



UNIVERSITY OF RUHUNA
FACULTY OF MANAGEMENT AND FINANCE

No. of Pages : 05
No. of Questions: 06
Total Marks : 70

077

ENT 22213 - Entrepreneurial Finance

Academic Year 2021/2022

BACHELOR OF BUSINESS ADMINISTRATION HONOURS DEGREE

Three Hours

2000 LEVEL SECOND SEMESTER END EXAMINATION - FEBRUARY/MARCH 2023

Instructions

- Answer only five (05) questions.

Question No. 01

Green (Pvt) Ltd is a venture that operates in the Southern province of Sri Lanka. The actual sales amount for the month of January 2023 is Rs 250,000.

Additional Details:

- Following details are the projected sales figures for the next four months of 2023:

Month	Sales (Rs.)
February	200,000
March	300,000
April	250,000
May	350,000

- 70% of sales at Green (Pvt) Ltd are in cash and 30% are on accounts receivable collected in the following month.
- The inventory policy of Green (Pvt) Ltd is to begin a month with sufficient inventory to cover 75% of the cost of goods sold for the month plus a Rs.50,000 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: 60% of purchase at the month of purchase and the rest in the following month.
- Fixed monthly wages and commissions are projected to be Rs. 4,500. Green (Pvt) Ltd also pays commissions of 25% of the current month's sales.
- Wage and commission disbursements: 70% of last month's wages and commission expenses and 30% of the current month's expenses.

You are required to prepare the following for Green (Pvt) Ltd,

- I. Sales schedule for February 2023 to April 2023. (04 Marks)
 - II. Purchase schedule for February 2023 to April 2023. (06 Marks)
 - III. Wages schedule for February 2023 to April 2023. (04 Marks)
- (Total Marks 14)**

Question No. 02

The statements of financial position as at 31st March 2022, and the statement of comprehensive income for the year ended 31st March 2022 of Stanford (Pvt) Ltd. are given below.

Stanford (Pvt) Ltd
Statement of Profit or Loss & Other Comprehensive Income
for the year ended 31st March 2022

	* 31.03.2022 (Rs.)
Sales	250,000.00
(-) Cost of sales	145,000.00
Gross Profit	105,000.00
Other Income	6,000.00
	111,000.00
(-) Expenses	
Distribution Cost	25,000.00
Administration expense	35,000.00
Other expenses	14,000.00
Interest (Finance cost)	2,000.00
Profit before tax	35,000.00
(-)Tax expenses	9,500.00
Profit for the period	25,500.00

Stanford (Pvt) Ltd
Statements of Financial Position

	31.03.2022 (Rs.)
Non – current assets	
Property plant and equipment	140,000.00
Current assets	
Inventory	7,000.00
Trade receivables	15,000.00
Cash and cash equivalents	9,000.00
	171,000.00
Ordinary share capital (Rs. 10 per share)	100,000.00
General reserve	10,000.00
Retained earnings	30,000.00
Non- current liabilities	
Bank loan	10,000.00
Current liabilities	
Trade payables	15,000.00
Accrued expenses	6,000.00
	171,000.00



Using the above information, you are required to Calculate the following ratios of the Stanford (Pvt) Ltd for the year ended 31st March 2022.

- I. Current (working capital) Ratio
- II. Acid-Test (Quick) Ratio
- III. Gross profit margin
- IV. Net profit margin
- V. Days' Sales in Inventory Ratio
- VI. Debt to Total Assets Ratio
- VII. Debt to Equity Ratio

(2 Marks for each)

(Total Marks 14)

Question No. 03

- I. "Entrepreneurial finance is the process of making financial decisions for new ventures".
Explain the role of Entrepreneurial Finance in the success of a business.
(06 marks)
- II. A business plan helps the company to develop a "road map" to follow in executing its strategies and plans. For most new ventures, the business plan is a dual-purpose document.
Discuss the importance of a business plan for a firm's employees and investors.
(08 marks)
- (Total Marks 14)**

Question No. 04

- I. When running a business, understanding business cycles is essential to success.
Explain the stages of the venture life cycle.
(06 marks)
- II. "A financial environment is a part of an economy with the major players being firms, investors, and markets". **Financial manager** is one of the key components of a financial environment.
Explain the role a financial manager plays when investing a firm's funds to take advantage of potential opportunities.
(08 marks)
- (Total Marks 14)**

Question No. 05

- I. "Harvesting is the process of exiting a privately held business venture to unlock the owners' investment value."
Write down four types of harvesting strategies and provide two advantages and disadvantages for each strategy.
(06 marks)
- II. Finding finance is crucial for most businesses, and it's important to make the right choice. Few businesses have the funds to develop without external support.
Explain the sources available for raising funds for a new venture.
(08 marks)
- (Total Marks 14)**

Question No. 06

Write short notes on the following.

- I. Types of business plans
- II. Importance of ratio analysis
- III. Business angels
- IV. Bootstrapping method

(3.5 marks for each)

(Total Marks 14)

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