



UNIVERSITY OF RUHUNA

FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration Degree Programme 2000 Level Semester II

Examination (Feb/March 2021)

Academic Year 2019/2020

ENT 22213 - Entrepreneurial Finance

Duration: Three hours

The Question Paper contains Six (6) questions.

Answer Five (05) questions only.

Question No. 01

- I. "Entrepreneurial finance is the process of making financial decisions for new ventures".

Discuss the role of Entrepreneurial Finance.

(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 in financial environment.

Explain the roles expected to be played by a Financial Manager with illustrations.

(08 marks)

(Total 14 Marks)

Question No. 02

- I. "Most new ventures need to raise money during their early life." Explain why the new ventures need finance especially during the early part of the life cycle.

(06 marks)

- II. Explain the stages of Venture life cycle.

(08 marks)

(Total 14 Marks)

Question No. 03

- I. "A business plan is a written narrative, typically 25 to 35 pages long, that describes what a new business intends to accomplish and how it intends to accomplish it. For most new ventures, the business plan is a dual-purpose document".

- a) What do you mean the dual-purpose document?
b) Briefly explain the importance of a business plan for firm's employees and investors.

(06 marks)

- II. Saman is 45 years old and runs a guesthouse and a restaurant in Negombo. Now he is in the process of starting a restaurant for international guests in Hikkaduwa area. He needs investment capital, but doesn't know much about the sources of finance.

You are required to advice Saman, regarding the suitable forms of funding for his new venture?

(08 marks)

(Total 14 Marks)

Question No. 04

SIC (Pvt) Ltd is a venture that operates in Matara district in Sri Lanka. The venture plans to sell commodities. The actual sales amount for the month of January 2021 is Rs 260,000.

Additional Details:

- Following details are the projected sales figures for the next four months,

Month	Sales (Rs.)
February	200,000
March	210,000
April	190,000
May	195,000

- SICs' sales are 60% on cash and 40% on accounts receivable collected in the following month.
- Inventory policy of SIC is to begin a month with sufficient inventory to cover 60% of the sales for the month plus a Rs.55,000 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 and commissions are projected to at Rs. 7,000. SIC also pays commissions amounting to 20% of the current month's sales.
- Wage and commission disbursements: 40% of last month's wage and commission expenses and 60% of the current month's expenses.

You are required to;

Prepare the following for SIC (Pvt) Ltd,

- a) Sales schedule for February to April 2021 (04 Marks)
- b) Purchase schedule for February to April 2021 (06 Marks)
- c) Wages schedule for February to April 2021 (04 Marks)

(Total 14 Marks)

Question No. 05

- I. Effective planning and financial management are the keys for running a financially successful small business. Ratio analysis is critical for helping you understand financial statements.

Explain the importance of Ratio Analysis.

(06 marks)

- II. "Harvesting is a process of exiting the privately held business venture to unlock the owners' investment value"

Write down four types of Harvesting Strategies and provide at least two advantages and disadvantages for each strategy.

(08 marks)

(Total 14 Marks)

Question No. 06

Write short note on the following.

- I. Contemporary issues in Entrepreneurial Finance
- II. Bootstrapping method
- III. Financial Intermediaries
- IV. Types of Business Plans

(3.5 marks x 04)

(Total 14 Marks)
