

UNIVERSITY OF TORONTO
FACULTY OF APPLIED SCIENCE AND ENGINEERING

FINAL EXAMINATION, April 18, 2001

Fourth Year - Program 6

CHE457S - INNOVATION AND ENTREPRENEURSHIP

Examiner: Professor B. McCabe

*CANDIDATES MAY BRING TO THE EXAMINATION AND USE ANY BOOKS,
NOTES OR OTHER PRINTED OR WRITTEN MATERIAL*

There are 10 questions, each worth 10 marks, in this examination and you must complete all of them.

Please start each question on a **separate** page. The questions are designed to test your **understanding** of the principles taught, not your ability to turn out volumes of prose. All questions can be answered in point form or one or two sentences.

Marks

- (10) 1. All successful business people keep informed about their own industry's progress and their company's fit into the environment. Just as important, however, is the general awareness of what is going on in the economy, stock markets, value of the dollar, new legislation, take-overs, mergers, business failures, etc. It is a requirement for every student to read the business press every day as part of the course. The following questions refer to events reported in the press during the first 3 months of 2001.
- a) What scandal has been plaguing the Prime Minister the last few months?
 - b) Briefly describe the state of the economy. What are the two major drivers?
 - c) What large Canadian communications company has recently announced two major rounds of layoffs?
 - d) What two factors have devastated the European beef industry and can potentially affect our beef industry?
 - e) Name the following:
 - Governor of the Bank of Canada
 - Ontario Minister of Finance
 - Federal Alliance Party Leader
 - Mayor of Mississauga
 - f) Where was electric power generation and distribution recently privatised, resulting in blackouts, soaring power bills, and bankrupt utilities?
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(10) 2. **Finance**

- a) List 3 questions a financier will ask before investing in your business.
 - b) List 4 things that will turn off a potential investor.
 - c) What is a 'hockey stick' cash flow projection?
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(10) 3. Your family has a manufacturing business in London for kitchen utensils. Until now, everyone has been content with the business, but you would like to expand into the manufacture of specialty dental tools. You want to prepare a business plan for this idea. Answer each of the following

- a) Describe three ways in which the business plan can be used.
 - b) List three important sections of this business plan (excluding the Executive Summary).
 - c) Describe the Executive Summary and why it is important.
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- (10) 4. Your new business opens today. You have built 25 garage stalls and you will rent them to people on a daily basis to do their own auto servicing. You also have tools and computer diagnostic equipment to rent them if they need. You have invested \$45,000 of your own savings to get started. Your brother has invested another \$45,000 as a limited partner. The remaining \$150,000 in capital you got as a loan from the Small Business Development Corporation. The tool company delivered \$25,000 worth of tools yesterday, and have invoiced you with payment expected in 60 days. The diagnostic computer is being leased at \$1750 per month, and you have a 1 year lease. So far, you have spent \$175,000 on the land and building, \$2500 in advertising, and \$1500 on permits. Prepare the T-accounts for today.
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(10) 5. Marketing

- a) What is the difference between market research and marketing?
 - b) What are 3 methods of gathering market data?
 - c) A new company wants to sell services for cleaning and maintaining desktop computers. Describe what market information they will need.
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(10) 6. Legal Structures

- a) List five advantages and five disadvantages of partnerships.
 - b) If you were starting a business for bungee jumping, would you use a partnership business structure? Why?
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(10) 7. Describe what each of the following Financial Ratios tell you about a business:

- a) Current ratio
 - b) A/R vs. A/P turnover ratio
 - c) Gross Profit to sales
 - d) Net Profit to sales
 - e) Debt to Asset ratio
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(10) 8. You want to export Canadian maple syrup to Ukraine.

- a) List 5 concerns you should address before you begin.
 - b) How will you market the product in Ukraine?
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(10) 9. You own a global ultimate-sporting vacation service. Your employees are enthusiastic, and are very good at finding great opportunities for thrill seekers all around the world. You think that a small group of them might be planning to start their own business in competition with you.

- a) List five things you can do to help keep your best people.
 - b) Describe the employee appraisal process and list 3 problems to avoid.
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(10) 10. You want to franchise your garage rental business in other Ontario cities.

- a) Describe five issues you must consider in deciding how you will deal with the franchisees.
- b) What are the disadvantages of franchising the business?