



**THE UNIVERSITY OF THE WEST INDIES
CAVE HILL**

EXAMINATIONS OF APRIL/MAY 2013.

CODE AND NAME OF COURSE: MGMT3090 – ENTREPRENEURIAL FINANCE

DATE AND TIME: _____

DURATION: 2 HOURS

INSTRUCTIONS TO CANDIDATES: This paper has 3 pages and 6 questions.

This paper has two sections.

Answer all questions in Section A and three (3) questions from Section B.

Section A

Question 1

**Mom & Pop Inc
2012 Income Statement**

Sales	\$33,500
COGS	\$18,970
Depreciation	\$ 1,980
EBIT	\$12,550
Interest paid	\$ 486
Taxable Income	\$12,064
Taxes (35%)	\$ 4,222
Net Income	<u>\$ 7,842</u>

Dividends	\$4,000
Addition to Retained Earnings	\$3,842

TURN OVER

Mom & Pop Inc
2011 and 2012 Balance Sheet

	2011	2012
Assets		
Current Assets		
Cash	\$ 815	\$ 906
A/R	\$ 2,405	\$ 2,510
Inventory	\$ 4,608	\$ 4,906
total currnt assets	<u>\$ 7,828</u>	<u>\$ 8,322</u>
Fixed Assets		
Net plant and equipment	\$ 15,164	\$ 19,167
Total Assets	<u>\$ 22,992</u>	<u>\$ 27,489</u>
	2011	2012
Liabilities and Owner's Equity		
Current Liabilities		
A/P	\$ 983	\$ 1,292
Notes Payable	\$ 720	\$ 840
Other	\$ 105	\$ 188
Total Current Liabilities	<u>\$ 1,808</u>	<u>\$ 2,320</u>
Long-Term debt	<u>\$ 4,817</u>	<u>\$ 4,960</u>
Owners' Equity		
Common stock	\$ 10,000	\$ 10,000
Retained Earnings	\$ 6,367	\$ 10,209
Total Owners' Equity	<u>\$ 16,367</u>	<u>\$ 20,209</u>
Total Liabilities and Owner's Equity	<u>\$ 22,992</u>	<u>\$ 27,489</u>

Find the following financial ratios for Mom & Pop Inc. (use year-end figures rather than average values where appropriate)

- a. Calculate the current ratio. (3 marks)
- b. Calculate the quick ratio. (3 marks)
- c. Calculate the total asset turnover. (3 marks)
- d. Calculate the debt to equity ratio. (3 marks)
- e. Calculate the return on assets. (3 marks)
- f. Calculate the return on equity. (3 marks)
- g. Compare the company's performance to the industry based on industry averages. (12 marks)

TURN OVER

Industry Average Ratios

Current Ratio	1.43
Quick Ratio	0.38
Total Asset Turnover	0.85
Debt to Equity Ratio	1.08
Return on Assets	10.53%
Return on Equity	16.54%

Question 2

Explain how the book value on an accounting balance sheet can be different from market values. Give examples to support your arguments. (10 marks)

Section B

*Answer three (3) of the four (4) questions in Section B.
Each question is worth 20 Marks.*

Question 3

What are the characteristics of an entrepreneur that give them the courage to start their own business? And do you think it's ok to create a business based on a gap in the market even if you're not necessarily passionate about the product? Give plausible arguments to support your views. (20 marks)

Question 4

What would be the five most important pieces of advice you would give to someone planning to set up their own company? Explain. (20 marks)

Question 5

I live in the Caribbean but am thinking of starting a business in a developing country like Brazil or China, do you think this is a wise move or is it best to invest and take risks in a developed country? Give arguments to support your answer. (20 marks)

Question 6

I am confident in my ideas, but am concerned about accessing sufficient start-up capital on reasonable terms. Short of going on "Dragon's Den" or the "Shark Tank", advise this individual of the different types of financing that they can access, and give the benefits of each one? (20 marks)

END OF QUESTION PAPER