

KATHMANDU UNIVERSITY  
End Semester Examination  
July/August, 2017

Marks Scored:

Level : B.E.

Year : IV

Course : MGTS 402

Semester : II

Exam Roll No. :

Time : 30 mins.

F. M. : 10

Registration No. :

Date AUG 15 2017

SECTION "A"

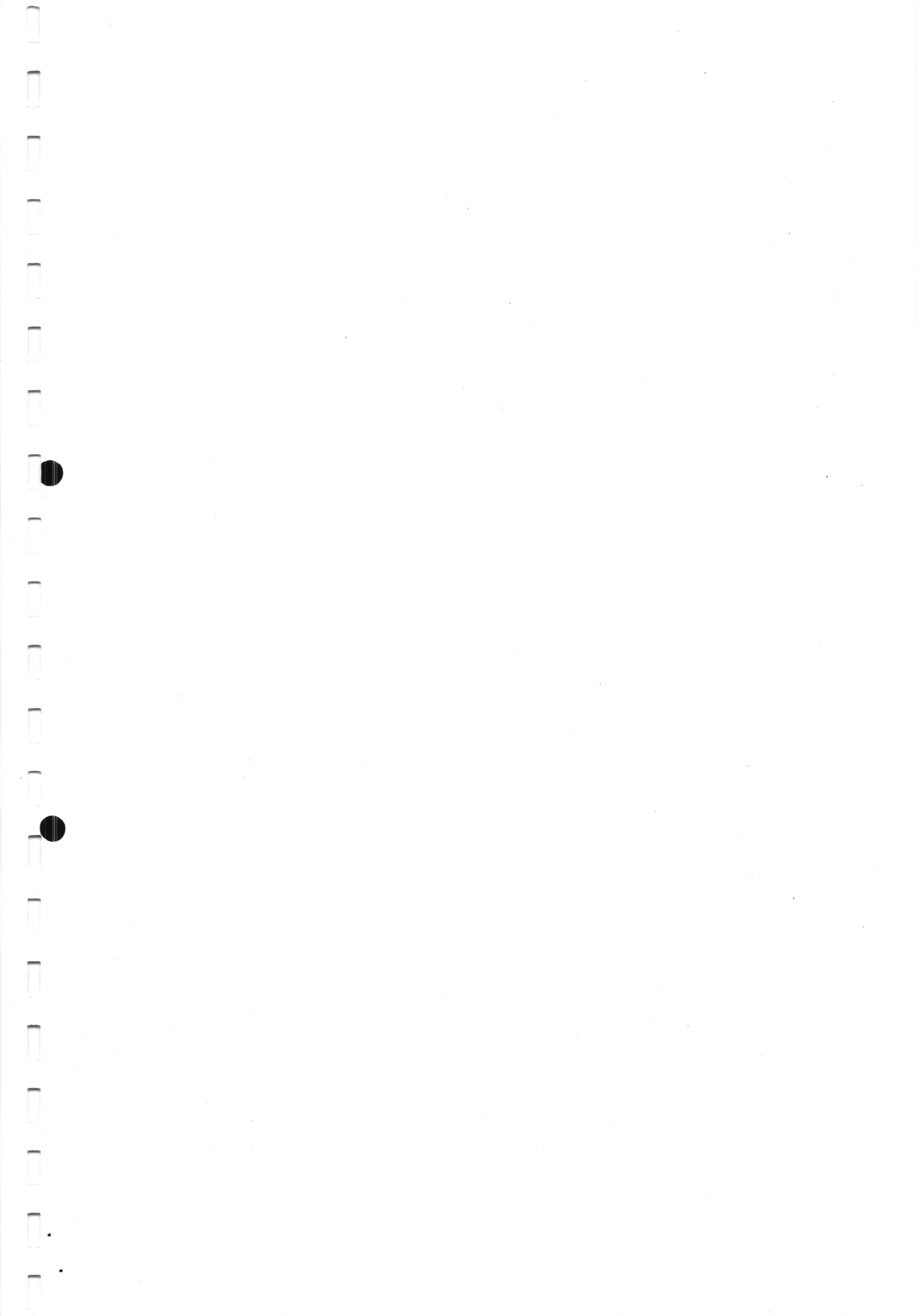
[20 Q. × 0.5 = 10 marks]

1. Which of the following is a commonly experienced drawback to being an entrepreneur?
  - a. Lack of creativity and innovation
  - b. Long hours required
  - c. Lack of contribution to society
  - d. Ability to earn a large income
2. Why are creativity and innovation so critical to an entrepreneurs' survival?
  - a. Creativity and innovation allow small companies with limited resources to compete with larger competitors.
  - b. Creativity and innovation help the entrepreneur to secure financing for start-up capital.
  - c. 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.
  - d. Creativity and innovation keeps entrepreneurs focused on the initial business development period.
3. Which of the following is a method for enhancing organizational creativity?
  - a. Maintain the same location or scenery
  - b. View issues as potential problems
  - c. Initiate a controlling structure within the organization
  - d. Encourage curiosity among your employees
4. Which is NOT a perspective to consider in using a balanced scorecard for performance?
  - a. Goals for durability, service, and reliability
  - b. Financial standards do not contribute to the overall review of a strategy
  - c. Continue to innovate
  - d. Goals for productivity and cycle time
5. Which is the best strategy to use in an environment wherein sellers are trying to differentiate themselves from the competition?
  - a. Produce products for many categories
  - b. Increase price without improving the product
  - c. Build customer loyalty
  - d. Focus on profit margins
6. What is the purpose of conducting a feasibility analysis?
  - a. The feasibility analysis helps you to determine whether your idea is a viable foundation for a successful business.
  - b. The feasibility analysis helps you to discern whether you will be able to gather enough capital to start the business.
  - c. The feasibility analysis will allow you to qualify for governmental loan programs.
  - d. The feasibility analysis determines whether there are governmental constraints that will not allow you to start your business.
7. When delivering a business plan presentation to investors and creditors, it is a good idea to \_\_\_\_\_.
  - a. be as detailed as possible, covering all of the points of the business plan
  - b. allow all of the founders of the business an opportunity to present their contributions to the venture
  - c. improvise as you present your speech to emphasize your personality
  - d. keep it simple and use visual aids

8. In general, what would cause a business owner to select one form of ownership over another?
- a. Pressure from the business owner's advisory board
  - b. Tax, liability, and how big and profitable
  - c. State governmental policy that dictates what forms are legal
  - d. Image within the community
9. What is this meaning of the phrase "piercing the corporate veil"?
- a. Courts sometimes hold entrepreneurs personally liable for claims against the corporations because they co-mingle personal and corporate assets.
  - b. Competitors occasionally come into your business and act as customers to elicit competitive information.
  - c. Entrepreneurs occasionally see the benefits of sole proprietorship over corporate structure.
  - d. Entrepreneurs sometimes gain access to secret documents of their competitors.
10. Time compression management includes the following principles EXCEPT:
- a. Speed in which products are brought to market
  - b. Reducing administrative time to fill an order
  - c. Shortening customer response time in delivery
  - d. Payment flexibility
11. Which of the following is agreed upon by most marketing experts as the biggest marketing mistake that small businesses make?
- a. Failing to clearly define the target market to be served
  - b. Spending too much on media advertising
  - c. Carving out too narrow of a target niche
  - d. Spending too much on marketing during the first year
12. How can price lining help to generate sales?
- a. Price lining complicates making goods available to a wide range of shoppers.
  - b. Price lining allows the entrepreneur to capture many target markets with different needs and income levels.
  - c. Price lining helps to add an extra profit margin cushion from the higher price level.
  - d. Price lining allows the customer to know what your competitors are charging for a similar product.
13. \_\_\_\_\_ is the first step to creating a set of pro-forma financial statements.
- a. Determining a reasonable sales level
  - b. Estimating the expected volume of sales
  - c. Listing the various start-up expenses
  - d. Researching competitors' cost levels
14. Leverage ratios show \_\_\_\_\_.
- a. how well the firm is performing in customer opinion relative to competitors
  - b. the ability of a firm to use short-term versus long-term debt
  - c. the extent to which the company uses debt capital to finance operating expenses, capital expenditures, and expansion costs
  - d. how efficiently assets are used to generate sales for the firm

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15. Why is carrying too much inventory a strain on the business?
- a. Because inventory is taxed again at the end of the year if not sold
  - b. Because inventory ties up cash and generates zero return
  - c. Because excess inventory can cause the business to believe that it is selling goods that it really is not
  - d. Because inventory may make the back office area messy
16. What is a company's cash flow cycle?
- a. The amount of time between the start of the business and the point at which it can support its needs through sales generated.
  - b. The amount of cash that the company goes through in an average month.
  - c. The period between the receipt of cash from a customer and the outflow of that cash to support the development of another unit.
  - d. The time between the payment for merchandise and materials from suppliers and the receipt of payment from customers.
17. What is an angel investor?
- a. A wealthy individual who invests in businesses for an equity stake
  - b. A small business that puts its extra income into other small businesses
  - c. An investor that leaves a majority interest of his estate to small businesses
  - d. An investor that puts her money into nonprofit organizations
18. What is the most important criterion, from a lender's perspective, of a firm that applies for a loan?
- a. the industry that the business operates within
  - b. the profitability of the business
  - c. the management team at the helm of the business
  - d. the ability of the business to produce cash through its business model
19. What is the concept of trade area size?
- a. It is the size of the trading floor of the local area merchant exchange.
  - b. It is the distance between your firm and the nearest indoor or outdoor mall area.
  - c. It is the size of the region from which a firm can reasonably expect to draw customers.
  - d. It is the distance between your firm and its nearest three competitors.
20. What is NOT a factor in a manufacturing layout?
- a. Type of product
  - b. Cost of moving executives
  - c. Economic considerations
  - d. Type of production process



KATHMANDU UNIVERSITY

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July/August, 2017

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Level : B.E.  
Year : IV  
Time : 2 hrs. 30 mins.

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

SECTION "B"

[4Q × 10 = 40 marks]

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

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

Anita Perella was the third of four children in one of the few Italian immigrant families in Littlehampton, England. Her mother steered her into the teaching profession, but her craving for adventure was too strong to keep her in the classroom. After a year in Paris in the library and another year in Geneva working for the UN, she hit what she calls "the hippie trail," traveling through Europe, the South Pacific and Africa. During her journeys, she became acquainted with the rituals and customs of many Third World cultures, including their forms of health and body care.

When she returned to England, she met Gordon Roddick, a kindred bohemian spirit who wrote poetry and loved to travel as much as she did. The couple married in 1970, and shortly thereafter, opened a bed-and-breakfast hotel and later started a restaurant. In 1976, Gordon decided to fulfill a long-standing personal goal: to ride a horse from Buenos Aires, Argentina, to New York. Admiring her husband's pluck, Anita agreed to sell their restaurant to finance his trip.

To support herself and her daughters in her husband's absence, Roddick decided to open a small shop where she could peddle some of the back-to-nature cosmetic knowledge she picked up during her travels. With Gordon's help, she obtained a \$6,500 loan, contracted with a local herbalist to create her all-natural cosmetics, found a site in the seaside resort of Brighton, and opened her first Body Shop.

Everything was done on a shoestring budget with no concession to aesthetics. She painted the shop green because it hid everything, even the damp spots on the walls. She offered discounted refills to customers who brought back their empty containers, and used minimal packaging to keep costs as low as possible. Customers were allowed to choose from an array of perfume oils to scent their purchases (which were fragrance-free) because it was cheaper than adding expensive perfumes to every bottle of shampoo or lotion. And she eschewed advertising, relying instead on well-placed interviews promoting her social causes and in-store pamphlets to sell products.

The combination of unique products, good public relations, a highly trained staff and a well-defined sense of values quickly generated a buzz. Word spread, and within a year, Roddick's business had grown so large that she opened a second store. When Gordon returned in the spring of 1977, The Body Shop had become so popular that the Roddicks began selling franchises. By the fall of 1982, new Body Shop stores were opening at the rate of two per month.

To capitalize on the massive expansion, the Roddicks took The Body Shop public in 1984. After just one day of trading, the stock doubled in value. It would continue to rise throughout the late 1980s, as hundreds of Body Shop franchises sprung up throughout Europe and the United States.

One of the key ingredients in Roddick's success was her social activism and also set the company apart from its competitors and generated a loyal customer base. People felt good

about buying Body Shop products because they felt good about Roddick's efforts. They wanted to be part of the positive action-and that translated into sales. By the end of 1992, there were more than 700 Body Shop stores generating \$231 million in sales. However, as The Body Shop's profits and name-recognition grew, the Roddicks began paying more attention to social causes than their business, launching an array of environmental projects rather than revamping the company's aging product line. Better-run imitators, such as The Bath & Body Works, ate into The Body Shop's customer base. And critics on the left who were once Body Shop allies suddenly started attacking the company for "hypocritical practices," generating a wave of negative press. As a result, sales fell and profits dulled.

By 1996, it was clear that a change was needed. The Roddicks stepped back from running day-to-day operations and installed managing director Stuart Rose, who promptly restructured the company, bringing in other professional managers, installing tighter inventory control and streamlining processes. The changes failed to have the desired effect, and sales continued to decline. After a dismal first quarter financial performance in 1998, Roddick ceded her post as CEO to Patrick Gourney, a professional manager from a French food conglomerate, and farmed out her flagging U.S. franchises to the Bellamy Retail Group. In January 1999, the company announced it was giving up manufacturing to focus on retail, and that projections were good. But whether The Body Shop can regain its dominance in the market, only time will tell. Nevertheless, Anita Roddick's story remains one of the great tales of the late 20th century. She grew a single shop into an international empire and proved that a company can gain loyal customers and succeed by simply providing product information rather than employing high-powered advertising and high-pressure selling. [ Source: <https://www.entrepreneur.com>, retrieved on 08/08/2017 ]

### Questions

- a. Would you reckon Anita Roddick as an entrepreneur? Elaborate in terms of the traits she does/does not possess (based on the case information). [3]
- b. If you see her as an entrepreneur, what process (entrepreneurial process) do you see in her life to become an entrepreneur? If you do not see her as an entrepreneur, what she would have done differently? [2]
- c. Do you see any creativity and innovation in her business? Explain. [2]
- d. Explain the various sources of financing adopted by Ms. Roddick and list out the advantages of these financing schemes. [2]

## 2 **Read the following article and answer the questions that follow**

CNN has placed Nepal's 'Raksi', an alcoholic drink in World's 50 most delicious drinks. Describing 'Raksi' CNN has written, 'Made from millet or rice, Raksi is strong on the nose and sends a burning sensation straight down your throat that resolves itself into a surprisingly smooth, velvety sensation'.

Recognition of Raksi by CNN is expected to attract food and drinks lovers from far and wide. Nepal has more to offer in culinary and drinks segment, most of them being indigenous with unique way of making.

This home brew drink is taken auspicious to celebrate festivals, which itself is the reason to celebrate. Raksi is ranked 41 in the list supersedes popular drinks such as Mango lassi (India), Guinness (Ireland), Fanta (Germany), Red Bull (Austria). Top on the list is global drink- water.

Few things unite tourists and locals like sitting down with a local bevvie.

[ Source: <http://www.travelbiznews.com>, retrieved on August 8, 2017 ]

### Questions

- a. Although Nepali Raksi is ranked among 50 most delicious drinks in the world, its market coverage is significantly less and concentrated mainly within rural areas. As an entrepreneur explain what could be missing with this product. [2]

- b. It is important for Nepali Raksi industry to pinpoint the target market. Explain how you can pinpoint the target market. [3]
- c. Develop a marketing mix including all the identified strategies to promote and increase sales of Nepal's Raksi within Nepal and export to other countries under various segments. [5]

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

Agni Energy, the authorised distributor of Mahindra Vehicles for Nepal, launched its latest all-electric car, e2o sportz, in the Nepali market on Tuesday. The new car is an upgraded version of e2o model. Mahindra e2o sportz has been designed with focus on safety, convenience and enhanced performance, said Dharmendra Mishra, head of sales and marketing at Mahindra Electric. The model available in Nepal is same as the one that Mahindra exports to the UK, meaning the car being sold in the country meets EU safety standards, Mishra told the Post on the sidelines of an event organized to launch e2o sportz.

The e2o sportz, which costs Rs 2.6 million, runs solely on electric power. The car comes with 72-volt lithium ion battery and runs up to 127 km once fully charged. One of the drawbacks of owning an all-electric car in Nepal is absence of fast charging stations. These stations, powered by 50-kilowatt (kW) DC electricity, can charge batteries in as less as one-and-a-half hours. But because of lack of this infrastructure, Nepalese who drive electric cars have to resort to their power sockets at home, which supply around 3kW AC electricity, and take up to nine hours to fully charge the car's battery. Despite these barriers, more and more people in Nepal are purchasing electric cars. "I see electric mobility becoming the norm even in Nepal. The day is not too far when electric vehicles will be dominant," said Mahindra Electric CEO Mahesh Babu, who handed over keys of newly launched four-wheelers to three customers on Tuesday.

The three-door hatchback comes with dual airbags, anti-lock braking, air conditioning system, Android powered touch screen infotainment centre, reversing camera and automatic gear transmission. The car can be remotely monitored via mobile application named e2o remote. This app can remotely start or stop charging and pre-heat or cool the car. The car's steering is mounted with audio controls and switches that control front windows and side mirrors. The car, with a seating capacity for four persons, attains speed of up to 60 km per hour in just 8.8 seconds. Unlike previous e2o model, the new e2o sportz launched in Nepal comes with faux leather seats, rapid charge port and rear windscreen wiper. The car and its battery come with three-year or 60,000km warranty. [Source: [kathmandupost.ekantipur.com](http://kathmandupost.ekantipur.com), retrieved on August 08, 2017]

**Questions**

- a. Based on the information provided in the article, perform SWOT analysis of e2o sportz in Nepal. You can also use your personal experience if you have any in your answer. [3]
- b. Perform industry and market feasibility analysis of e2o sportz in Nepal and suggest CEO Mahesh Babu whether there exists market for e2o in Nepal. [5]
- c. Identify the strategic option adopted by e2o sportz based on case information? If you think this is the best possible option, explain why and if you do not think it to be the best option suggest the best strategic option for e2o sportz. [2]
- 4 a. Explain the factors you need to consider choosing a form of ownership. [3]
- b. Manufacturers see layout as an opportunity to increase efficiency and productivity and to lower costs. Explain with suitable examples the various types of manufacturing layouts. [2]
- c. Developing cash budget is very important and provides benefits to an entrepreneur. Explain some of the benefits of cash budget and also highlight how an entrepreneur can develop a cash budget. [5]

