



PG – 920

II Semester M.B.A. Degree Examination, July 2016

(CBCS)

MANAGEMENT

2.3 : Entrepreneurship and Ethics

Time : 3 Hours

Max. Marks : 70

SECTION – A

(5×5=25)

Answer **any five** of the following questions. **Each** question carries **five** marks.

1. Briefly explain the types of entrepreneurs.
2. What are the challenges of new venture start-ups ?
3. Discuss the steps involved in subjecting a business idea to a feasibility analysis.
4. What factors should an entrepreneur consider before choosing a form of ownership ?
5. Write a brief note on 'Social Entrepreneurship'.
6. What is code of conduct and how useful is it in promoting ethical behaviour ?
7. How can entrepreneurs develop a position of ethical leadership in business today ?

SECTION – B

(3×10=30)

Answer **any three** questions. **Each** question carries **ten** marks.

8. Discuss the importance and characteristics of entrepreneurs.
9. Explain the sources of finance for new venture.
10. Discuss the arguments for and against business ethics.
11. Describe the elements of a solid Business plan.

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## SECTION – C

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12. Case study : **Compulsory :****A Question of Incorporation :**

The Harlow family opened its first motel in 1982. Initially, business was slow. It took almost 11 months to break even and three years for the Harlows to feel that the operation was going to be a success. They stuck with it and by 1987 they were able to increase the size of the motel from 28 to 50 rooms. They expanded again in 1989, this time to 100 rooms. In each case, the motel's occupancy rate was so high that the Harlows had to turn people away during the months of April to September and the occupancy rate was 85 percent during the other months. By industry standards, their business was one of the most successful motels in the country.

As they entered the 1990s, Harold and Becky Harlow decided that, rather than expanding, they would be better off buying another motel, perhaps in a nearby locale. They chose to hire someone to run their current operation and spend most of their time at the new location until they had it running properly. In 1992, they made their purchase. Like their first motel, the second location was an overwhelming success within a few years. From then on, the Harlows bought a number of new motels. By 1999, they had seven motels with an average of 100 rooms per unit.

During all of this time, Becky and Harold kept their own financial records, bringing in a certified public accountant only once a year to close the books and prepare their income tax returns. Last week the new accountant asked them how long they intended to keep running seven motels. The Harlows told him that they enjoyed the operation and hoped to keep at it for another ten years, when they planned to sell out and retire.

Harold admitted that trying to keep all of the motels going at the same time was difficult but noted that he had some excellent managers working for him. The accountant asked him whether he would consider incorporating. "If you incorporate," he said, "You could sell stock and use the money to buy more motels. Additionally, you could keep some of the stock for yourself so you could maintain control of the operation, sell some for expansion purposes and sell the



rest to raise some money you can put aside in a savings account or some conservative investment. That way, if things go bad, you still will have a nest egg built up.” The accountant also explained to Harold and Becky that, as a partnership, they are currently responsible for all business debts. With a corporation, they would have limited liability; that is, if the corporation failed, the creditors could not sue them for their personal assets. In this way, their assets would be protected, so the money Harold would get for selling the stock would be safely tucked away.

The Harlows admitted that they had never really considered another form of organization. They always assumed that a partnership was the best form for them. Now they are willing to examine the benefits of a corporation and they will go ahead and incorporate their business if this approach promises them greater advantages.

**Questions :**

- 1) What are the advantages and disadvantages of a partnership ?
- 2) Contrast the advantages and disadvantages of a partnership with those of a corporation.
- 3) Provide your opinion on whether the Harlows should incorporate.
- 4) Would the LLC option be of value to them ? Explain.