FEEDBACK TUTORIAL LETTER

1st SEMESTER 2019

ASSIGNMENT 1

INTRODUCTION TO BUSINESS MANAGEMENT

BMI511S
QUESTION 1

Multiple choice questions from 1 – 10  

(10 x 2) = 20

Indicate your answers next to each corresponding number on the Answer Sheet Provided. e.g (1. b )

1.1 What marks the key difference between economic systems?
   a) The way they manage the factors of production
   b) The way basic necessities are determined
   c) The way rules and regulations are legislated
   d) The way workers are relocated to different regions.

1.2 Small and medium enterprises are defined according to the following, except ____________ .
   a) Number of full time employees
   b) Sales turnover
   c) Profit margin
   d) Number of branches or units

1.3 What marks the key difference between economic systems?
   a) The way they manage the factors of production
   b) The way basic necessities are determined
   c) The way rules and regulations are legislated
   d) The way workers are relocated to different regions

1.4 In the position of founder and managing director of XYZ Limited, Tangeni Shiimi needs to have sufficient ____________ skills to view the business in a holistic manner.
   a) technical
   b) interpersonal
   c) conceptual
d) coercive

1.5 Identify the most **dominant** cause of business failure.

a) **managerial incompetence**
b) lack of leadership
c) excessive competition
d) lack of managerial experience

1.6 A company which is concerned with the quantity and quality of resources available for its business processes will investigate which factor in the macro-environment?

a) **The physical environment**
b) The social environment
c) The demographic environment
d) The economic environment

1.7 Which of the following options form part of the market environment?

a) Billions of dollars that are being invested in the economy to improve Namibia’s infrastructure

b) **The decline in consumer spending and a more aggressive stance by labour unions against domestic businesses**

c) Intangible resources, such as brand names, customer loyalty and company reputation
d) The strategic objectives of the business, including gaining and advantage over its competitors

1.8 Goods that the consumer does not know about or does not normally think of buying, and the purchase of which arises due to danger or the fear of danger and lack of desire. ____________ .

a) convenience products
b) shopping products
c) impulsive products
d) **unsought products**
Ester has just completed her degree in Business Management at NUST and has opened a new photography studio that sells cameras and equipment, develops photos and gives classes on the art of photography.

1.9 When Lorraine deals with clients, she requires _______________ skills and when she is busy developing photos, she requires _______________ skills.
   a) Interpersonal; technical
   b) Conceptual, informational
   c) Interpersonal; conceptual
   d) Informational; technical

1.10 Based on Maslow’s hierarchy of needs, if a person always expects others to speak the truth and considers justice also as important, it would be classified under which needs?
   a) belonging
   b) self-actualisation
   c) work-avoidant
   d) safety and security

QUESTION 2
The following are extracts from the financial statements of a trading company.

Profit and Loss data

<table>
<thead>
<tr>
<th></th>
<th>N$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases (all on credit)</td>
<td>300 000</td>
</tr>
<tr>
<td>Sales (all on credit)</td>
<td>700 000</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>310 000</td>
</tr>
<tr>
<td>Gross profit</td>
<td>490 000</td>
</tr>
<tr>
<td>Net profit after tax</td>
<td>390 000</td>
</tr>
</tbody>
</table>

Balance Sheet Data

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Assets</td>
<td>700 000</td>
</tr>
</tbody>
</table>

Current Assets
Stock 20 000
Debtors 200 000

**Current Liabilities**
Trade creditors 40 000
Bank overdraft 39 000
Taxation 6 000

**Long term liabilities**
Car loan 300 000

**Capital reserves**
Ordinary shares 400 000
Retained earning 64 000

2.1 Use the information given above to calculate the following ratios and briefly comment on each ratio.

(i) Acid test ratio

\[
\text{Acid Test Ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}} = \frac{(220000-20000)}{85000} = 2.35:1
\]

(ii) Debt ratio

\[
\text{Debt ratio} = \frac{\text{Total Debt}}{\text{Total Assets}} \times 100
\]

\[
= \frac{385000}{920000} \times 100
\]

\[
= 41.82\% / 42\%
\]

(iii) Net profit margin
**Net profit margin**

\[
\text{Net profit margin} = \text{Net income} \times \frac{100}{Sales} \\
= \frac{390\ 000}{700\ 000} \times \frac{100}{1} \\
= 55.71\% / 56\%
\]

**NOTE:** Comments should be based on the accepted standards and or the three types of ratio comparisons that can be made.

2.2 Assume it is January 2019, you are planning to have one child who will enroll at NUST in January 2044. You estimate that you will need N$100,000 in January 2044 to finance the expense of your child’s tertiary education package. You expect to earn on average, 8 % interest on any funds that will be invested during the next 25 years.

How much should you invest today to yield N$100,000 in 25 years compounded quarterly? (8)

**Proposed answer**

**Workings**

\[
i = \frac{0.08}{4} = 0.02\%
\]

\[
n = 25 \times 4 = 100
\]

\[
PV = \frac{FV}{(1+i)^n}
\]

\[
PV = \frac{100\ 000}{(1/0.02)^{25\times 4}}
\]

\[
= N$13,803.30
\]

2.3 Techibulb Ltd, an electrical hardware company, produced 2 500 units at N$17 per unit. At the end of their financial year, their financial statements reflect the following costs.

- Salaries \( N$15\ 000 \)
- Rent of factory \( N$20\ 000 \)
- Total cost of Direct Materials \( N$7\ 500 \)

Determine the break-even point in units. (5)

**Proposed answer**

Students have to determine variable costs as not given – (Materials \( N$7500/2500 = N$3 \))

\[
BEP = \frac{FC}{SP - VC} = \frac{35\ 000}{17 - 3}
\]
QUESTION 3
Describe some of the contributions Small Businesses make to a community and country’s economic development/growth.

(3)

*Proposed answer*
- Production of G&S
- Innovation
- Aiding of big businesses
- Job creation

QUESTION 4
Where do corporation’s retained earnings come from? What are two advantages of this type of financing? (3)

*Proposed answer*
- The retained earnings of a corporation is the accumulated net income of the corporation that is retained by the corporation at a particular point of time, such as at the end of the reporting period

Any two of the following advantages could be listed
- They are cheap (though not free) – effectively the “cost of capital” of retained profits is the opportunity cost for shareholders of leaving profits in the business (i.e. the return they could have obtained elsewhere)
- They are very flexible – management have complete control over how they are reinvested and what proportion is kept rather than paid as dividends
- They do not dilute the ownership of the company

TOTAL MARKS FOR ASSIGNMENT 01: 50
END OF ASSIGNMENT 1