



**JOHANNESBURG BUSINESS SCHOOL
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF BUSINESS MANAGEMENT
SUPPLEMENTARY FINAL WRITTEN ASSESSMENT**

SUBJECT: Entrepreneurship and New Venture Creation
CODE: ENV 3C01
DATE: January 2018
TIME ALLOWED: 90 Minutes
TOTAL MARKS: 80

EXAMINERS: MRS C JASSON
MODERATOR: PROF S. DHLIWAYO
NUMBER OF PAGES: 13 PAGES

INSTRUCTIONS:

- This is a closed-book assessment.
- Question papers must be handed in together with your answer books.
- Read the questions carefully and answer only what is asked.
- Answer all the questions:
 - Answer **section A** on the scanner sheet provided. Indicate the correct answer as per the instructions on the scanner sheet.
 - Answer **section B** in the answer book.
- Number your answers clearly.
- Write neatly and legibly on both sides of the paper in the answer book, starting on the first page.
- Structure your answers by using appropriate headings and subheadings.

The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.

SECTION B**[40 MARKS]**

Read the case study below and answer the questions that follow:

SUCCESS STORY

After being employed as a draftsman for 18 years Nicolene resigned to start living her passion, which was to make soaps, bath salts, lotions and even knitted facecloths and bathmats under the brand name of *Antjie's Handmade Naturals*. The products are sold at trade fairs, flea markets and recently to hotels. With the help of her husband Jack, they transformed their garage into a factory. He would mix the ingredients such as caustic soda and expensive essential oils, pour the mixture into containers and cut up the finished products, after which Nicolene would carefully clean off the soaps before wrapping, labelling and packaging them.

Nicolene considers her determination and conservative approach as the reasons behind her business' success. "Building Antjie's has been a challenging task. I must confess, I didn't follow the textbook approach to starting a business. I never researched the potential market size, the best business form to choose, or the cash flow I would need or even if Jack and I would be able to manage the business as it grows". "Jack is my business partner, but our partnership is not formally defined". Nicolene was certain of one thing however, and it was that she drew great satisfaction from her business, despite the "sleepless nights caused by cash flow shortages and occasional run-ins with our now 20-strong staff complement".

It was at a flea market that she met Bongi, a wealthy B Comm graduate turned stay-home mom looking for a challenge. Bongi was so impressed with Nicolene's products that she called her the following week with an offer to invest in the business as a partner. Nicolene was flattered and although apprehensive about relinquishing control to a partner, realised Antjie's could grow internally from a cash injection. After all, she had no idea if Bongi would fit into her humble business and if she would treat as confidential Antjie's accounting information Nicolene was about to share. Nicolene agreed to a meeting on condition that they sign a non-disclosure agreement to protect the business information. Jack was less emotionally attached to the business and told Nicolene to consider harvesting and using Antjie's as a "capital cow".

Nicolene had no reason to fear however. Bongi employed her university knowledge and had a carefully thought out plan for their first official meeting. She was confident that her accounting and legal background would allow her to negotiate well, but also to contribute greatly as a potential partner in Antjie's.

QUESTION 1**[30 MARKS]**

- 1.1 Would you consider Nicolene as a basic survivalist entrepreneur? Motivate your answer. (2)
- 1.2 When Bongi approached Nicolene, she evaluated the business opportunity. Discuss opportunity evaluation, in particular the five questions Bongi should be asking as Step 2 of the entrepreneurial process. (5)

- 1.3 Discuss the following risks that Bongi is taking by investing in Antjie's Handmade Naturals.
- Career risk,
 - Family and social risk and
 - Physical and psychological risk
- (3)
- 1.4 Advise Bongi how to overcome each of these risks. (3)
- 1.5 Discuss Bongi's perception of desirability as part of her initial screening of the opportunity to invest in Antjie's. (5)
- 1.6 South Africans have been found to be risk averse, meaning they perceive business as too risky, and that is the reason only 14% would pursue a business opportunity. Evaluate Bongi's risk perception as a possible investor in Antjie's Handmade Soap. (5)
- 1.7 Discuss the factors Nicolene and Bongi should consider when they choose the type of ownership for their business. Refer particularly to the characteristics of a legal person. (4)
- 1.8 Develop a mission statement for the new business with Bongi and Nicolene as shareholders. (3)

QUESTION 2**[10 MARKS]**

- 2.1 Discuss the three risks associated with information technology projects. (6)
- 2.2 List four opportunities available in various industries for business format franchising. (4)

END OF ASSESSMENT