



COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

NEIC504: ENTREPRENEURIAL FINANCE

END OF SECOND SEMESTER EXAMINATION

APRIL 2023

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DURATION: 3 HOURS

INSTRUCTIONS

You are required to answer questions as instructed

Answer **all** questions

Start **each** question on a new page in your answer booklet

Credit will be awarded for logical, systematic and neat presentations

QUESTION ONE

Describe how entrepreneurs can use the following in formulating financial strategies for their business venture.

- a) Product life cycle (10 marks)
- b) Boston Consulting group (BCG) Matrix (15 marks)

QUESTION TWO

Entrepreneurs need to balance cash requirements for operations and those for capital projects. Given that the cash flows for each of the projects at hand are shown in the following table. The firm has a 16% cost of capital.

	Project A	Project B	Project C
Initial investment (CF ₀)	\$40 000	\$40 000	\$40 000
Year(t)	Cash inflows (CF _t)		
1	\$13 000	\$7 000	\$19 00
2	\$13 000	\$10 000	\$16 000
3	\$13 000	\$13 000	\$13 000
4	\$13 000	\$16 000	\$10 000
5	\$13 000	\$19 000	\$7 000

- a) Calculate each project's payback period. Which project is preferred according to this method? (4 marks)
- b) Calculate each project's net present value (NPV). (15 marks)
- c) Comment on your findings in parts **a** and **b** and recommend the best project. Explain your recommendation. (3 marks)
- d) Explain any three ways that entrepreneurs can use to manage their cashflows. (3 marks)

QUESTION THREE

You have heard about beyond budgeting approach at a seminar you recently attended, and you want to implement it in your organisation which has been using traditional budgeting. Explain beyond budgeting to your accounting personnel and justify its adoption. (25 marks)

QUESTION FOUR

Entrepreneurial ventures require funding that could be out of reach to most entrepreneurs. However, there are other means of raising the needed start-up capital as well as sustaining the growth of the business. Outline an investment pitch to raise funding for your business venture. (25 marks)

END OF EXAMINATION

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