

UNIVERSITY OF TORONTO

FACULTY OF APPLIED SCIENCE AND ENGINEERING

FINAL EXAMINATION, December 12, 2001

Faculty-Wide Program

**APS234 - ENTREPRENEURSHIP AND SMALL BUSINESS**

Examiner: J.C. Paradi

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

There are 10 questions 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, as applicable, and therefore do not require verbose text.

## 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 past 3 months of 2001.
- a) Give the name of the 5 political parties at the Federal level and their leaders.
  - b) Which political party leader had submitted his resignation recently?
  - c) What caused the current financial crisis for the world's airline industry?
  - d) Give the Prime Lending Rate of the Chartered Banks during the past week or so.
  - e) An American tourist bought a souvenir, priced at \$14.25 at the CN Tower but she had only U.S. dollars. She gave the cashier a US \$10 bill, how much Canadian change did she get back?
  - f) Name the Finance Minister of Ontario
  - g) Name the Canadian airline that has filed for bankruptcy recently.
- (10) 2. (a) What is the most important part of the Business Plan? And Why? **(marks 3)**
- (b) The Business Plan is used in many ways, but the most often mentioned reason to write one is raising funds. Astute folks review the BP before they give it to potential investors, during this review you should think of what questions investors may want to ask. Give 5 questions an astute Investor might ask after reading the BP and explain them in one or two sentences. **(marks 5)**
- (c) How long should a BP be? What do you consider the least important part be? Explain in no more than two sentences. **(marks 2)**
- (10) 3. (a) Give three ways of entering a market. Provide 2 examples of each method. **(marks 3 x 3)**
- (b) What did Mark Twain say about business Ethics? **(marks 1)**
- (10) 4. What are the advantages and disadvantages of owning a small business? Give 5 examples of each.

- (10) 5. (a) What are the sources of equity financing for a small business? Also give the sources of equity that are not likely to be open to the small business owner. **(marks 6)**
- (b) One of the way to finance a business, at least partially, is to lease buildings, equipment, etc. Explain how this works. **(marks 4)**
- (10) 6. (a). List the different types of Retail Stores and give three examples for each type. **(marks 4)**
- (b). Calculate the Gross margin for gloves if the following situation exists **(marks 3)**:
- Cost: \$8.50  
Initial Markup: 150%  
Retail Reduction: 20% (off ticket price)
- (c) Illustrate what discounting means when it is on the sales price or on the cost price. You are a retailer and you mark up by 100%. **(Marks 3)**
- (10) 7. List the 5 stakeholders in the business in their order of importance in a business and explain what they get out of the business and why they are in that order.
- (10) 8. Canada has an unenviable record of being last in R&D spending in Group of 8 Countries. Give 5 problems this causes for our industry and explain in a sentence or two what we can do about it.
- (10) 9. (a) When does copyright NOT apply? **(marks 4)**
- (b) Explain what we mean by "Branch Office Syndrome" and what can be done about it. **(marks 3)**
- (c) List 6 sources of innovation in business. **(marks 3)**
- (10) 10. It is said that buying an existing business is not for the young entrepreneur. Yet in the lecture it was said that there are advantages in purchasing a business. The last page of this exam paper lists the 15 advantages. There is room on the sheet for you to write your answer to each as to why the young entrepreneur may have a difficulty realizing the advantage. Tear the sheet off and include it in the answer book. (Don't forget your name and student ID!)

**This list is to be detached from the examination paper and handed in with your answer book!**

Student Name: \_\_\_\_\_

Student No: \_\_\_\_\_

**Advantages of purchasing an existing business:**

1. Prior successful operation of a business increases your chances of success with the same business.
2. Prior successful operation provides the location of the business previously selected and in use.
3. If the business has been profitable or is headed toward profit, you will be profitable sooner than if you start up your own business.
4. The amount of planning that may be necessary for an ongoing business will probably be less than that for a new business.
5. There will be established customers or clientele.
6. You will already have established suppliers and will not have to look for them.
7. You may already have inventory on hand and will not lose the time necessary for selecting, ordering and waiting for the order to arrive before you can make your first sales.
8. Necessary equipment is probably already on hand.
9. Financing will be necessary for the single transaction of purchasing the business.
10. You may be able to buy the business at a bargain price.
11. You will acquire the benefit of the experience of the prior owner.
12. Much of the hard work of start-up is avoided, including finding the location, purchasing the equipment, and so forth.
13. If employees are on board, they are probably already experienced in the business.
14. You may be able to finance all or part of the purchase price through a note to the owner.