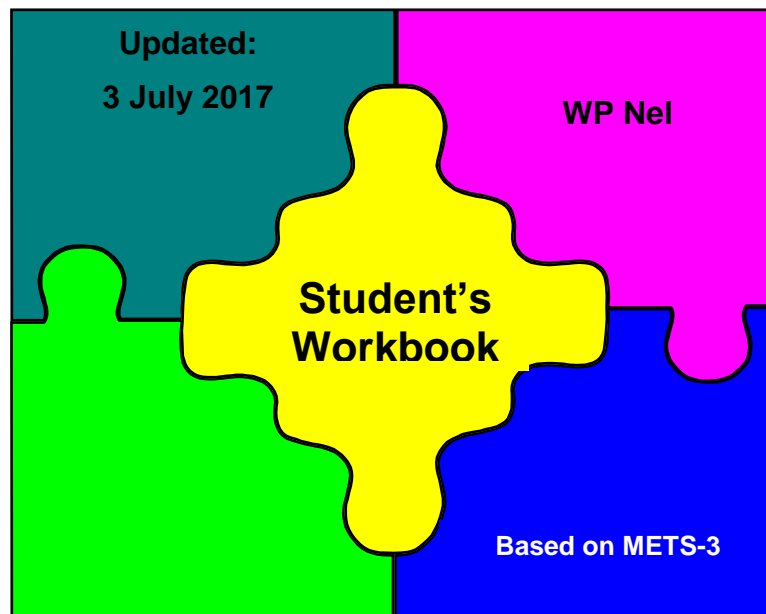

Workbook for students

Chapter 20 - Entrepreneurship



**Based on: 'Management for Engineers,
Technologists and Scientists' (METS-3)**

Chapter 20, Entrepreneurship

Section 20 A – True/false questions

This section consists of true/false questions. State whether the following statements are true or false. In your answer book, write down ‘true’ or ‘false’ and provide a brief explanation for your answer where appropriate.

20A.1 The following **true/false questions** are based on **section 20.1 “Introduction”** (METS-3: 438-439) of the textbook.

20A.1.1 Many entrepreneurs want to change their circumstances for the better. (1)

Answer

20A.1.1 True, (METS-3: 438). (1)

20A.1.2 Small companies are more likely to introduce radical innovations than big companies with vested interests.

20A.1.3 There are many governmental and private-sector initiatives to assist small businesses to start up and prosper.

20A.2 The following **true/false questions** are based on **section 20.2 “What is an entrepreneur?”** (METS-3: 439-442) of the textbook.

20A.2.1 An entrepreneur is a person who spots a gap in the market and conceptualises and evaluates a business idea to fill that gap. (1)

20A.2.2 The need for achievement often drives entrepreneurs. (1)

20A.2.3 Entrepreneurs usually take personal responsibility for accomplishments and results. (1)

20A.2.4 Entrepreneurs often have good skills in organizing and mobilizing scarce resources. (1)

20A.2.5 An intrapreneur is basically an entrepreneur that works for a corporation. (1)

20A.2.6 Corporate intrapreneurs usually challenge convention and exploit new technology and opportunities. (1)

20A.3 The following **true/false questions** are based on **section 20.3 “New business opportunities”** (METS-3: 442-449) of the textbook.

20A.3.1 Innovation and creativity are key drivers for the entrepreneur. (1)

20A.3.2 The complaints of family, friends and colleagues regarding products and poor service can be a source of business ideas. (1)

20A.3.3 Trade fairs and exhibitions are potential sources of business ideas. (1)

20A.4 The following **true/false questions** are based on **section 20.4 “Forms of business ownership and modalities of start-up”** (METS-3: 449-453) of the textbook.

20A.4.1 One of the advantages of a sole ownership is that members have limited liability. (1)

20A.4.2 One of the disadvantages of a sole ownership is its simplicity. (1)

20A.4.3 Close corporations are no longer allowed to exist under the new Companies Act (71 of 2008). (1)

20A.4.4 Up to 50 persons may form a partnership. (1)

20A.4.5 A joint venture is a partnership (from a legal perspective). (1)

20A.5 The following **true/false questions** are based on **section 20.5 “Legal considerations for a new venture”** (METS-3: 453) of the textbook.

None

20A.6 The following **true/false questions** are based on **section 20.6 “Source of finance”** (METS-3: 454-455) of the textbook.

20A.6.1 Private equity and venture capital funds are possible sources of finance for new business. (1)

20A.6.2 The Johannesburg Securities Exchange (JSE) operates two markets namely the Main Board and the Alt X. (1)

20A.6.3 The Alt X market of JSE Ltd. is for small companies and start-up companies. (1)

20A.7 The following **true/false questions** are based on **section 20.7 “The business plan”** (METS-3: 455-461) of the textbook.

20A.7.1 The purpose of a business plan is to define how the entrepreneur/management intends to capitalise on a business opportunity. (1)

20A.7.2 The “executive summary” section of the business plan should include the essential features of the business plan. (1)

20A.7.3 The business plan of a new (start-up) business should justify the business opportunity to new investors. (1)

20A.8 The following **true/false questions** are based on **section 20.8 “Starting up a new business venture”** (METS-3: 461-462) of the textbook.

None

20A.9 The following **true/false questions** are based on **section 20.9 “The business network in South Africa”** (METS-3: 462) of the textbook.

None

Section 20 B – Multiple choice questions

This section consists of multiple-choice questions. Write down the number of the question, and next to it the number representing the correct option, for example “20.1[4]”.

20B.1 The following **multiple choice questions** are based on **section 20.1 “Introduction”** (METS-3: 438-439) of the textbook.

20B.1.1 Read the following three statements:

- a) Many entrepreneurs want to change their circumstances for the better.
- b) Small companies are more likely to introduce radical innovations than big companies with vested interests.
- c) There are many governmental and private-sector initiatives to assist small businesses to start up and prosper.

Which of the above statements is/are **correct**?

(2)

[1] a

[2] b and c

[3] a and c

[4] a, b and c

[5] None of the options (1, 2, 3, or 4) is correct.

Answer - example

20B.1.1 [4];

- a) True, (METS-3: 438);
- b) True, (METS-3: 438);
- c) True, (METS-3: 439).

(2)

20B.2 The following **multiple choice questions** are based on **section 20.2 “What is an entrepreneur?”** (METS-3: 439-442) of the textbook.

20B.2.1 Read the following three statements:

- a) An entrepreneur is a person who spots a gap in the market and conceptualises and evaluates a business idea to fill that gap.
- b) The need for achievement often drives entrepreneurs.
- c) Entrepreneurs usually take personal responsibility for accomplishments and results.

Which of the above statements is/are **correct**?

(2)

- [1] a
- [2] b and c
- [3] a and c
- [4] a, b and c
- [5] None of the options (1, 2, 3, or 4) is correct.

20B.2.2 Read the following three statements:

- a) Entrepreneurs often have good skills in organizing and mobilizing scarce resources.
- b) An intrapreneur is basically an entrepreneur that works for a corporation.
- c) Corporate intrapreneurs usually challenge convention and exploit new technology and opportunities.

Which of the above statements is/are **correct**?

(2)

- [1] a
- [2] b and c
- [3] a and c
- [4] a, b and c
- [5] None of the options (1, 2, 3, or 4) is correct.

20B.2.3 Read the following three statements:

- a) Entrepreneurs usually have a need for achievement and want to accomplish things.
- b) Entrepreneurs usually take personal responsibility for accomplishments and results.
- c) Entrepreneurs often have good skills in organising and mobilizing scarce resources.

Which of the above statements is/are **correct**?

(2)

- [1] a
- [2] b and c
- [3] a and c
- [4] a, b and c
- [5] none (not a, b or c)

20B.3 The following **multiple choice questions** are based on **section 20.3 “New business opportunities”** (METS-3: 442-449) of the textbook.

20B.3.1 Read the following three statements:

- a) Innovation and creativity are key drivers for the entrepreneur.
- b) The complaints of family, friends and colleagues regarding products and poor service can be a source of business ideas.

c) Trade fairs and exhibitions are potential sources of business ideas.

Which of the above statements is/are **correct**?

(2)

[1] a

[2] b and c

[3] a and c

[4] a, b and c

[5] None of the options (1, 2, 3, or 4) is correct.

20B.4 The following **multiple choice questions** are based on **section 20.4 “Forms of business ownership and modalities of start-up”** (METS-3: 449-453) of the textbook.

20B.4.1 Read the following three statements:

a) One of the advantages of a sole ownership is that members have limited liability.

b) One of the disadvantages of a sole ownership is its simplicity.

c) Close corporations are no longer allowed to exist under the new Companies Act (71 of 2008).

Which of the above statements is/are **correct**?

(2)

[1] c

[2] b and c

[3] a and c

[4] a, b and c

[5] None of the options (1, 2, 3, or 4) is correct.

20B.5 The following **multiple choice questions** are based on **section 20.5 “Legal considerations for a new venture”** (METS-3: 453) of the textbook.

None.

20B.6 The following **multiple choice questions** are based on **section 20.6 “Source of finance”** (METS-3: 454-455) of the textbook.

20B.6.1 Read the following three statements:

a) Private equity and venture capital funds are possible sources of finance for new business.

- b) The Johannesburg Securities Exchange (JSE) operates two markets namely the Main Board and the Alt X.
- c) The Alt X market of JSE Ltd. is for small companies and start-up companies.

Which of the above statements is/are **correct**?

(2)

- [1] c
- [2] b and c
- [3] a and c
- [4] a, b and c
- [5] None of the options (1, 2, 3, or 4) is correct.

20B.7 The following **multiple choice questions** are based on **section 20. 7 “The business plan”** (METS-3: 455-461) of the textbook.

20B.7.1 Read the following three statements:

- a) The purpose of a business plan is to define how the entrepreneur/management intends to capitalise on a business opportunity..
- b) The “executive summary” section of the business plan should include the essential features of the business plan.
- c) The business plan of a new (start-up) business should justify the business opportunity to new investors.

Which of the above statements is/are **correct**?

(2)

- [1] c
- [2] b and c
- [3] a and c
- [4] a, b and c
- [5] None of the options (1, 2, 3, or 4) is correct.

20B.8 The following **multiple choice questions** are based on **section 20.8 “Starting up a new business venture”** (METS-3: 461-462) of the textbook.

None

20B.9 The following **multiple choice questions** are based on **section 20.9 “The business network in South Africa”** (METS-3: 462) of the textbook.

None

20B.10 The following **multiple choice questions** are based on **chapter 20** “**Entrepreneurship**” (METS-3: 438-463) of the textbook.

20B.10.1 Read the following three statements:

- a) Small companies are more likely to introduce radical innovations than big companies with vested interests.
- b) Corporate intrapreneurs usually challenge convention and exploit new technology and opportunities.
- c) Innovation and creativity are key drivers for the entrepreneur.

Which of the above statements is/are **correct**?

(2)

- [1] a
- [2] b and c
- [3] a and c
- [4] a, b and c
- [5] None of the options (1, 2, 3, or 4) is correct.

20B.10.2 Read the following three statements:

- a) The complaints of family, friends and colleagues regarding products and poor service can be a source of business ideas.
- b) The joint venture is a partnership from a legal perspective.
- c) The Alt^x market of JSE Ltd. is for small companies and start-up companies.

Which of the above statements is/are **correct**?

(2)

- [1] a
- [2] b and c
- [3] a and c
- [4] a, b and c
- [5] none (not a, b or c)

20B.10.3 Read the following three statements:

- a) KFC is an example of a franchise.
- b) A public company may not have more than 50 members.
- c) A close corporation may have 12 members.

Which of the above statements is/are **correct**?

(2)

- [1] a

- [2] b and c
- [3] a and c
- [4] a, b and c
- [5] none (not a, b or c)

20B.10.4 Read the following three statements:

- a) The shares of a private company are available to the general public.
- b) Close corporations are subject to more legislation than companies.
- c) Close corporations do not issue shares because the ownership of members are expressed as percentages.

Which of the above statements is/are **correct**?

(2)

- [1] a
- [2] b and c
- [3] c
- [4] a, b and c
- [5] none (not a, b or c)

20B.10.5 Read the following three statements:

- a) Trade fairs and exhibitions are potential sources of business ideas.
- b) Friends and family complaining about bad service is a potential source for business ideas.
- c) The public company is usually chosen as the form of business enterprise when huge sums of money need to be raised.

Which of the above statements is/are **correct**?

(2)

- [1] a
- [2] b and c
- [3] a and c
- [4] a, b and c
- [5] none (not a, b or c)

20B.10.6 Read the following three statements:

- a) The main purpose of a business is to make profit. A business idea should therefore only be implemented if an entrepreneur will be able to generate profits.
- b) One of the advantages of a sole trader as a type of business is that business losses can be deducted from owners' personal income.
- c) The purpose of a business plan is to define how the entrepreneur/management intends to capitalise on a business opportunity.

Which of the above statements is/are **correct**? (2)

- [1] a
- [2] b and c
- [3] a and c
- [4] a, b and c
- [5] none (not a, b or c)

20B.10.7 Read the following three statements:

- a) CC stands for Close Corporation.
- b) One disadvantage of a CC, from a member's perspective, is that it has limited liability.
- c) One advantage of a CC is that it is easy to establish due to simplified legal requirements.

Which of the above statements is/are **correct**? (2)

- [1] a
- [2] b and c
- [3] a and c
- [4] a, b and c
- [5] None of the options (1, 2, 3, or 4) is correct.

20B.10.8 Read the following three statements:

- a) A partnership may have 30 members.
- b) One advantage of a partnership is that it is easy to set up and manage.
- c) The partnership is ideally suited to knowledge-based, professional organisations.

Which of the above statements is/are **correct**? (2)

- [1] a
- [2] b and c
- [3] a and c
- [4] a, b and c
- [5] None of the options (1, 2, 3, or 4) is correct.

Section 20C – short and long questions

20C.1 The following **short and long questions** are based on **section 20.1 “Introduction”** (METS-3: 438-439) of the textbook.

None

20C.2 The following **short and long questions** are based on **section 20.2 “What is an entrepreneur?”** (METS-3: 439-442) of the textbook.

Question 20C.2.1

There is no guarantee that every person that starts a new business will be successful. We often hear about the success stories in the media (Patrice Motsepe, Raymond Ackerman, Oprah Winfrey, Jannie Mouton, Richard Maponya and so on) and less about the thousands of people who tried but failed. Some entrepreneurs are just generating enough income to fulfil their basic needs. A friend of you cannot find employment and is considering starting her own business. She wonders whether she has the right personality to take on the responsibility of earning her own income. She is not sure whether she will succeed. Tell her about the characteristics that most entrepreneurs share. List and describe six characteristics of entrepreneurs. (12)

Question 20C.2.2

List at least 8 skills that are considered essential for the successful entrepreneur. (8)

20C.3 The following **short and long questions** are based on **section 20.3 “New business opportunities”** (METS-3: 442-449) of the textbook.

Question 20C.3.1

List four possible sources of business ideas. (4)

Question 20C.3.2

Briefly describe how a business idea should be evaluated. (10)

Question 20C.3.3

Briefly explain what a new business venture can do to reduce risk during the entry phase. (6)

20C.4 The following **short and long questions** are based on **section 20.4 “Forms of business ownership and modalities of start-up”** (METS-3: 449-453) of the textbook.

Question 20C.4.1

There is an opportunity to start a Kentucky Fried Chicken (KFC) in a shopping centre in the town where you stay. Describe this type of business and list some of the advantages and disadvantages of this type of business. (6)

Question 20C.4.2

You want to start your own business. List and briefly assess the different forms of business ownership that you should consider. (12)

Question 20C.4.3

Briefly discuss at least two advantages and two disadvantages of the following types of business enterprises as well as at least one application of each:

- a) sole trader
- b) partnership
- c) joint venture
- d) close corporation

(20)

Question 20C.4.4

Briefly differentiate between a public company, a private company and a close corporation as forms of enterprises. As part of your answer, describe the advantages and disadvantages of each of these. (10)

Provide your answer in table format as shown below:

Public Company	Private Company	Close Corporation

Question 20C.4.5

- a) State what the letters “CC” stands for. {1}
- b) List two advantages associated with a CC. {2}

- c) List two disadvantages associated with a CC. {2}
(5)

Question 20C.4.6

Briefly differentiate between franchise, franchisor and franchisee. You may use an example to explain the difference between these terms. (3)

Question 20C.4.7

List four forms of business ownership in South Africa. (4)

Question 20C.4.8

List four modalities of starting a new business. (4)

20C.5 The following **short and long questions** are based on **section 20.5 “Legal considerations for a new venture”** (METS-3: 453) of the textbook.

None

20C.6 The following **short and long questions** are based on **section 20.6 “Source of finance”** (METS-3: 454-455) of the textbook.

Question 20C.6.1

Discuss the possible sources of finance for a business. (6)

20C.7 The following **short and long questions** are based on **section 20.7 “The business plan”** (METS-3: 455-461) of the textbook.

Question 20C.7.1

Briefly list six sections that a business plan may consist of. (6)

20C.8 The following **short and long questions** are based on **section 20.8 “Starting up a new business venture”** (METS-3: 461-462) of the textbook.

None

20C.9 The following **short and long questions** are based on **section 20.9 “The business network in South Africa”** (METS-3: 462) of the textbook.

None

20C.10 The following **short and long questions** are based on **chapter 20 “Entrepreneurship”** (METS-3: 438-463) of the textbook.

Question 20C.10.1

Many different forms of business enterprise exist for example sole ownership, close corporation, partnership, private company and public company. An important decision that has to be taken when starting up a new business is to choose the most applicable legal structure for the business. List five criteria that should be considered when choosing the form of business enterprise.

(5)

Question 20C.10.2

a) Explain why huge organisations that require huge capital outlays (for example deep level mining companies), usually choose the public company as the form of business enterprise.

(2)

or

b) It is not possible for a rich person that is worth, say R25m, to owe more than just a very small percentage of the shares of a large public company (such as BHP Billiton) that has a market capitalisation worth billions of rands. Use this example to explain the advantage of the public company as form of business enterprise. Refer to the capacity of such corporations to initiate new projects that may cost hundreds of millions of rands. Who are the owners of such large corporations?

(4)

Question 20C.10.3

Match each concepts on the left of the table with its definition, example or closest related issue on the right of the table below. In your answer book, write down the number of each term and, next to it, the letter representing the correct option, e.g. 1. j.

(9)

1. Sole trader	a. An entrepreneur who works for a corporation.
2. Close Corporation	b. Business losses can be deducted from owners' personal

	income.
3. Entrepreneur	c. KFC
4. Intrapreneur	d. Defines how the entrepreneur/management intends to capitalise on a business opportunity.
5. Source of a business idea	e. Maximum 10 members
6. Example of a franchise	f. A person who spots a gap in the market and conceptualises and evaluates a business idea to fill that gap.
7. Business plan	g. The complaints of family, friends and colleagues regarding products and poor service.
8. Partnership	h. Possible sources of finance for a business
9. Johannesburg Securities Exchange	i. Suited to knowledge-based, professional organisations

Section 20D – Mini-projects

Project 20D.1 [Business plan]

Compile a business plan for a business idea that you have. The business idea should be related to engineering – it should be a type of business where you would be able to use your technical knowledge and skills. A business plan for a bakery, hair dressing saloon and café would be unacceptable. Mining Engineering students may compile a business plan for a company that wants to start:

- a) a sand pit for the mining of building sand
- b) a quarry for the mining of aggregate and production of (crusher) sand
- c) any other type of mine

Remember to write your business plan in the form of a report.

The following method is recommended:

1. Read about the purpose of a business plan and the different sections that it should consist of by consulting a number of resources
2. Study one or more examples of a typical business plan
3. Decide on a business idea and business model. How is this business going to make money?

4. Apply the theory to your business idea.

Project 20D.2 [{project} Financing]

A company has completed the evaluation of a new project. Capital in the order of R800m is required for this project. Write a report that will explain to top management the different options that can be used to finance the project. Include the following in your report:

- Describe the different financing options as well as their advantages and disadvantages.
- What are the requirements that the project will have to meet when it opts for a specific form of finance?
- Describe the money and capital markets.
- What is the risk associated with each type of financing?
- What recommendation can be given to management on the source(s) of finance that should be considered?

Project 20D.3 [Interview with a techno-entrepreneur]

Interview a techno-entrepreneur (Definition – METS-3:493) and describe in detail how his or her business developed from idea to implementation (innovation cycle). All the lessons that you learned from this person must be recorded in your report.

The first step would be to identify a person who has invented something and then commercialised it. Briefly describe the invention. Pay attention to issues related to the “Management of technology and innovation” as well as “Entrepreneurship”. Make sure that you understand both bodies of knowledge so that you can formulate appropriate questions (in the form of a questionnaire) for your interview with the techno-entrepreneur. You should therefore deal with the following issues:

- How did the entrepreneur invent this invention?
- How did the entrepreneur manage to take the invention from an idea to a patent and/or business? How did he or she finance it?
- How is the intellectual property protected?
- Describe the business model. How does the entrepreneur make money from this invention? What is the technology strategy?
- What are the normal aspects that will be covered in a business plan (e.g. marketing, operations, economics and staffing of the business)?

Remember to attach your questionnaire as an annexure to the report.

Section 20E – Case studies

Case 20E.1 ()

Section 20F – Sources on the world wide web

- How to write a business plan – Entrepreneur SA - <http://www.entrepreneurmag.co.za/advice/business-plans/how-to-guides-business-plans/step-by-step-guide-how-to-write-a-business-plan/>
- The Business Model Canvas – https://en.wikipedia.org/wiki/Business_Model_Canvas
- Bob Dorf – Advice for would-be Entrepreneurs - <https://www.youtube.com/watch?v=kWmk13-8urg> (Includes information on the “Business Model Canvas”).

- - - - End of Chapter 20 - - - -