

## Subjective Questions

### Question #01

**How should the entrepreneur take the interview from employees? (3M) (Page 96)**

The interviewer should ask all of his or her questions at the beginning of the interview. It allows the interviewer to evaluate the candidate's behavior. It avoids talking too much and not listening. Upon completion of the interview, the firm should be sure to check all of the candidate's references.

### Question # 02

**Which type of loans the bank will issue if entrepreneur has creditworthy customers. (3) (Page 83)**

Types of bank Loans

- 1- Accounts Receivable Loans
- 2- Inventory Loan
- 3- Equipment Loans
- 4- Real Estate Loans

Bank Loan of Creditworthy Clients

Accounts Receivable Loans

This type of loan is provided to entrepreneur on good basis and better past records especially if the client base is creditworthy.

- 1- On this type of loan bank can finance 80% of the value.
- 2- If receivable is not collectable ten factor bears the loss not the business.
- 3- Factoring cost is more than the securing cost.

**Question # 03**

**It is said that advertising agencies are meant for the promotional tools. Why do you think that it is a correct statement? (5) Page 102**

Advertising agencies can provide many promotional services. The advertising agency is an independent business organization composed of creative and business people who develop, prepare, and place advertising in media for its customers. The agency can provide assistance in marketing research. It is important to determine whether the agency can fulfill all of the needs of the new venture. A checklist of items that the entrepreneur may consider in evaluating an agency is useful. The agency should support the marketing program and assist the entrepreneur in getting the product effectively launched.

**Question # 04**

**Loan application is called mini business plan, comment on this statement? (3M) Page 85**

The loan application format is generally a "mini" business plan.

- a. This provides the loan officer with information on the creditworthiness of the individual and the ability of the venture to repay the loan.
- b. Presenting a positive business image and following procedure are important in obtaining the funds.

**Question # 05**

**What is Small Business Administration Loans? In what circumstances they are used by entrepreneurs? ( Marks: 5 ) Page 85, 86**

When an entrepreneur is unable to secure a regular commercial bank loan, an alternative is a Small Business Administration (SBA) Guaranty Loan.

The SBA guarantees that 80% of the loan will be repaid to the bank by the SBA if the company can't pay.

Both long and short-term loans can be guaranteed by the SBA.

1. A maximum loan period of 15 years on existing buildings and 20 years on new construction can be obtained.

2. For inventory, equipment, or working capital, a maximum of 10 years is available, although five years is the usual.

3. Once the application has been filled out, it usually is processed within 15 days.

For most SBA loans, there is no limit to the amount of loan money requested, but there is practical limit of \$1 million.

1. The size limits of a small business vary from industry to industry.
2. The proceeds of the loans can be used for almost any business purpose.
3. The interest rates are negotiated between the entrepreneur and the bank, but there are subject to SBA maximums.

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**Question # 06**

**In which ways the law is flexible for S Type Corporation? (5M) Page 72**

The new law provides more flexibility with regard to:

- a. Number of shareholders.
- b. Who can be allowed to own shares?
- c. The role of trusts as stockholders.
- d. The ability of S corporations to own more than 90 percent of stock of another corporation.
- e. Distribution of profits.
- f. Issuance of different classes of stock.
- g. Rules affecting the tax basis of incurred losses.

**Question # 07**

**How the costs and profits may be managed by entrepreneur? Keeping in view the importance of interim income statement (5 marks). Page 99**

An interim income statement helps to compare the actual with the budgeted amount for that period. The most effective use of the interim income statement is to establish cost standards and compare the actual with the budgeted amount for that time period. Costs are budgeted based on percentages of net sales. These percentages can be compared with actual percentages to see where tighter cost controls may be necessary. This lets the entrepreneur manage and control costs before it is too late.

**Question # 08**

**Give a list of financial institutes that provides finance for developing of business and industry in Pakistan ( 3 marks ) Page 92, 93**

In order to meet this financing requirement, a number of institutions have been formed. These are:

Small Business Finance Corporation (SBFC).

Youth Investment Promotion Scheme (YIPS).

Regional Development Finance Corporation (RDFC).

Industrial Development Bank of Pakistan (IDBP).

**Question # 09**

**How can entrepreneur motivate and lead his team (3 marks) Page 96**

The entrepreneur will usually be a role model for any other employees.

It is important that the founder assume the role of leader to the management team and employees.

Communication with managers and employees is one of the most important leadership qualities.

**Question # 10**

**When SSIC was established? Define its objectives and functions (5 marks) Page 91**

Sindh Small Industries Corporation (SSIC): SSIC was established in 1972 having motives to indulge into promotional activities of small-scale industries in Sindh. The objectives of SSIC include financial assistance, education of craftsman, census and survey of cottage and small industries, procurement and distribution of raw materials to artisans and craftsman. SSIC was also involved in the Prime Minister's self-employment scheme for the dispersal of the micro credits.

**Question # 11**

**How much managerial control entrepreneur has in various major forms of business ventures ( 5 marks ) Page 70, 71**

The entrepreneur will want to retain as much control as possible over the business. In the proprietorship, the entrepreneur has the most control and flexibility in making business decisions. • In a partnership the majority usually rules unless the partnership agreement states otherwise. • In a limited partnership the limited partners have no control over business decision. Control of day-to-day business is in the hands of management. • Major long-term decisions may require a vote of the major stockholders. • As the corporation increases in size, the separation of management and control is probable. Stockholders can indirectly affect the operation by electing someone to the board of director

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**Question #12**

**Role of NGOs (3 marks) Page 94**

The NGOs are working on socio-economic sector in the development of SMEs. They are privately owned organization registered under the social welfare act. They normally work through grants, aids or donation based finances. They are having a very constructive role in the SME development. The special property of this sector is gender development. They at some places tried to replicate Grameen banks model.

**Question # 13**

**A joint venture is a good option in making alliance. What factors contribute in the success of a joint venture? Page 103**

One critical factor for success is the accurate assessment of the parties involved and how best to manage the new entity. A second factor involves the symmetry between the partners. Another factor is that the expectations about the results of the joint venture must be reasonable. The final factor is the timing. A joint venture should be considered as one of many options for supplementing the resources of the firm

**Question # 14**

**Enlist few disadvantages of acquisitions. Page 105**

- Marginal success record Most ventures for sale have an erratic, or even unprofitable, record. It is important to review the records and meet important constituents to assess the future potential.
- Overconfidence in ability Even though the entrepreneur brings new ideas, the venture may never be successful for reasons not possible to resolve
- Key employee loss Often when a business changes hands key employees also leave. In a service business, it is difficult to separate the actual service from the person who performs it. Incentives can sometimes be used to assure that key employees will remain with the business. Overvalued If the entrepreneur has to pay too much for a business, the return on investment will not be acceptable. The entrepreneur will need to establish a reasonable payback to justify the investment

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**Question #15**

**Suppose you are working in ABC Company as Marketing Manager. Your company wants to launch a new venture in the Service based business. What steps your marketing plan will include? Page 65 & 66**

- Step 1: Defining the Business Situation
- Step 2: Defining Target Market/Opportunities and Threats
- Step 3: Considering Strengths and Weaknesses
- Step 4: Establishing Goals and Objectives
- Step 5: Defining Marketing Strategy and Action Programs
- Step 6: Coordination of the Planning Process
- Step 7: Designing responsibility for implementation
- Step 8: Budgeting the Marketing Strategy
- Step 9: Implementation of the Marketing Plan
- Step 10: Monitoring Progress of Marketing Actions

**Question #16**

**What is asset based financing? How can it help the entrepreneur to start his business? Page 81**

**Debt financing** involves an interest-bearing instrument, usually a loan, the payment of which is only indirectly related to sales and profits.

- a. Debt financing (also called asset-based financing) requires some asset be used as collateral.
- b. The entrepreneur has to pay back the amount of funds borrowed plus a fee, expressed in terms of interest.
- c. Short-term money is used to provide working capital.
- d. Long term debt (lasting more than a year) is frequently used to purchase some asset, with part of the value of the asset being used as collateral.
- e. Debt has the advantage of letting the entrepreneur retain a large ownership position and have greater return on equity.
- f. If the debt is too great payments become difficult to make and growth is inhibited.

**Question #17**

**List down the most effective sources for recruiting employees at entry level and senior management level in a venture.**

Most Effective Source to hire Entry Level Employee

- 1- Local Newspaper
- 2- Reference from Friends
- 3- Internet advertisement
- 4- Recruiter Agencies

Most Effective Source to hire Senior Management Level Employee

- 1- Reference from Friends
- 2- Business Associates
- 3- Agencies
- 4- Networking with different employees
- 5- Networking with different companies

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**Discuss Small Business Innovation Research Grant Program along with its various phases. Page 88**

The agencies publish solicitation describing the areas of research they will fund.

- Submission of the application by a company.
- Each agency screens the proposals it receives, and those passing are appraised by experts.
- Awards are granted to those projects that have the best potential for commercialization.
- Any patent rights, research data, and software generated are owned by the company, not the government. Z

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**Question #19**

**What does inventory turnover mean? How is it measured? Page 100**

Inventory turnover measures the efficiency of the venture in managing and selling its inventory. A high turnover is a positive sign, signifying the venture is able to sell its inventory quickly.

Inventory turnover:  $\text{Cost of goods sold} / \text{Inventory}$

**Question #20**

**Discuss the functions of Small Industries Development Board (SIDB) NWFP (P # 92)**

The SIDP was established in 1972. SIDB is playing a promotional role to support and help out the development of small and cottage industry in the province. It is an independent body, focusing on manpower training, model projects and industrial infrastructure.



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**How can an entrepreneur enhance the motivation in the employees, list down any five motivational factors?**

Following are five of some factors:

**Sincere empathy:** Be genuine and understanding toward the people who were let go and for the added responsibilities for those who remain. Ask individuals how they feel about the events that occurred. The key here is to allow them to vent their thoughts and emotions. This is the appropriate forum in which to do it, not behind your back, spreading rumours and ill will.

**Be genial:** Sincerely thank everyone for trying to understand the difficult steps you have taken and for their attention, concern and willingness to put forth additional effort to get through these difficult times.

**Leadership available:** Explain that you and other management-level people will be available to discuss job questions, uncertainties and performance, gearing your comments to how to overcome obstacles in the way of success.

**Positive action:** Discuss how the difficult short-term steps will positively affect the future. With the changes you have made, you look forward to brighter, more secure prospects. When business improves, hopefully you will be able to rehire some of the terminated employees. Again, encourage them to share their feelings and try to empathize with them

**Recognition:** Look for ways to increase employee motivation by recognizing excellence in the workplace. Ring a bell every time an individual or team hits the production target. Put up posters with the photographs of team members who have had the most days without accidents. Give out awards for attendance records. Just do something. It is so inexpensive, yet highly effective in your efforts of employee motivation.

### Question #22

**Suppose you want to calculate the net worth of your business. What kind of statement will you use in order to calculate the net profit? Also discuss its key feature. Page # 79**

Owners Equity. 1. This amount represents the excess of all assets over all liabilities. 2. Owners equity represents the net worth of the business. 3. Any

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profit from the business will also be included in the net worth as retained earnings.

**Question #23**

**Entrepreneurial thought differ from management thoughts 5 marks .(page 15)**

Entrepreneurial thought differ from management thoughts in these five business ways Risk taking: Entrepreneur takes any risk to achieve its desire goals while the manager did not take any step which contains a little risk factor.

Commitment to opportunity: The entrepreneur is pressured by the need for action and has a short time span in terms of opportunity commitment. While the managers is slow to act on an opportunity.

Commitment of resources:. An Entrepreneur is used to having resources committed periodic intervals. Often based on certain tasks or objectives being reached. While the manager committed to resources for the total amount needed.

Control of resources: Manager is rewarded by effective resource administration and has a drive to own or accumulates as many resources as possible. An Entrepreneur work under pressure of limited resources.

Managerial Structure: Managers work in a formalized and structured way. While an Entrepreneur work in informal networks.

**Question #24**

**Acquisitions differ 4m joint venture 3 marks**

An acquisition is the purchase of a company or a part of it in such a way that the acquired company is completely absorbed and no longer exists. Acquisitions can provide an excellent way to grow a business and enter new markets.

While in the Joint ventures two firms get together and form a third company in which they share the equity. In join ventures companies did not completely absorbed.

**Question #25**

Why small and medium enterprises suits in Pakistani environment? Discuss reasons

**Question #26**

**Discuss Small Business Innovation Research Grant Program along with its various phases. 5 marks Page 88**

The Small Business Innovation Research (SBIR) grant program helps entrepreneurs obtain federal grant money to develop an innovative idea. The SBIR grant program has three phases. Phase I awards are up to \$50,000 for six months of feasibility-related experimental or theoretical research. Phase II is the principal R&D effort. Phase II awards are up to \$500,000 for 24 months of further research and development. The money is to be used to develop prototype products. In Phase III funds from other sources, such as the private sector or regular government contracts, are needed to commercialize the developed technologies.

**Question #27**

**Why small and medium enterprises suits in Pakistani environment? Discuss reasons. . 5 marks Page 44**

The Internet is especially important for small and medium-sized companies as it lets them minimize marketing costs while reaching broader markets. An entrepreneur starting an Internet commerce venture needs to address many of the same strategic and tactical questions as other companies plus some specific online issues. One decision is whether to run the Internet operations within the company or outsource these operations. If handled in-house, expensive equipment and software have to be maintained. There are numerous possibilities for outsourcing the Internet business. The two major components of Internet commerce are front-end and back- end operations. • Front-end operations are encompassed in the website's functionality, such as search capabilities, shopping cart, and secure payment. Back-end operations involve integrating customer orders with distribution channels and manufacturing capabilities

**Question No: 28**

**Discuss the role of Directorate of Industries (Balochistan) in development of small industries. (Marks: 3)Page 92**

The directorate of industries was formed in 1976 and it looks after all the promotional schemes for SMEs. Further more, the directorate is also involved in providing various kinds of advisory and consultancy services.

**Question No: 29** <http://www.vustudents.net>

**Trade Shows are one of the important feature of promotion of the new venture. Do you think that every entrepreneur should go for this tool? (Marks: 3) Page 102**

Every industry has a trade or professional association that sponsors annual trade shows. Although creating a booth can be very expensive, trade shows are where hundreds of thousands of people observe or identify trends in their industry. There is strong evidence to indicate that the cost per sale from a trade show is significantly less than the cost per sale from a personal sales call.

**Question No: 30**

**Suppose you want to start a new venture. Through how many ways you are able to get capital, keeping in view the different form of business entities? ( Marks: 5 )**

**Question No: 31**

**What management problems may arise from a rapid growth of a new venture? How these problems can be coped? ( Marks: 5 ) Page 101**

Rapid growth may result in management problems. Before rapid growth occurs, the new venture is usually operating with a small staff and limited budget. Rapid growth may also dilute the leadership abilities of the entrepreneur. The entrepreneur's unwillingness to delegate responsibility can lead to delays in decision-making. The entrepreneur can avoid these problems through

preparation and sensitivity. It may be necessary to limit the venture's growth if the future financial well being of the venture means a more controlled growth rate. The limits to the growth of any venture will depend on the availability of a market, capital, and management talent. Too rapid growth can stretch these limits and lead to serious financial problems.

**Question No: 32** <http://www.vustudents.net>

**What is the educational and skill level of entrepreneurs in Pakistan? ( Marks: 3 )**

Most of the female entrepreneurs in the study had a high school education.

- education level/high school 82.8%
- education level/university (Bachelor) 52.7%
- education level/university (Master) 15.2%

**Question No: 33**

**Why it is recommended that entrepreneurs should write cheques weekly?  
Why should the canceled cheques be kept and maintained by the entrepreneurs?  
( Marks: 5 )**

It is good business practice for the entrepreneur to use checks as payment for all expenses in order to maintain records for tax purposes. Canceled checks provide proof of payment.

**Question No: 34**

**"Industrialization is a key to success in the prosperity of a country". Support this statement. ( Marks: 10 )**

This statement is true. Because we see China is the most powerful economy in the world just because of Industrialization. In china many small industry are present due to which china capture the whole world market. Therefore China has trillion of reserve in their banks. From last 5-10 years, India has gone very much

ahead of Pakistan, just because of this. India change his progressive plan and strong and build new industry by giving support to their people.

Therefore if Pakistan needs to grow more, we should realize it and build more and more industry.

**Question No: 35**

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**Do you believe that in our society women are not encouraged to take part in the process of entrepreneurship? Discuss in detail with reference to current prevailing situation in Pakistan. ( Marks: 10 )**

It is right that in our society women are not encouraged to take part in the process of entrepreneurship. Because of cultural and male oriented society, women are not encouraged. In fact both genders in any society constitutes of about half of population, and in Pakistan too. Both genders are taking part in labor force and in education, in fact women are ahead in education than man.

Women entrepreneurship is called as new concept in our market. And many male business men are tending to remain women in labor force rather than a businesswoman. The business environment for women in Pakistan is complex because of social, cultural, traditional elements. And women entrepreneur have to face more problems and hindrance as financially, economically, culturally and legally.

But now the situation is changing and Pakistani women are more entering in entrepreneurship now days. Now women are in more than 70 percent of all business and now own more than 8.5 million small businesses. There is an increase of about 45% from 1990s. Concepts of starting the business in both genders are same like strong interest, passion, experience etc.

Pakistan government is also interested to give experience to women in different fields which give them confidence for their own business.

Pakistani women is now engaged I different business areas like, textile, fashion designing, handicrafts, clothes boutiques etc. Women are involved in many small businesses.

The Government of Pakistan is doing well for women in our society and the contribution they can make towards economic development. As we know that woman as entrepreneur opened their own chamber of commerce. The woman bank is now present and many women are entering into this field.

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**Question No: 36**

**What are the different reasons that lead to the failure of some business plans?**  
(5M) Page #60

A poorly prepared business plan can be blamed on:

- Goals set by the entrepreneurs that are unreasonable.
- Goals those are not measurable. To be successful
- Goals should be specific.
- They should also be measurable and should be monitored over time.

The entrepreneur who has not made a total commitment to the business will not be able to meet the venture's demands of the venture. Investors will not be positive about a venture that does not have full-time commitment. Investors will typically expect the entrepreneur to make significant financial commitment to the business. Lack of experience will result in failure unless the entrepreneur can gain knowledge or team up with someone. The entrepreneur should also document customer needs before preparing the plan

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**Question No: 37**

**Suppose you are hired by an entrepreneur who is not capable of assessing the need of financial plan. How would you suggest him the basic characteristics of good financial plan? ( Marks: 10 ) Page 75**

- A. The financial plan provides a complete picture of:
1. How much and when the funds are coming into the organization.
  2. Where the funds are going.
  3. How much cash is available?
  4. The projected financial position of the firm.
- B. The financial plan provides the short-term basis for budgeting and helps prevent a common problem-lack of cash.
- C. The financial plan must explain how the entrepreneur will meet all financial obligations and maintain its liquidity.
- D. In general, the financial plan will need three years of projected financial data for outside investors.

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**Question No: 38**

**When and why the Punjab Small Industries Corporation (PSIC) was established? How it is helpful in promoting small industries? ( Marks: 10 )**  
**Page 91**

Punjab Small Industries Corporation (PSIC)

In the province of Punjab PSIC was established in 1972 as an autonomous body for the promotion and development of the small-scale industries in the province. The PSIC covers the critical areas of investment promotion and provision of credits for setting up new industries and modernization of the existing ones. It also promotes the common facility center, technology transfer, guidance, handicrafts development and design facilities.

Industrial Estates

PSIC has developed 14 industrial estates in various areas of the Punjab. The costs of land within these industrial states have been subsidized to allow the development of the small-scale sector.

**Question No: 39**

**Why a business plan is valuable to the entrepreneur, potential investor or even new personnel? (Marks: 5)**

A business plan is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture. It addresses both short- and long-term decision making.

The business plan is valuable to the entrepreneur and investors because:

1. It helps determine the viability of the venture in a designated market.
2. It gives guidance in organizing planning activities.
3. It serves as an important tool in obtaining financing. Potential investors are very particular about what should be included in the plan. The process of developing a business plan also provides a self-assessment of the entrepreneur. This self-evaluation requires the entrepreneur to think through obstacles that might prevent the venture's success. It also allows the entrepreneur to plan ways to avoid such obstacles.



**Question No: 40**

**Suppose you are working on your Automobile business. After a year you want to know the financial position of your business. In this context what ratios you will use to find out the actual running of your business? (Marks: 10)**

To know the financial position and actual running of the business i will measure financial ratios of this company. Some financial ratios i will measure are as follows.

**Liquidity Ratios** Current ratio is commonly used to measure the short-term solvency of the venture or its ability to meet its short-term debts. The current liabilities must be covered from cash or its equivalent. The formula is:

Current ratio =  $\frac{\text{current assets}}{\text{current liabilities}}$

While a ratio of 2:1 is generally considered favorable the entrepreneur should also compare this ratio with industry standards.

**Acid test ratio** is a more rigorous test of the short-term liquidity of the venture.

It eliminates inventory, which is the least liquid current asset. The formula is:

Acid test =  $\frac{\text{current assets} - \text{inventory}}{\text{current liabilities}}$

Usually a 1:1 ratio would be considered favorable.

**Activity Ratios** Average collection period indicates the average number of days it takes to convert accounts receivable into cash. This ratio helps gauge the liquidity of accounts receivable or the ability of the venture to collect from its customers. The formula:

Average collection =  $\frac{\text{accounts receivable}}{\text{period average daily sales}}$

This result needs to be compared to industry standards.

**Inventory turnover** measures the efficiency of the venture in managing and selling its inventory. A high turnover is a favorable sign indicating the venture is able to sell its inventory quickly.

Inventory turnover =  $\frac{\text{cost of goods sold}}{\text{inventory}}$

**Debt ratio** helps the entrepreneur assess the firm's ability to meet all its obligations. It is also a measure of risk because debt also consists of a fixed commitment. The calculation:

Debt ratio =  $\frac{\text{total liabilities}}{\text{total assets}}$

**Debt to equity ratio** assesses the firm's capital structure. It provides a measure of risk by considering the funds invested by creditors and investors. The higher the

percentage of debt, the greater the degree of risk to any of the creditors the calculation:

Debt to = total liabilities

equity ratio stockholder's equity

Profitability Ratios Net profit margin represents the venture's ability to translate sales into profits. You can also use gross profit as another measure of profitability. It is important to know what is reasonable in the particular industry as well as to measure these ratios over time. The calculation:

Net profit = net profit

margin net sales

Return on investment measures the ability of the venture to manage its total investment in assets. By substituting stockholders' equity for assets, you can also calculate a return on equity.

The calculation:

Return on = net profit

investment total assets

The result of this calculation will also need to be compared to industry data. As the firm grows it will be important to use these ratios in conjunction with all other financial statements to provide an understanding of how the firm is performing

#### **Question No: 41**

**Suppose you have started a new venture of non profit organization. While organizing the structure of your "Emergency Team", which will participate in disaster relief activities, what factors you will consider? (Marks: 10)**

#### **Question No: 42**

**It is said that a marketing plan always carries with itself the advantages for your business plan. It is true but, being the student of MBA will you perceive that the marketing plan carries some disadvantages with itself too? Also discuss some advantages of marketing plan. (Marks: 10)**

No. Marketing plan has no disadvantages carries on itself. It has following strategic advantages.

Sales force automation system will create competitive edge. Some examples are given below.

**Increased Productivity:**

Productivity will be increased due to efficiently and effectively used time by staff members as well as sales manager. This increased productivity can create competitive advantage in following three ways;

1-It can reduce cost

2-It can increase sales revenue

3-It can increase market share

**Quick Information Transfer:**

Sales staff working in fields can send information more frequently to the management rather after one week. This will provide management with current information which they will be able to use efficiently. Response time between management and staffs will greatly reduced. In this way company will become more alert and vigilance.

**Increased Customer satisfaction:**

This system will increase customer satisfaction provided there are used wisely. If the information which is obtained from this system is used in such a way that it exceeds the or match the customer expectations .and the staff uses this system to serve their customers more expertly and diligently then customer satisfaction can be increased. This will also provide a competitive advantage as high customer satisfaction leads to high customer loyalty and reduce customer acquisition costs and also reduce price elasticity of demand which is consequently increase profit margin.

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