom coffee drink, not caring if it took a while. She lounged on the comfy furniture, enjoying the perfect mix of music that always seemed to fit her mood. She met friends or just hung out by herself reading a good book.

But the more Starbucks grew, the more the Starbucks Experience began to change. With more stores, the place wasn't quite so special. As each location filled with more customers, baristas had more names to put with faces. As the menu expanded with more options, the number of combinations for coffee drinks grew into the hundreds, leaving baristas less time to chat with customers. With all these changes, Starbucks progressively appealed less to the traditional customer and more to a new customer. This customer shift was inevitable; there simply were not enough traditional customers around to fuel the kind of growth that Schultz sought. The new breed of customer was less affluent, less educated, and less professional. Not only was Starbucks drawing in different customers in places where stores already existed, but it was also putting stores in different neighbourhoods, cities, and countries.

As the customer profile evolved, the Starbucks Experience grew to mean something different. For the new customers, it was a place to meet and then move on. The more accessible the Starbucks was, the better. Speed of service was more important than a barista who wanted to talk current events. This new customer came in much less frequently than the traditional customer, as seldom as once a month.

Starbucks management believed that efforts to recapture that soul would get the company back on track. Starbucks set out to put some water on the fire and get some of its customers back. It added labour hours and time-saving automated machines to stores. It focused on the quality of its coffee with a Coffee Master training program for its baristas and a new line of ultra-premium whole-bean coffees. It even tried free Wi-Fi service and sold its own music. But none of these actions seemed to address the core problem. Although Starbucks still charged a premium price, it was no longer a special place.

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- a. Describe market segmentation and target market of Starbucks during the initial years of operation. [3]
 - b. Explain the primary reason for the downfall of Starbucks. [2]
 - c. Suggest various ways that could help Starbucks to improve its market position. [3]
9. As a student of science and technology, you want to start a new business in your field of interest. Describe the importance of preparing a business plan. Outline the essential elements/components of a business plan.

OR

List and explain common forms of business ownership. Also describe the advantages and disadvantages of each.

