

KATHMANDU UNIVERSITY
End Semester Examination
June/July, 2019

Mark scored:

Level : B.E.

Year : IV

Exam Roll No. :

Time: 30 mins.

Course : MGTS 402

Semester : II

F. M. : 10

Registration No.:

Date :

SECTION "A"

[20Q × 0.5 = 10 marks]

Choose and encircle the most appropriate answer:

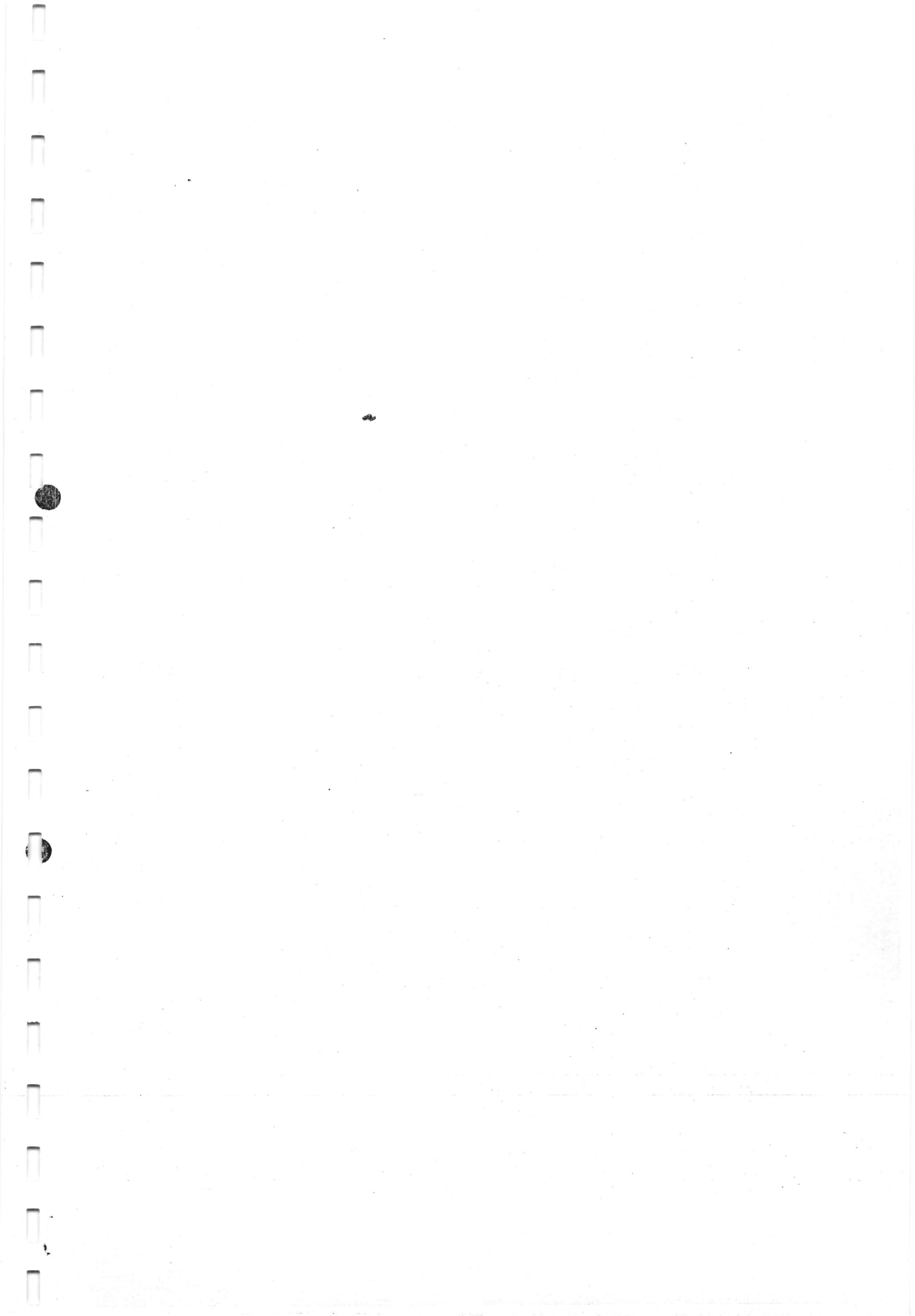
1. Which one of the following actions by an entrepreneur is most likely to contribute to creative destruction?
 - a. Take-over of a competitor
 - b. Development of a new product
 - c. Increasing prices
 - d. Issuing shares
2. What is the basic difference between creativity and innovation?
 - a. Creativity is the same thing as innovation, except creativity refers to ideas outside the business realm
 - b. Creativity is a more mentally straining exercise; innovation just comes naturally
 - c. Creativity means coming up with a new product; innovation means coming up with a new process
 - d. Creativity is having a new idea on how to look at a problem or opportunity, while innovation is the ability to apply the creative idea
3. The entrepreneur's depends on his perception of the opportunity.
 - a. Strategic orientation
 - b. Commitment to opportunity
 - c. Control of resources
 - d. Commitment of resources
4. Which of the following is recognized as the most common type of patent?
 - a. Utility patent
 - b. Design patent
 - c. Plant patent
 - d. Cultural patent
5. is a technique that involves selling a product for a low price and charging a higher price for the accessories that accompany it.
 - a. Byproduct pricing
 - b. Captive-product pricing
 - c. Optional-product pricing
 - d. Delivered pricing
6. Which among the following is NOT the component of intellectual capital?
 - a. Human capital
 - b. Structured capital
 - c. Working capital
 - d. Customer capital
7. A preconceived idea of what the world is, what it should be like, and how it should operate is:
 - a. Attitude
 - b. Perception
 - c. Paradigm
 - d. Belief

8. Right-brained, lateral thinking is somewhat unconventional, unsystematic, and unstructured, much like the image of a kaleidoscope whirling around to form one pattern after another. Those who have learned to develop their right-brained thinking skills tend not to do:
- Challenge custom, routine, and tradition
 - Be reflective, often staring out windows, deep in thought
 - Be prolific thinkers
 - Concentrate on the sure shot and winning answer only
9. A set of multidimensional measurements that are unique to a company and that incorporate both financial and operational measures to give managers a quick yet comprehensive picture of a company's overall performance is:
- Balance sheet
 - Income statement
 - Ratio analysis
 - Balanced scorecard
10. A new venture must have both a long-term strategic vision and a practical focus on operations, so entrepreneurs must be able to communicate clearly an understanding of the following issues in their business plan except:
- Cost of raw materials and supplies
 - Unit labor cost
 - Market determined selling prices and gross profit margins
 - Competitor's financial statements
11. A Guerilla marketing plan should accomplish following objectives EXCEPT:
- It should pinpoint the specific target markets the small company will serve.
 - It should analyze the firm's competitive advantages and build a guerrilla marketing strategy around them.
 - It should involve all of the activities associated with winning and retaining loyal customers.
 - It should help to create a marketing mix that meets customer needs and wants.
12. Cost leadership strategy requires a business model that is focused on each of the following EXCEPT:
- Differentiation
 - Efficiency
 - Cost minimization
 - Volume
13. A company produces plastic whistle as toys for children. The fixed cost and total cost are Rs. 60000 and Rs. 240000 respectively and the total sales is Rs. 360000 and sales volume is 45000 units. What is the BEP in terms of number of units?
- 10000
 - 15000
 - 12500
 - 25000
14. If the current ratio of any business firm is 2.5:1, what is the value of accounts payable and total current liabilities?

Cash	Rs. 49855	Account payable	Rs. -----
Account receivable	173225	Notes payable	83920
Inventory	455455	Accrued wages	
Prepaid expenses	<u>8450</u>		38150
Total Current Assets	Rs. 686985	Accrued interest payable	<u>93200</u>
		Total current Liabilities	Rs. -----

- Rs. 152580 and Rs. 367850
- 471715 and 686985
- 59524 and 274794
- 100000 and 250000

15. is a method in which a company bills a portion of its credit customers each day of the month in order to smooth out uneven cash receipts?
a. Cycle billing b. Credit billing c. Xerox billing d. Monthly billing
16. The technique of raising capital from multiple sources is:
a. Bootstrap financing b. Equity capital
c. Layered financing d. Public stock sale
17. A measure of the potential sales per square foot of store space for a given product within a specific trading area is:
a. Retail compatibility b. Index of retail saturation
c. Retail gravitation d. Index of market saturation
18. Which of the following is NOT a good tip to create window displays that will sell?
a. Keep displays simple
b. Keep displays clean and current
c. Change displays frequently
d. Keep displays at the same place for buyers' remembrance
19. How might leasing improve an entrepreneur's cash position?
a. Leasing allows entrepreneurs to gain access to needed equipment without the large down payments that would normally be required to finance the purchase of the same equipment.
b. Leasing allows the entrepreneur to go for several months at a time without making a payment on the equipment the entrepreneur is using.
c. Leasing allows entrepreneurs to pay only when they first begin turning a profit.
d. Leasing allows entrepreneurs a chance to profitably sublease the equipment.
20. Which one of the following would not be considered a disadvantage of a corporation?
a. Extensive government regulations of activities
b. Perpetual existence
c. Corporate capital, profits, dividends, and salaries are double taxed
d. High incorporation fees



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SECTION "B"
[6Q × 4 = 24 marks]

Attempt *ANY SIX* questions.

1. There are many forces that drive the entrepreneurial trend in today's economy. Some entrepreneurs have faced many challenges and setbacks that have prevented them from succeeding in their new ventures. Despite the major drawbacks, what's still feeding the entrepreneurial fire?
2. There is a paradigm shift to intellectual capital from financial capital, in such a context what can entrepreneurs do to stimulate their own creativity and to encourage it among their workers? [2+2]
3. Obviously, the number of strategies from which the small business owner can choose is enormous. When all the glitter is stripped away, Michael E. Porter defines three strategic options in his classic book *Competitive Strategy*. Explain.
4. Why do many entrepreneurs under-price their goods and services, especially when they first get into business? Discuss the connection between the prices a company establishes for its goods and services and the image it creates for the company.
5. Outline the basic principles of managing a small firm's receivables, payables and inventory.
6. Roshan and Bhusan were pursuing Electrical Engineering from Kathmandu University. During their fourth year they developed a solar LED bulb which can be used indoors. The bulb had a small panel which had to be charged at a stretch for 10 hours in the sun and it would last for 300 hours of usage.
The idea was risky as there was a possibility that the market might not accept such a product, but if they do so, then, there would be a revolution in the power industry as it would lead to saving of power in every household.
The prototype was made but to manufacture and distribute the same, they required around 5 crores. Both Roshan and Bhusan approached some affluent individuals who were ready to invest in their business in exchange for a convertible debt. Identify and explain suitable source of debt capital for this context. [3+1]
7. Write short notes: (*ANY TWO*) [2+2]
 - a. Sliding down the demand curve
 - b. Leverage ratio
 - c. "Five Cs" of Credit

SECTION "C"
[2Q × 8 = 16 marks]

Attempt *ALL* questions.

8. Describe how a small business can build a competitive edge in the marketplace using guerrilla marketing strategies; customer focus, quality, convenience, innovation, service and speed.

OR

Shrawani has a degree in robotics and she loves to design products. She started her career in 'Robotech' which uses high end technology in all their products. Her job profile included travelling a lot also. Whenever she travelled she noticed that disabled people have difficulty in maneuvering their wheelchair from one place to another because in some places ramp is not provided and there is no way they can walk up the stairs.

She came up with an idea of a wheelchair which can be used on stairs easily. She decided to quit her job and start her own company. She realized that her idea was the first stage in the process of innovation.

Identify the concept and explain the steps in its process.

9. Read the following article and answer the questions that follow:

Recently, Tim Jenkins, Darran Littlefield, and Jim Hodge, co-founders of consulting firm Point B, met with their newest employee. At most companies that would mean an orientation session that included a tour and introductions to the remainder of the staff before showing him to his cubicle. At Point B, however, it involved a lively conversation about the company over a cappuccino at a nearby Starbucks. In fact, Jenkins and Littlefield never have taken a new hire on a tour or showed one to his or her cubicle. That's because they don't have an office!

Despite generating \$46 million in annual revenue, Point B has only virtual offices. Former employees of a large consulting firm, Jenkins, Littlefield, and Hodge grew tired of spending half their time in a stuffy office building and the other half on the road or in a client's office. When they launched Point B, they were determined not to force their employees into that same lifestyle. Today Point B has 223 employees working in Seattle, Denver, Phoenix, and Portland. Rather than hop on planes or into rental cars, as most consultants do, Point B employees work only for local clients and spend two to three days a week working from offices in their homes and the remaining time in their clients' offices.

The result is a very lean - and very inexpensive - organization. Unlike most consulting firms, Point B does not incur expensive rental rates or burgeoning travel expenses, which enables them to offer clients lower prices and employees generous salary and benefit packages.

One key disadvantage of a virtual office, however, is the lack of opportunity to build a meaningful company culture among employees who do not share the same workspace. As efficient as telephone calls and e-mails are, they cannot substitute for face time with colleagues. Therefore, the founders of Point B hold monthly social gatherings for all of their employees in each of its four markets. In addition, every quarter, employees gather together to review sales prospects and financial forecasts. Regular training sessions on

topics ranging from ethics to sales techniques also get employees together, as do informal gatherings, for which the company pays.

Finding the right employees is an important piece of the puzzle for the Point B, and Jenkins, Littlefield, and Hodge spend considerable time, energy, and resources to find and recruit candidates who can handle the autonomy and are self-motivated. Only four percent of applicants are hired at Point B, and those who are hired tend to stay. The company's employee turnover rate is just 10 percent, compared to an industry average of 20 percent. The co-founders of Point B enjoy the flexibility that their company's structure (or lack of it) gives them as much as their employees do. "Rather than building our lives around our business, we're building the business around our lives," Says Jenkins.

- i. What impact - both positive and negative - does a virtual office have on a small company and the people who work for it? [2]
- ii. Develop a list of recommendations for small companies that use virtual offices or have significant numbers of employees engaged in telecommuting. Be sure to address selection practices, building a company culture, and communicating effectively as well as other relevant topics. [2]
- iii. Would you want to work for a company such as Point B that has no physical office space? [2]
- iv. The concept of virtual office is not suitable for all nature of businesses. Mention the nature of businesses that is suitable for applying virtual office concept. [2]

