

OLLSCOIL NA hÉIREANN, GAILLIMH  
THE NATIONAL UNIVERSITY OF IRELAND, GALWAY

SUMMER EXAMINATIONS 2001

**Master's Degree in Rural Development  
Second Year Examination**

**FIRST PAPER (MG540)  
Enterprise Management and Development**

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**Time allowed: TWO hours.  
THREE questions to be answered.**

1. Managing the development phase can be as important as managing the post-start-up phase of a business. Discuss.
2. Imagine an entrepreneur has approached you for advice on a business idea with a view to start-up. Counsel him/ her with risk minimisation in mind.
3. Office Supplies Ltd. is a wholesale supplier of stationery. In recent months the company has experienced liquidity problems. The company has an overdraft at the end of November 2000 and the bank has been pressing for a reduction in this overdraft over the next six months. The company is owned by the Lalor family who are unwilling to raise finance through long term borrowing.

The following information is available for the company on 30<sup>th</sup> November 2000:

Trade Debtors	£120,000
Trade Creditors	£145,000
Dividends due within one year	£20,000
Bank Overdraft	£126,000

The following forecasts for the six months ending 31<sup>st</sup> May 2001 are available concerning the business:

- (i) Sales and purchases for the six months ended 31<sup>st</sup> May 2001 will be as follows:

	Sales	Purchases
	£000	£000
December	160	150
January	220	140
February	240	170
March	150	110
April	160	120
May	200	160

- (ii) 70% of sales are on credit and 30% are cash sales. Credit sales are received in the following month. All purchases are on one month's credit.
- (iii) Wages are £40,000 for each of the first three months. However, this will increase by 10% as from March 2001. All wages are paid in the month in which they are incurred.
- (iv) Administration expenses are expected to be £12,000 in each of the first four months and £14,000 in subsequent months. These include a monthly charge of £4,000 in respect of depreciation of fixed assets. Administration expenses are paid in the month they are incurred.
- (v) Selling expenses are expected to be worth £8,000 per month except for May 2001 when an advertising campaign costing an additional £12,000 will be paid for. Selling expenses are paid in the month they are incurred.
- (vi) The dividend outstanding will be paid in December 2000.
- (vii) The company intends to purchase, and pay for, new fixtures and fittings at the end of April 2001 for £28, 000

Prepare a cashflow forecast for Lalor Ltd. for each of the six months to 31 May, 2001.

*Or*

- Q.3b Comment on the three main sources of finance and give examples of each.
- Q.4 Distinguish between primary and secondary research. Outline examples of both and situations where each would be employed at the feasibility stage of enterprise development.
- Q.5 (a) Outline and discuss the key issues a promoter of a new enterprise should include in a business plan.  
(b) What information will the banks assess in detail, when evaluating a business plan.