

KATHMANDU UNIVERSITY
End Semester Examination
February, 2025

Marks Scored:

Level : B.E.
Year : IV

Course : MGTS 402
Semester : I

Exam Roll No. :

Time: 30 mins.

F. M. : 10

Registration No.:

Date

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SECTION "A"

[20Q. × 0.5 = 10 marks]

Choose the most appropriate answer and **encircle**.

- Home-based businesses are increasing at a significant rate. Which one of the following is NOT a factor in the home being the first choice location?
 - Use of Internet for e-businesses.
 - Less inventory of product required.
 - Minimal start-up and operating costs.
 - Flexible lifestyle.
- Almost two years ago, Alex embarked on an entrepreneurial journey by starting a business. Unfortunately, that venture has now come to an end. As is common with many entrepreneurs, what will be Alex's next move?
 - Join a large corporation for employment.
 - Ponder for the rest of his life about the downfall of his business.
 - Analyze his failed venture to avoid repeating the same errors in future endeavors.
 - Abandon his dreams of becoming a successful entrepreneur.
- Which of the following best describes the concept of "lateral thinking" in the context of entrepreneurial creativity?
 - Focusing only on the financial aspects of an idea.
 - Solving problems by applying traditional methods and strategies.
 - Following the established path laid out by industry leaders.
 - Coming up with solutions by thinking in unconventional, non-linear ways.
- Which of the following is considered a major challenge in the "execution" stage of entrepreneurship?
 - Ensuring product innovation and creativity.
 - Managing cash flow and operational efficiency while keeping costs under control.
 - Developing strategic partnerships and alliances.
 - Securing a patent for the product.
- What does the concept of "market fit" refer to in the entrepreneurial process?
 - Finding the right target market and aligning it with the entrepreneur's personal interests.
 - Ensuring that the business model is profitable and sustainable.
 - Designing a product or service that meets the needs and demands of the target market.
 - Securing a strategic partnership with a larger competitor.
- Which of the following is a factor that can reduce the threat of new entrants into an industry?
 - Strong brand loyalty and customer loyalty to existing firms.
 - Rapid technological advancements that make it easier to enter the market.
 - Low capital requirements to enter the market.
 - High levels of industry competition.

7. In the context of competitive advantage, which of the following is a potential risk of focusing too heavily on cost leadership?
- The company may gain too much market share, causing internal inefficiencies.
 - The company may fail to innovate and adapt to changing consumer preferences.
 - The company may alienate its most loyal customers.
 - The company may lose the ability to differentiate its products or services.
8. In the "market analysis" section of the business plan, why is it important to understand and define "market segmentation"?
- To ensure that the business plan accurately forecasts industry-wide sales growth.
 - To allow for targeted marketing and resource allocation based on specific customer needs and behaviors.
 - To justify the product pricing by comparing with industry leaders.
 - To predict the competitive advantage based solely on product differentiation.
9. What might influence a business owner's choice to select one form of ownership over another?
- Financial considerations, including taxes, legal liability, and the size and profitability of the venture.
 - Perceived reputation within the local community.
 - Recommendations or insistence from the business owner's advisory board.
 - Legal constraints set by state regulations that determine which ownership structures are permitted.
10. Which of the following is agreed upon by most marketing experts as the biggest marketing mistake that small businesses make?
- Carving out too narrow of a target niche.
 - Spending too much on marketing during the first year.
 - Failing to come up with a memorable jingle for their advertising.
 - Failing to clearly define the target market to be served.
11. Which of the following best represents the pricing equation for a break-even pricing strategy?
- $\text{Selling Price} = ((\text{Variable costs} \times \text{Quantity Produced}) + \text{Total Fixed Costs}) / \text{Quantity Produced}$
 - $\text{Selling Price} = \text{Customer's Preferred Price} - \text{Desired Profit per Item}$
 - $\text{Selling Price} = \text{Variable Costs} + \text{Quantity Produced}$
 - $\text{Selling Price} = \text{Contribution Margin} * \text{Quantity Produced}$
12. Which of the following best describes a "contingency plan" that should be addressed in the business plan?
- A list of potential investors and their anticipated contribution to funding rounds.
 - A plan for how the company will pivot or adjust its operations in response to unforeseen risks or external challenges.
 - A detailed financial model showing various scenarios of revenue and cost breakdowns.
 - A strategy to accelerate market penetration during economic downturns.
13. In a situation where a business adopts a "penetration pricing" strategy and then plans to raise prices later, which of the following is a likely concern?
- Customers may develop a strong loyalty to the lower prices and resist future price increases.
 - Customers will expect prices to remain low permanently, leading to long-term revenue instability.
 - The company may struggle to recover costs in the long term, leading to lower profitability.
 - Competitors will have a higher price point and thus capture more market share.

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14. What does a "low" gross profit margin suggest about a company?
- a. The company has high operational efficiency and strong control over its production costs.
 - b. The company is highly profitable and has successfully minimized production expenses.
 - c. The company may be pricing its products too low or has high production costs, potentially affecting profitability.
 - d. The company is likely to achieve high profits by generating substantial revenue despite a low gross margin.
15. How does an increase in the "Inventory Turnover Days" affect the cash flow cycle?
- a. It shortens the cash flow cycle, increasing liquidity.
 - b. It lengthens the cash flow cycle, tying up cash in inventory for a longer time.
 - c. It has no impact on the cash flow cycle as inventory is irrelevant.
 - d. It reduces the company's need for short-term financing.
16. Which of the following is the primary goal of effective cash management in a business?
- a. To maximize the company's long-term investment returns.
 - b. To increase the company's equity by raising capital through debt financing.
 - c. To minimize the business's exposure to financial risks in international markets.
 - d. To ensure the business has enough liquidity to cover operational expenses and short-term obligations.
17. Which of the following is an advantage of using debt financing for a business compared to equity financing?
- a. Debt financing does not require giving up ownership or control of the company.
 - b. Debt financing allows the business to retain 100% of profits without sharing with investors.
 - c. Debt financing is easier to obtain than equity financing.
 - d. Debt financing provides tax benefits in the form of tax-deductible interest payments.
18. Which of the following best describes angel investors in the context of entrepreneurial financing?
- a. They are public shareholders who invest in IPOs to support growth.
 - b. They are institutional investors who provide venture capital to established companies.
 - c. They are government programs that provide grants to startups.
 - d. They are wealthy individuals who provide early-stage financing in exchange for equity ownership or convertible debt.
19. Which of the following best describes a clustering location strategy, commonly used by retail businesses?
- a. Establishing a business in an isolated location to avoid high competition and monopolize the customer base.
 - b. Locating the business near a residential area to reduce transportation costs for the customer base.
 - c. Choosing a location that is in close proximity to competitors in order to benefit from the existing market demand and draw customers.
 - d. Focusing on online platforms as a way to avoid the cost of physical location altogether.
20. Fifteen years ago, LXT Audio-Book Company started by making nonfiction audiobooks for blind and visually impaired people. Recently, they've started selling these audiobooks as "learning solutions" for people with dyslexia and other learning difficulties. This is an example of _____ innovation
- a. product
 - b. positioning
 - c. process
 - d. paradigm

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SECTION "B"

Attempt **ALL** the questions. *Answer in your own words supported by the theories you have studied in the course.*

1 *Study the following case and answer the questions that follow*

He is the eldest of seven siblings, born into a modest, middle-class family of traders. He has been married for 11 years and is a father of two daughters. After earning his bachelor's degree, he decided to start his own business. He believes two factors gave him an advantage in starting his own venture. First, his father was a businessman, and growing up, he naturally assumed he would follow in his father's footsteps. He never looked for a job because his focus was always on creating his own business and gaining independence. Second, as a Newar from a traditional trading community, his family background helped him navigate the business landscape, especially in a smaller town like Butwal.

He began his journey with a small ready-made clothing store in Butwal, a town in western Nepal where he had lived for 25 years. After two years of running the store, he realized that Butwal wasn't the right market for high-end clothing. Additionally, selling expensive clothes required more capital than he had access to, and the profits weren't substantial enough to sustain the business. So, he decided to close the store.

Next, he leased a printing press for five years. Although the press turned out to be a profitable venture, it came with its challenges. Skilled labor, especially a compositor, was scarce as letterpress technology was becoming obsolete. He managed the business for the duration of the lease and then handed the press back to the lessor. After that, he began reaching out to companies in India to explore the possibility of starting a carbon paper or surgical cotton industry in Nepal.

However, after a year of research, he realized that the carbon paper industry had no local market, and starting a surgical cotton factory required much more capital than he could afford. So, he shifted his focus to something more attainable. With a more realistic and practical outlook, he considered opening an ice cream factory. Butwal, being a warm town, offered a strong local market for ice cream, and the business seemed promising because it had manageable liquidity – he could generate cash daily from sales.

He invested about 100,000 rupees in machinery and set up the factory, taking out a loan of 70,000 rupees from the bank. Initially, he faced challenges as he had no prior knowledge of the business. He struggled with storing ice to keep the machines running and with delivering ice cream without wasting it. However, he learned quickly and overcame these early hurdles. At first, he lost a significant amount of ice cream during transportation, so he began using thermos flasks to prevent spoilage, which worked well for local deliveries. For distant markets, he designed metal chests to keep the ice cream cold, which greatly reduced losses.

Now, Butwal is home to six ice cream factories, but there is little price competition, and the quality of their products is fairly similar. He believes there is no real competition in the market because demand is so high that these six factories cannot meet it. The market is in balance, and he sees no issues unless someone introduces larger machines or starts differentiating their products.

He's considering making this move himself by investing in a larger machine to increase his production capacity. He is also exploring the possibility of expanding his business to Nepalgunj, another town in western Nepal, by installing a similar machine there. Alternatively, he may decide to expand his production in Butwal by adding another machine of the same capacity. [Source: The original case has been developed by Dr. Binod Kr. Shrestha, KUSOM]

Questions

- a. Would you reckon him as an entrepreneur? Elaborate in terms of the traits he does/does not possess (based on the case information). [3]
- b. If you see him as an entrepreneur, what process do you see in his life to become an entrepreneur? If you do not see him as an entrepreneur, what he would have done differently? [3]
- c. Do you find innovation in the business? Explain with examples from the case. [2]
- d. Explain the strategic options he has adopted. [2]

2

Study the following case and answer the questions that follow

Raksi is a traditional distilled alcoholic beverage, crafted in the homes of Nepal and Sikkim, India. This distinctive drink, akin to gin or vodka, is made from a variety of grains- millet, rice, barley, and sometimes wheat. For the Newar community in Nepal, Raksi holds deep cultural significance, often served at celebrations, festivals, and family gatherings. Though it has long been reserved for special occasions, many now indulge in this time-honored drink whenever the mood strikes.

Raksi is cherished not only for its rich cultural role but also for its reputed medicinal qualities. The drink is known for its antibacterial properties and plays a central role in various religious rituals and social customs. Numerous studies have affirmed its effectiveness in alleviating symptoms of high-altitude sickness, further solidifying its revered status.

Typically brewed at home, Raksi offers a striking experience from the first sip- an initial burning sensation that quickly gives way to a smooth, velvety finish. It's traditionally poured from a pitcher into a 'bhatti glass,' a special vessel designed specifically for serving this potent drink. With an alcohol content of about 45%, Raksi is powerful and flavorful, often enjoyed in small, measured amounts. Its production involves fermentation and distillation, with ingredients like rice, wheat, or occasionally fruits and corn to introduce unique flavors. The fermentation process also incorporates water and yeast.

The distillation process is carried out in a mix of copper and earthen clay pots, with copper being favored for its excellent heat conductivity, which ensures an even and efficient distillation process. This method, passed down through generations, gives Raksi its characteristic bold taste.

Raksi has earned international recognition, ranking 41st on CNN's list of the world's top 50 delicious drinks. Its growing fame is a testament to its unique qualities, and as it gains global attention, this humble beverage made from everyday grains like rice and barley is poised to stand out in the world of spirits. With its rich history and distinct flavor, Raksi is on the verge of becoming a widely appreciated alternative to mainstream drinks like vodka and whisky. What's even more remarkable is that this beloved drink is made in the heart of Nepal and Sikkim, where tradition and craftsmanship blend seamlessly into every sip. [Source: the article has been taken from <https://www.slurp.com>]

Questions

Although Nepalese Raksi is highly acclaimed worldwide, its global sales are not substantial. Suppose you have been approached by the local government of Nepal to study the feasibility of expanding Nepalese Raksi into the global market, as you have experience as a consultant in entrepreneurship and small business management. Your task focuses on the following study:

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- a. Perform a detailed SWOT analysis of Nepalese Raksi in the international market. [3]
- b. Analyze the attractiveness of this business based on the five forces proposed by Michael E. Porter. [5]
- c. Suggest strategic options for expanding Nepalese Raksi into the global market. [2]

3 ***Study the following case and answer the questions that follow***

Kathmandu University has been operating a canteen at its central campus (near CV Raman) for the past 10 years. Based on internal information, the canteen has not been able to generate sufficient revenue. The Office of Physical Planning at KU seeks to understand the exact reasons behind this issue. Some individuals at KU believe the problem lies with the pricing strategy, while others think the entire package, including the location, needs to be reevaluated. Although KU is a nonprofit organization, it does not make sense to divert funds from other sectors to subsidize food for students and staff. You have been appointed as a consultant to identify the probable cause and suggest a solution. Your analysis should consider the following questions.

[As you are familiar with the KU canteen, you can incorporate your personal experience in your analysis.]

Questions

- a. Analyze the current pricing strategy adopted by the KU canteen and suggest possible pricing strategies for KU to run the canteen. Do not forget to point out and clarify your best strategy. [2]
 - b. Do you feel that market research is important for KU to set up the price for the product at the canteen? Suggest a way by which KU can gather information about students' and staff's paying capability and willingness to pay. [2]
 - c. Analyze the current marketing mix of the KU canteen and develop a new marketing mix that could drive it toward breakeven. [6]
- 4
- a. In order to operate any business successfully, one must effectively manage all three components (the Big Three) of cash management. Explain in detail the ways to manage the 'Big Three' of cash management. [4]
 - b. Clarify the statement, 'Location can be a source of competitive advantage for any business,' and explain the factors that need to be considered in a manufacturing layout. [2]
 - c. Choosing a form of ownership is important because it is a decision that has far-reaching effects on both the entrepreneur and the business. Explain the factors you need to consider when choosing a form of ownership. [3]
 - d. Explain breakeven analysis. [1]

