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| <b>Subject Area:</b>     | <b>Management of Business</b>              |
| <b>Level:</b>            | <b>CAPE</b>                                |
| <b>Curriculum Topic:</b> | <b>Module Test</b>                         |
|                          | <b>Unit 2      Module 3 Objectives 1-6</b> |

**Key Teaching Points:**

- (1) The Nature and Characteristics of Entrepreneurship**
- (2) Business and Economic Systems**
- (3) Preparation of a Business Plan for a Small Business**
- (4) Size and Growth of Business**
- (5) Types and nature of assistance available to small firms**
- (6) Preparation of a Business Plan for a Small Business**

**Answer the following questions. (Suggested time 1hr)**

**Section 1 – Multiple Choice**

1. CARICOM has been encouraging an entrepreneurial spirit as integral to the “Ideal Caribbean citizen” as entrepreneurship ultimately leads to
  - (a) increased imports
  - (b) higher foreign exchange rates
  - (c) increased national income
  - (d) unemployment
2. All of the following are sources of funds for small businesses EXCEPT
  - (a) Commercial banks
  - (b) Central bank
  - (c) Finance houses
  - (d) Credit unions
3. Chris has invented a machine that uses the sun’s rays to fully power an assembly line to cut vegetables into various sizes. Which of the following will allow Chris the best protection of his invention?
  - (a) Trademark
  - (b) Patent
  - (c) Copyright
  - (d) Trade Secret
4. Which of the following can be categorized as entrepreneurial activity
  - (a) Opening a traditional supermarket
  - (b) Securing a franchise for a fast food chain
  - (c) Buying shares in a major corporation
  - (d) Using a novel mobile cart to sell fruits and vegetables door to door
5. Entrepreneurs prepare a business plan so that
  - (a) the objectives of the business and how they will be achieved will be identified
  - (b) the profitability of the business will be known
  - (c) stakeholders of the business will be named
  - (d) the exact details of operation will be described
6. Darrion is a general manager in TVB Enterprises. He innovates and uses the resources of the company to develop new products that are extremely profitable for the firm. Darrion may be described as a/an
  - (a) Social entrepreneur
  - (b) Intrapreneur
  - (c) Entrepreneur
  - (d) Genius

7. In the electricity company, the manager awaits directives from the Minister in order to proceed with operations. The employees are very demotivated as everyone works for a pre-determined salary that covers basic needs. All decisions are determined by the government.

The economic system that this business most likely functions in is

- (a) Free enterprise
  - (b) Mixed
  - (c) Planned
  - (d) Subsistence
8. The criteria used for measuring the size and growth of businesses includes all of the following EXCEPT
- (a) Output
  - (b) Labour force
  - (c) Market equilibrium
  - (d) Capital structure
9. Which of the following is a challenge faced by small businesses?
- (a) Demotivation of employees
  - (b) Lack of innovation
  - (c) Trade union bargaining
  - (d) Sourcing capital
10. Types of assistance offered to small businesses include
- (a) financial, technical, educational
  - (b) financial, transformational, educational
  - (c) formational, technical, training
  - (d) formational, technical, marketing
11. Which of the following documents do Commercial banks require from entrepreneurs seeking a loan?
- (a) Shareholders' Certificate
  - (b) Business Plan
  - (c) Articles of Incorporation
  - (d) Entrepreneur registration certificate
12. In order to determine if their product will be demanded entrepreneurs engage in
- (a) Market research
  - (b) Marketing
  - (c) Forecasting
  - (d) Selling

## Section 2 – Structured Response

Trevor is very excited about his new business. He needs \$25 000 more before he can be fully operational so he decides to approach the local bank for a loan. The commercial bank asks Trevor to view his business plan.

a) Define the term “business plan”.

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b) Discuss three reasons why Trevor should have a “Business Plan”.

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c) Explain four major sections of the Business plan to guide Trevor in its preparation.

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## Answer Key

### Section 1

1. C
2. B
3. B
4. D
5. A
6. B
7. C
8. C
9. D
10. A
11. B
12. A

### Section 2

- a) A business plan is a written, formal account of the intended goals of a business and how those goals will be achieved. It is a requirement of financial institutions when businesses are sourcing funds.
- b) Required by financial institutions when seeking financing.  
Documents the goals, method of operations and all aspects of business so that actual operation can be compared to plan to see if targets were achieved.  
To compare business with others that exist to determine best way to compete successfully.  
For any potential investors so they can see if they will receive a return.
- c) Executive Summary - This is the first section of the Business Plan and allows the reader to get an overview of the entire plan with the expectation that further details will follow.

Business Description - This section outlines

- a. the name, address and contact information of owner
- b. the name of the business
- c. the type of business (sole-trader, partnership, limited-liability company)
- d. location
- e. type of industry
- f. whether it is a new or established business
- g. fulfilment of legal requirements (Memorandum of Association, Articles of Association, registration with relevant Ministries etc.)
- h. plans for commencement of business with timelines.
- i. the means by which business will be conducted (online, retail outlet, call orders etc.)

Business Environment Analysis

- a. Target market - the customers that the business plans to attract
- b. Customer needs – the specifications that a customer is hoping for in a product

- c. Location – the best place to situate the business you want to establish

#### Industry background

- a. Gives an indication of how similar firms have been performing
- b. Makes a case for why this business is necessary based on research data on the industry
- c. Reflects on changes in the environment and how this business can be positioned

#### Competitor Analysis

Looks at the number of producers of similar products

Analyses the market share captured by competitors and the potential available to this business

Makes a case for why this business is necessary or will be profitable

#### Market Analysis

- a. Customer needs – clearly identifies who the customers will be and what are their expectations
- b. Where they are – shows the geographic area and demographics that will be targeted
- c. How to reach them – marketing media

#### Marketing Plan

Pricing strategy – how the price to the consumer will be arrived at

Promotion strategy – how the product will be marketed to maximize profits

Distribution strategy – how the product will reach the customer

#### Operations Plan

Cost of production – identifying all the costs involved in production

Machinery – clearly outlining the machines, equipment necessary for production

#### Managerial Summary

Management personnel – Formulating an organisational chart that shows how the business will be managed

Staffing – Formulating an organisational chart that shows all employees necessary to operate the business, reporting relationships, span of control, chain of command.

#### Financial Plan

Profit and loss cash flows – forecast statement of comprehensive income (trading and profit and loss accounts), forecast statement of financial position (balance sheet), forecast cash flow statement

Break-even analysis – minimum amount of money that can be made to keep business afloat

Source of funds – sources of capital funds

Business ratios – liquidity and profitability ratios

Assumptions – any assumptions being made about finances. For example, a loss is anticipated in first year of operations but profits will be realised from second year.