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UNIVERSITY OF RUHUNA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration Degree Programme 2000 Level

Semester II Examination (March 2022)

Academic Year 2020/2021

ENT 22213 – Entrepreneurial Finance

Duration: Three hours

The Question paper contains six (06) questions.

Answer only five (05) questions.

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Question No. 01

ABC (Pvt) Ltd is a venture that operates in Southern province of Sri Lanka. The actual sales amount for the month of February 2022 is Rs.300,000.

*Additional Details:*

- Projected sales figures for the next four months are as follows,

Month	Sales (Rs.)
March	200,000
April	250,000
May	220,000
June	320,000

- ABC (Pvt) Ltd' sales are 60% cash and 40% on accounts receivable collected in the following month.

- Inventory policy of ABC (Pvt) Ltd is to begin a month with sufficient inventory to cover 60% of the sales for the month and Rs.60,000 cushion. Previous inventory balances have conformed to the current policy, and sales forecasts have been accurate. The cost of goods sold amounts to 70% of sales.
- Purchases disbursements: 70% of purchase at the month of purchase and the rest in the following month.
- Fixed projected monthly wages are projected to at Rs. 6,000 and commissions amounting to 20% of the current month's sales.
- Wage and commission disbursements: 50% of last month's wage and commission expenses and 50% of the current month's expenses.

**You are required to;**

Prepare the following for ABC (Pvt) Ltd',

- I. Sales Schedule for March to May 2022\* (04 Marks)
- II. Purchase Schedule for March to May 2022 (06 Marks)
- III. Wages Schedule for March to May 2022 (04 Marks)

**(Total 14 Marks)**

**Question No. 02**

The statements of financial position as at 31<sup>st</sup> March 2021 and 31<sup>st</sup> March 2020 and the statement of comprehensive income for the year ended 31<sup>st</sup> March 2021 of XYZ Company Ltd. are given below.

XYZ Company Ltd  
Statement of Profit or Loss & Other Comprehensive Income  
for the year ended 31<sup>st</sup> March 2021

	31.03.2021 (Rs.)	31.03.2020 (Rs.)
Sales	217,500.00	300,000.00
(-) Cost of sales	165,000.00	180,000.00
Gross Profit	52,500.00	120,000.00
Other Income	3,000.00	4,000.00
	55,500.00	124,000.00
(-) Expenses		
Distribution Cost	6,375.00	26,000.00
Administration expense	21,000.00	24,500.00
Other expenses	3,225.00	47,000.00
Interest (Finance cost)	1,000.00	2,500.00
Profit before tax	23,900.00	24,000.00
(-)Tax expenses	8,900.00	10,000.00
Profit for the period	15,000.00	14,000.00

XYZ Company Ltd  
Statements of Financial Position

	31.03.2021	31.03.2020
<b>Non – current assets</b>		
Property plant and equipment	134,700.00	135,000.00
<b>Current assets</b>		
Inventory	8,700.00	9,300.00
Trade receivables	13,300.00	15,750.00
Pre – paid expenses	2,700.00	4,500.00
Cash and cash equivalents	2,000.00	4,200.00
	<b>161,400.00</b>	<b>168,750.00</b>
Ordinary share capital (Rs. 10 per share)	94,800.00	92,100.00
General reserve	9,000.00	7,000.00
Retained earnings	5,950.00	24,400.00
<b>Non- current liabilities</b>		
Bank loan	9,500.00	22,000.00
<b>Current liabilities</b>		
Trade payables	9,375.00	18,445.00
Accrued expenses	2,775.00	4,805.00
	<b>161,400.00</b>	<b>168,750.00</b>

Using the above information, you are required to, Calculate the following ratios of the XYZ Ltd. for the year ended 31<sup>st</sup> March 2021

- I. Current (working capital) Ratio
- II. Acid-test (Quick) ratio
- III. Gross profit margin
- IV. Net profit margin
- V. Stock turnover ratio
- VI. Debt to total assets ratio
- VII. Debt to equity ratio

(2 Marks for each)

(Total 14 Marks)

**Question No. 03**

- I. "A well-written business plan is an important tool, because it gives entrepreneurs and small business owners, as well as their employees the ability to lay out their goals".

Briefly explain the importance of a business plan.

(06 marks)

- II. "A financial manager is a person who takes care of all important financial functions of an organization".

Explain the key roles of a financial manager with illustrations.

(08 marks)

**(Total 14 Marks)**

**Question No. 04**

- I. "Most new ventures need to raise money during their early life."

Explain why new ventures need finance especially during the early part of the life cycle.

(06 marks)

- II. "Finding finance is crucial for most businesses and it's important to make the right choice".

Explain the sources of raising finance for a new venture.

(08 marks)

**(Total 14 Marks)**

**Question No. 05**

- I. Explain two types of harvesting strategies for a venture.

(06 marks)

- II. "Understanding business cycles is essential to success".

Explain the stages of venture life cycle.

(08 marks)

**(Total 14 Marks)**

**Question No. 06**

Write short notes on followings

- I. Importance of ratio analysis
- II. Crowd funding
- III. Types of business plans
- IV. Role of entrepreneurial finance

(3.5 Marks for each)

**(Total 14 Marks)**

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