

**UNIVERSITY OF KWAZULU NATAL
SCHOOL OF ENGINEERING**

Subject module and code: **ENGINEERING BUSINESS : ENEL4EB H2**

October 2013 Examination

Duration: 120 minutes

Total marks: 120

Examiner: Mr D Engelbrecht

External Examiner: Mr B Harrison

Instructions:

- 1. This examination comprises two sections: an essay question in Section A and sixty multiple choice questions in Section B.**
- 2. It is recommended that you devote your time equally to the two sections.**
- 3. Answer Section A in the answer book provided and Section B on the MCQ answer sheet template. Use a soft pencil to mark your choices on the MCQ answer sheet.**

SECTION A

60 marks

BACKGROUND READING

You have, as part of your assessment this semester, undertaken an evaluation of the use by government of tenders as a means of procuring goods and services. Your assignment investigated the role of the professional engineer and the breakdown of the procurement process. Your background reading may perhaps have unearthed the fact that procurement reforms in government started in 1995 and were directed at two broad focus areas, namely the promotion of principles of good governance and the introduction of a preference system to address certain socioeconomic objectives. The procurement reform processes were supported by the introduction of a number of legislative measures, including the adoption of the Public Finance Management Act (PFMA).

One of the items noted for governance reform included government's procurement and provisioning procedures, noted in a state policy document dated April 2003 as *"overly rule driven"*. The document goes further to suggest that one of the problems with the former government administration's procurement policy is that *"value for money is almost always equated to the lowest price tendered. The emphasis is almost exclusively focused on the monitoring of inputs, with little or no regard to the outcomes of procurement and provisioning processes."*

In fact, the National Treasury's website records that *"the PFMA promotes the objective of good financial management in order to maximise service delivery through the effective and efficient use of the limited resources. The PFMA adopts an approach to financial management that focuses on outputs and responsibilities rather than the rule driven approach of the previous Exchequer Acts. The Act is part of a broader strategy on improving financial management in the public sector."*

In light of this intention to clean up financial administration and achieve scrupulous public procurement, that is particularly unpleasant to discover that *"dodgy service providers working in cahoots with rogue civil servants are swindling the government out of billions of rands"*, as declared by Deputy Public Works Minister Jeremy Cronin in a statement made in parliament on 18th September.

Cronin was briefing a joint meeting of parliament's standing committee on public accounts and the public works portfolio committee on what his ministry was doing to root out corruption in the embattled Department of Public Works.

He said the department had incurred more than R3.6-billion in irregular expenditure over the past four years through the flouting of procurement processes in the leasing of office buildings. Of this total, R1.5-billion is attributable to the 2012-2013 financial year alone.

Cronin said "tenderpreneurs", working in collusion with corrupt officials in the department's prestige unit, had billed the government R200 for the use of a drinking glass each time the government hosted a function at the presidential guesthouse. This meant that the department would fork out R60 000 a night just for the hire of glasses.

However, although 200 allegations of financial misconduct between 2009 and 2013 were investigated, only 89 have been concluded and only 15 have been referred to the Special Investigating Unit and the police.

YOUR QUESTION TASK

You are required to explain the drivers of unethical behaviour and to discuss how, in the presence of governance reform and established procedures for procurement and provisioning, that tender fraud has been able to flourish so disturbingly in a prestigious government department. Conclude your answer by recommending what - in your opinion - is required to correct this disturbing trend.

A suggested length for your answer is about 1,000 words (3 to 4 pages).

SECTION B

60 marks

Answer the following 60 multiple choice questions on the MCQ answer sheet using a soft pencil.

- 1 The plan of action that encompasses the mission, objectives and goals of the company and identifies various alternatives open to the company, and a selection of what appears to be the optimum course or sources of action to achieve these objectives and goals, is known as:
 - a) corporate governance
 - b) corporate control
 - c) corporate greed
 - d) corporate strategy
 - e) none of the above
- 2 Organizations are effective when managers minimize the amount of input resources.
 - a) True
 - b) False
- 3 Organizational performance is a measure of how efficiently and effectively managers use available resources to satisfy customers and achieve organizational goals.
 - a) True
 - b) False
- 4 A measure of the appropriateness of goals selected by managers for the organization and the degree to which the organization achieves these goals is known as the effectiveness of the organization.
 - a) True
 - b) False
- 5 Which one of the following is not a good indicator of how well a company's present strategy is working?
 - a) The company's market share ranking and whether its share is trending up, down, or staying more or less the same
 - b) Whether the company is regarded as a leader in some significant area (technology, product quality, customer service, product innovation and so on) and the firm's image and reputation with customers
 - c) Whether the company's profit margins are increasing or decreasing and how large they are relative to other firms in the industry
 - d) Whether the company's resource strengths and competitive capabilities outnumber its resource weaknesses and competitive vulnerabilities
 - e) Whether the company is achieving its stated financial and strategic objectives and whether the company is an above-average or below-average industry performer
- 6 SWOT analysis:
 - a) consists of three steps: identifying a company's resource strengths and weaknesses and its opportunities and threats, drawing conclusions about the company's overall situation, and translating the conclusions into strategic action to improve the company's strategy.
 - b) provides a quick overview of where on the scale from "alarmingly weak" to "exceptionally strong" the attractiveness of the company's overall business situation ranks.
 - c) helps provide a basis for matching the company's strategy to its internal resource capabilities and its external opportunities and threats.
 - d) helps identify actions for improving the company's strategy.
 - e) All of these.

- 7 A core competence:
- a) holds the potential for being a cornerstone of a company's strategy because it gives a company competitive capability and qualifies as a genuine company strength and resource.
 - b) nearly always resides in the calibre of the company's assets on its balance sheet rather than in its people and in its intellectual capital; furthermore, balance sheet-related core competencies tend to be competitively more valuable than core competencies grounded in intellectual capital.
 - c) is better suited to helping a company defend against external threats than in pursuing external market opportunities.
 - d) is usually tied closely to the calibre of a company's manufacturing capability and/or its proprietary technology and know-how.
 - e) is a more valuable company resource than either a "competence" or a "distinctive competence" but it is not as good a resource strength as a "competitive capability."
- 8 A distinctive competence:
- a) is a more important competitive asset than a core competence.
 - b) represents competitive superiority in performing an activity and thus is a basis for building a competitive advantage over rivals.
 - c) is a competitively important value chain activity that a company performs better than its rivals.
 - d) is a strong candidate for being used as a cornerstone of a company's strategy.
 - e) All of the above.
- 9 Which of the following is not a measure of the competitive power of a company's resource strengths and competitive capabilities?
- a) How hard it is for competitors to copy a particular resource strength or competitive capability of a company
 - b) Whether the company has more resources/capabilities than any other key rival
 - c) Whether the resource or capability is really competitively superior to what rivals have or can do
 - d) How easily the resource or capability can be trumped by the different resources/capabilities of rivals
 - e) Whether the resource or capability is durable and has staying power (in the sense of not losing its value quickly because of new developments)
- 10 The industry or market opportunities that are most relevant to a company and those which its strategy should aim at capturing include
- a) opportunities that are well-suited to the company's competitive capabilities and resource strengths.
 - b) opportunities which the company has the financial resources to pursue.
 - c) opportunities that offer important avenues for growth.
 - d) opportunities where the company has the greatest potential for competitive advantage.
 - e) All of the above.

- 11 A company's value chain:
- a) consists of the activities a company performs in converting its resource weaknesses into resource strengths.
 - b) consists of the collection of activities it performs in the course of designing, producing, marketing, delivering, and supporting its product or service and delivering value to customers-these activities can be grouped into (a) the primary activities that are foremost in creating value for customers and (b) the related support activities that facilitate and enhance the performance of the primary activities.
 - c) consists of the activities a company performs to build a competence and turn it into a strong competitive capability.
 - d) identifies the primary activities and related support activities that a company performs in developing a distinctive competence.
 - e) identifies each and every activity that results in a cost to the company and that, therefore, has to be covered by its price.
- 12 A company's cost competitiveness is largely a function of:
- a) whether it does a good enough job of benchmarking its value chain activities against the value chains of competitors so that it knows exactly how low to drive its costs to be cost-competitive.
 - b) how efficiently it manages its overall value chain activities relative to how efficiently competitors manage theirs.
 - c) whether it does a better job of building its resource strengths more cost effectively than rivals.
 - d) whether it possesses more core competences and competitive capabilities than rivals.
 - e) how closely its internally-performed activities are linked to the activities performed by suppliers and to the activities performed by forward channel allies.
- 13 The options for attacking the high costs of items purchased from suppliers include:
- a) trying to negotiate more favourable prices with suppliers.
 - b) backward vertical integration.
 - c) switching to lower priced substitute inputs.
 - d) working with suppliers on the design and specifications for what is being supplied so as to identify cost savings that will allow them to lower their costs and prices
 - e) All of these.
- 14 One of the most dependable ways for a company to build competitive advantage:
- a) is developing the skills, competencies, and capabilities to perform competitively crucial value chain activities better than competitors.
 - b) is using its resource strengths to insulate itself from the impact of the five competitive forces.
 - c) is improving the caliber of its product or service (because superior products or services are almost impossible to clone or improve upon).
 - d) is moving into the strategic group where profit margins are highest.
 - e) is neutralizing the external threats to a company's well-being and then focusing company resources on the company's single best market opportunity.
- 15 Identifying the strategic issues that company managers need to address:
- a) involves using the results of both industry and competitive analysis and what has been learned from evaluating the company's present strategy, SWOT analysis, and the evaluations of the company's own competitiveness
 - b) entails developing a "worry list" of "how to...", "whether to....", and "what to do about...."
 - c) is an important component of company situation analysis because a good strategy must include actions to deal with all the strategic issues that need to be addressed.
 - d) entails locking in on what challenges the company has to overcome in order to be financially and competitively successful in the years ahead.
 - e) All of the above.

- 16 Which of the following would NOT improve the current ratio?
- a) Borrow short term to finance additional fixed assets.
 - b) Issue long-term debt to buy inventory.
 - c) Sell common stock to reduce current liabilities.
- 17 The gross profit margin is unchanged, but the net profit margin declined over the same period. This could have happened if :
- a) cost of goods sold increased relative to sales.
 - b) sales increased relative to expenses.
 - c) the tax rate increased.
 - d) dividends were decreased.
- 18 Which of the following statements (in general) is correct?
- a) A low receivables turnover is desirable.
 - b) The lower the total debt-to-equity ratio, the lower the financial risk for a firm.
 - c) An increase in net profit margin with no change in sales or assets means a poor ROI.
 - d) The higher the tax rate for a firm, the lower the interest coverage ratio.
- 19 The process of convergence of accounting standards around the world aims to _____.
- a) narrow or remove national accounting differences
 - b) create one set of rules-based accounting standards for all countries
 - c) none of the above
- 20 "Shareholder wealth" in a firm is represented by:
- a) the number of people employed in the firm.
 - b) the book value of the firm's assets less the book value of its liabilities.
 - c) the amount of salary paid to its employees.
 - d) the market price per share of the firm's common stock.
- 21 The long-run objective of financial management is to:
- a) maximize earnings per share.
 - b) maximize the value of the firm's common stock.
 - c) maximize return on investment.
 - d) maximize market share.
- 22 A(n) _____ would be an example of a principal, while a(n) _____ would be an example of an agent.
- a) shareholder; manager
 - b) manager; owner
 - c) accountant; bondholder
 - d) shareholder; bondholder
- 23 The decision function of financial management can be broken down into the _____ decisions.
- a) financing and investment
 - b) investment, financing, and asset management
 - c) financing and dividend
 - d) capital budgeting, cash management, and credit management

- 24 A company's _____ is (are) potentially the most effective instrument of good corporate governance.
- a) common stock shareholders
 - b) board of directors
 - c) top executive officers
- 25 Growth means:
- a) change
 - b) stability
 - c) effectiveness
 - d) efficiency
 - e) reciprocity
- 26 Entrenched companies may have cost advantages not available to potential rivals. This is an example of:
- a) capital requirements
 - b) cost disadvantage independent of size
 - c) economies of scale
 - d) government policy
 - e) profitability gap
- 27 Which of the following financial objectives best relates to a firm's ability to meet its short-term financial obligations?
- a) Liquidity
 - b) Profitability
 - c) Efficiency
 - d) Stability
- 28 Which of the following financial objectives best relates to how productively a firm uses its assets relative to its revenues and its profits?
- a) Liquidity
 - b) Profitability
 - c) Efficiency
 - d) Stability
- 29 _____ is a written report that quantitatively describes a firm's financial health.
- a) A forecast
 - b) A budget
 - c) A business plan
 - d) A financial statement
- 30 Which of the following best characterizes pro forma financial statements?
- a) historical income statements, balance sheets, and statements of cash flows
 - b) comprehensive filings required by the Securities and Exchange Commission
 - c) projections of future periods based on forecasts
 - d) comparisons to industry norms
- 31 Which balance sheet category would a firm's delivery trucks fit into?
- a) owners' equity
 - b) current assets
 - c) fixed assets
 - d) Expenses

- 32 The statement of cash flows shows the activities from which a firm obtains and uses cash and includes the following EXCEPT:
- a) operating activities.
 - b) selling activities.
 - c) investing activities.
 - d) financing activities.
- 33 A company's accounts payable is money owed to it by its customers.
- a) True
 - b) False
- 34 Working Capital is defined as its current assets minus current liabilities.
- a) True
 - b) False
- 35 Publicly traded firms are required by the Internal Revenue Service to prepare financial statements and make them available to the public.
- a) True
 - b) False
- 36 The income statement reflects a firm's results over a period of time.
- a) True
 - b) False
- 37 Which of the following are the three broad groups of consumer segmentation criteria?
- a) Geographic, demographic and behavioural variables
 - b) Behavioural, psychographic and profile variables
 - c) Behavioural, demographic and profile variables
 - d) Psychographic, demographic and behavioural variables
 - e) Psychographic, sociological and geographic variables
- 38 What is the purpose of segmentation?
- a) To identify differences in behaviour that have implications for marketing decisions
 - b) To identify the most profitable consumer segments
 - c) To target segments that are not targeted by competitors
 - d) To target segments which match our product/service attributes
 - e) To target and identify segments which are not catered for at all
- 39 Which of the following is **not** a useful base for segmenting organisational markets?
- a) By industry
 - b) By geographic location
 - c) By individuals within a Decision Making Unit
 - d) By purchasing organisation
 - e) All of the above are useful bases for segmenting organisational markets
- 40 A company who develops a single marketing mix for the whole market and doesn't segment the market uses which of the following marketing strategies?
- a) Niche Marketing
 - b) Differentiated Marketing
 - c) Undifferentiated Marketing
 - d) Customised Marketing
 - e) Focused Marketing

- 41 A differentiated target marketing strategy exploits which of the following?
- a) Exploits the differences between marketing segments
 - b) Exploits the differences between competitors prices
 - c) Exploits the apathy of consumers
 - d) Exploits the new trends, fads and fashion
 - e) Exploits consumer's value consciousness
- 42 Which of the following is a useful tool for determining the position of a brand in the marketplace?
- a) Perceptual map
 - b) Mind map
 - c) Positioning map
 - d) Segmentation map
 - e) Psychographic map
- 43 A market coverage strategy where a company decides to target one market segment with a single marketing mix is known as:
- a) Focused marketing
 - b) Undifferentiated marketing
 - c) Differentiated marketing
 - d) Customised marketing
 - e) None of the above
- 44 Which of the following would not be used to evaluate a positioning statement:
- a) Clarity
 - b) Consistency
 - c) Credibility
 - d) Competitiveness
 - e) All of the above could be used to evaluate a positioning statement
- 45 Psychographic segmentation divides the market by:
- a) Location or region
 - b) Age, gender and family life stage
 - c) Perceptions, beliefs and values
 - d) Lifestyle and personality
 - e) None of the above
- 46 At the centre of any marketing process is:
- a) Target consumers.
 - b) The product.
 - c) The marketing intermediary.
 - d) The price charged for the product.
- 47 The marketing mix consists of the four Ps: product, price, place, and promotion. In the age of connectedness, these tools might be more appropriately named the four Cs: Customer solution, Customer cost, _____, and Communication.
- a) Global considerations.
 - b) Customer relationships.
 - c) Customer control.
 - d) Convenience.

- 48 One of the chief goals of the implementation function in marketing management is to:
- a) Develop marketing plans.
 - b) Develop strategic plans.
 - c) Carry out the plans.
 - d) Take corrective action.
- 49 The step in a formal marketing plan that includes a market description, a product review, a review of competition, and a review of distribution is the:
- a) Objectives and issues.
 - b) Threats and opportunity analysis.
 - c) Marketing strategy.
 - d) Current marketing situation.
- 50 The first step in the marketing control process is best described as being one where the marketer:
- a) Sets goals.
 - b) Takes corrective action.
 - c) Measures performance.
 - d) Evaluates performance.
- 51 The three major criteria managers should look for when selecting employees are physical, mental and _____ capability?
- a) Intellectual
 - b) Emotional
 - c) Psychological
 - d) Physiological
- 52 A system for providing employees with regular feedback on their performance is known as _____?
- a) Empowerment
 - b) Enrichment
 - c) Appraisal
 - d) Enhancement
- 53 Which of the following is not usually associated with a highly motivated workforce?
- a) High quality work output
 - b) High staff turnover
 - c) High work satisfaction
 - d) High staff involvement
- 54 The purpose of the Basic Conditions of Employment Act is to give effect to and regulate the right to fair labour practices conferred by section 23(1) of the Constitution by:
- a) establishing and enforcing basic conditions of employment
 - b) regulating the variation of basic conditions of employment
 - c) to give effect to obligations incurred as a member state of the International Labour Organisation
 - d) all of the above

- 55 The purpose of the Employment Equity Act, 55 of 1998 is to achieve equity in the workplace by :
- a) promoting equal opportunity and fair treatment in employment through the elimination of unfair discrimination
 - b) implementing affirmative action measures to redress the disadvantages in employment experienced by designated groups, to ensure their equitable representation in all occupational categories and levels in the workforce
 - c) to advance the interests of historically disadvantaged individuals
 - d) a) and b)
 - e) a) and c)
- 56 The purpose of the Labour Relations Act is to advance economic development, social justice, labour peace and the democratisation of the workplace by fulfilling the primary objects of this Act, which are:
- a) To give effect and regulate the fundamental rights conferred by section 27 of the Constitution
 - b) To give effect to obligations incurred by the Republic as a member state of the International Labour Organisation To provide a framework within which employees and their trade unions, employers and employers' organisations can collectively bargain to determine matters of mutual interest and formulate industrial policy
 - c) To promote orderly collective bargaining, employee participation in decision-making in the workplace and effective resolution of labour disputes
 - d) all of the above
- 57 The Labour Market Review has sought to review the following legislations:
- a) Basic Conditions Employment Act, Labour Relations Act, Employment Equity Act, Compensation for Occupational Injuries and Diseases Act, Unemployment Insurance Act, Skills Development Act
 - b) Basic Conditions Employment Act, and Labour Relations Act, Employment Equity Act
 - c) Compensation for Occupational Injuries and Diseases Act, Unemployment Insurance Act, Skills Development Act
 - d) Basic Conditions Employment Act, and Labour Relations Act, Unemployment Insurance Act, Skills Development Act
- 58 One of the major challenges in the South African labour market is to overcome barriers due to discrimination based on ethnicity, race or gender
- a) True
 - b) False
- 59 Amendments have been effected to the following Acts to fulfil South Africa's obligations as a member state of the International Labour Organisation
- a) Compensation for Occupational Injuries and Diseases Act, Unemployment Insurance Act, Skills Development Act
 - b) Labour Relations Act , Basic Conditions of Employment Act , Employment Equity Act
 - c) Compensation for Occupational Injuries and Diseases Act, Unemployment Insurance Act, Skills Development Act
 - d) none of the above
- 60 A proposed amendment in the Labour Relations Amendment Bill aims to stop the practice of repeated contracting for short-term periods by placing the onus on employers to justify the use of short-term or fixed term contracts, in place of contracting employees on a permanent basis.
- a) True
 - b) False