

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

---

**Introduction to Business 1999-2000**  
**M.Sc. Biotechnology, M.Sc. Biomedical Science,**  
**H.Dip. Applied Science, H.Dip. Microbiology, M.A. Community Development.**

---

**SECTION A: MANAGEMENT**

**Professor P. Willman**

**Mr. M. Moroney**

**Mr. J. Cunningham**

**SECTION B: MARKETING**

**Professor J. Lynch**

**Professor J. J. Ward**

**Ms. A. M. Torres**

**SECTION C: ACCOUNTING**

**Professor R.W. Scapens**

**Professor. S. Collins**

**Ms. E. Curtis**

- 
- |                       |  |
|-----------------------|--|
| <b>TIME ALLOWED:</b>  | <b>Three and one-half hours.</b>   |
| <b>PLEASE ANSWER:</b> | <b>TWO questions from SECTION A</b><br><b>TWO questions from SECTION B</b><br><b>ONE question from SECTION C</b> |
| <b>ASSESSMENT:</b>    | <b>The <u>total</u> marks for each section is equal.</b>   |
| <b>DIRECTIONS:</b>    | <b>Use a <u>separate</u> Answer Book for each section.</b>   |
-

**SECTION A**  
**MANAGEMENT**

**Candidates are required to answer TWO questions from this section.**

**Please answer in a separate answer book.**

1. Outline the background characteristics of entrepreneurs and discuss how entrepreneurship is different from management.
2. What do you understand by the terms, 'marketplace' and 'marketspace' and discuss the benefits for a small business of utilising the marketspace?
3. Apply Porter's value chain analysis to an industry that you are familiar with and discuss the usefulness of this analytical technique in preparing a business plan.
4. Discuss the factors influencing entrepreneurship in an Irish context and outline the reasons why an integrated approach is necessary for community enterprise development.

## SECTION B

### MARKETING

Candidates are required to answer Two questions from this section.

**Please answer in a separate answer book.**

1. Define marketing. Discuss how needs and wants differ. Comment on whether the marketer can "create" either, or both of these desires.
2. Identify the steps in market segmentation, targeting and positioning. What are the main benefits to segmenting a market. Are there times when segmentation does not make sense?
3. What is promotion? Identify the elements or tools of the "promotion mix". Select one of these elements and discuss its advantages and disadvantages in communicating with target markets. Offer examples to illustrate your discussion.
4. Price as an element of the marketing mix is unique in several aspects. What are some of these aspects? What factors influence the way in which pricing decisions are made?

## SECTION C

## ACCOUNTING

Candidates are required to answer ONE question from this section.

Please answer in a separate answer book.

**Question 1**

The following Trial Balance was extracted from the ledger of J. J. Delany at 31 March 1999:

	<u>Dr</u>	<u>Cr</u>
Trade Debtors	18,400	
Bad Debts	350	
Trade Creditors		24,700
Furniture and Fittings		
at cost	26,500	
aggregate depreciation		15,900
Motor Vehicles		
at cost	48,000	
aggregate depreciation		19,200
Purchases	58,600	
Sales		105,000
Stock at 1 April 1998	17,900	
Bank	5,600	
Capital at 1 April 1998		20,750
Bank loan		20,000
Insurance	1,050	
Electricity	1,950	
Rent and Rates	6,800	
Telephone	2,400	
Interest expense	2,100	
Wages and Salaries	15,900	
	<u>205,550</u>	<u>205,550</u>

**Additional Information:**

1. Stock at 31 March 1999 amounted to £18,400.
2. Bad debts of £600 have been identified and should be written off. A provision for bad debts of 2% of outstanding trade debtors should be created.

*[Question 1 continues on the next page...]*

*...Question 1 continued from previous page]*

3. Depreciation is charged on furniture and fittings at the rate of 10% per annum and on motor vehicles at the rate of 20% per annum.
4. At 31 March 1999, telephone bills had been received and paid up to 31 January 1999. J.J. Delany expects that the bill for February and March will amount to approximately £225. Electricity has been paid up to 28 February 1999 and it is estimated that £100 is due for March 1999.
5. Included in the insurance expense is an amount of £750, which was paid in respect of motor insurance cover from 1 December 1998 to 1 December 1999.
6. During the year J.J. Delany withdrew £650 worth of stock for his own personal use.

**Required**

- a) Prepare the trading profit and loss account of J.J. Delany for the year ended 31 March 1999 and the balance sheet as at that date.  
(70 marks)
- b) Explain the purpose of a provision for bad debts and outline ways that a company might estimate the required provision for bad debts.  
(14 marks)
- c) Briefly explain the meaning of the following fundamental accounting concepts
  - Accruals concept (also known as the matching principle)
  - Going concern concept
  - Consistency concept
  - Prudence concept

(16 marks)

**Total marks: 100**

**PTO**

## Question 2

John Moss has decided to set up a workshop to provide employment to individuals with varying degrees of physical and mental disability, commencing on 1 January 2000. The workshop will provide a monthly collection service to households in the Galway area for various types of recyclable waste including glass, paper and textiles. This service will cost householders £2 per month, which will be collected at the same time as the waste. The waste will then be sorted and packaged at the workshop and sold on to major recycling plants.

The project will initially employ 5 disabled individuals, a driver and John as workshop manager. John has estimated the following for the first months of service:

	Number of households expected to avail of the service	Estimate of waste to be collected
January	500 households	40 tons
February	600 households	48 tons
March	750 households	60 tons
April	900 households	72 tons

John expects that 10% of the waste collected will prove to be useless, and the remainder will be sorted and sold on to recycling companies at £30 per ton. He also anticipates that the recycling companies will pay for the waste on average 30% in the month of sale and 70% in the month following sale.

John will have to purchase packaging at a cost of £3 per ton and wishes to maintain a stock of packaging on hand sufficient to wrap 50% of next months expected output. Payment will be made for packaging 1 month after purchase.

The following fixed assets will have to be purchased in January:

Conveyor belt	Second hand one available for £4,000
Packaging machine	Second hand one available for £2,500
Van	Second hand 1995 van available for £7,000

Údaras na Gaeltachta have agreed to provide a grant of £10,000 towards the purchase of this equipment. John expects to receive this in February.

Disabled workers will be paid £750 each per month and FÁS have agreed to pay £320 per month towards the cost of each disabled worker. The disabled workers will be paid each month, however FÁS will send cheques in respect of disabled workers three months in arrears - John expects to receive the cheque for the period January - March during the last week of March. The van driver will be paid £1,000 per month and John will be paid £1,000 per month also.

*[Question 2 continues on the next page...]*

*...Question 2 continued from previous page]*

John has estimated that other expenses will be as follows:

- Rent and rates on premises to be provided by Galway Enterprise Board at reduced cost of £200 per month.
- Light, heat and electricity £150 per month.
- Telephone £50 per month.
- Stationery and postage £50.
- Petrol expenses £175.

John now needs to prepare a cash budget in order to assess the need to raise additional funding for his project.

**Required**

- a) Prepare a cash budget for John Moss's new business for the first three months of operation and in total for the first quarter. (Note: you may round the figures in the cash budget to the nearest pound if necessary)

**(70 marks)**

- b) Assuming a depreciation rate on fixed assets of 20% per annum, calculate the following balances which would be included in John's projected balance sheet at 31 March:

- Fixed Assets
- Stock
- Trade Debtors
- Trade Creditors

**(16 marks)**

- c) Outline some of the factors, which affect the decision, as to what levels of stocks of raw materials and finished goods should be held by a business.

**(14 marks)**

**Total marks: 100**