

**Business Planning**

Course No. 20624

**Final Exam**

July 17, 2012

The total time for this exam is 60 minutes. The exam consists of three questions. Each question is composed for approximately 20 minutes answering time. Accordingly, each question offers the possibility of obtaining 20 points. The importance of the sub-questions is indicated by the points that you can achieve. The maximum number of points that you can achieve in the exam is 60. Only answers in the predetermined boxes and graphs will be graded. The back sides of each page can be used for auxiliary calculations. It is not allowed to open the binding. Note your name and student identification number in the box below.

Admitted Aids: Non-programmable pocket calculator; dictionary without handwritten notes.

Name:.....	Student identity number:.....
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Q1	Q2	Q3	Total	Grade

**Question 1:**

a) Enter the names of the business-model components in the business-model canvases of Osterwalder & Pigneur (2010) given in problems b) and c) below.

**(4)**

b) Characterize the business model of firms that produce and offer game consoles (e.g., PSP, XBox, Wii) in the business-model canvases below. Illustrate with arrows the interdependencies between individual business-model components.

**(8)**

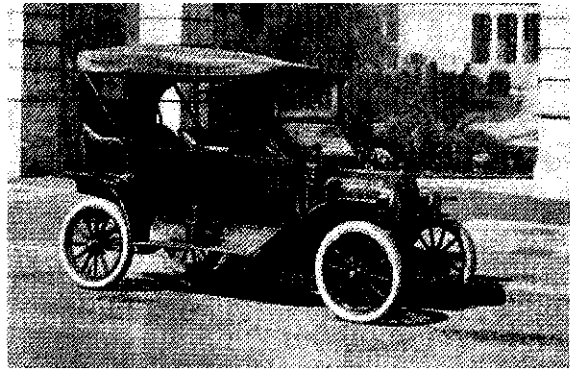


- c) Characterize the bait and hook business model of a firm that produces a patented special laser printer with all its accessories, which handles the marketing, and offers its products to users via general retailers. **(8)**



## Question 2:

The „Model T“ (Tin Lizzie), introduced by the Ford Motor Company, was the highest selling automobile in the world until 1972, when this position was taken by the VW Beetle.



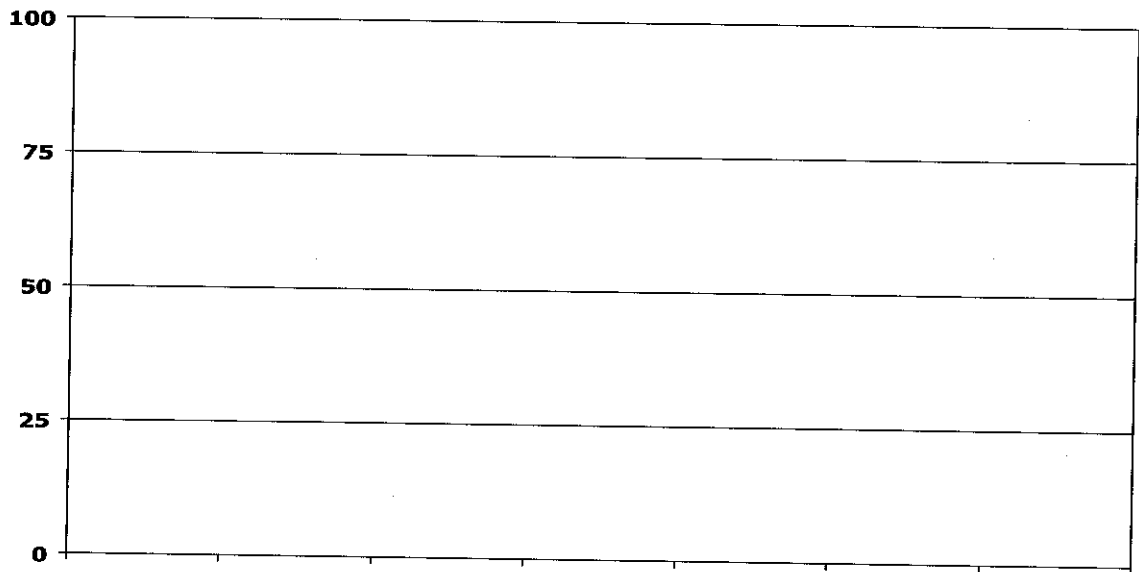
At the end of the 19<sup>th</sup> century, in the automobile industry more than 500 automakers in America competed in turning

out handmade luxury cars that cost around \$1,500 and were enormously unpopular with all but the very rich. At the time, horse-drawn carriages, selling at around \$400, were the primary means of local transportation across America. The carriage had two distinct advantages over cars. Horses could easily negotiate the bumps and mud that stymied cars-especially in rain and snow-on the nation's ubiquitous dirt roads. And horses and carriages were much easier to maintain than the luxurious autos of the time, which frequently broke down, requiring expert repairmen who were expensive and in short supply.

Instead of creating fashionable, customized cars for weekends, Ford built a car that, like the horse-drawn carriage, was for everyday use. The Model T came in just one color, black, and there were few optional extras. It was reliable and durable, designed to travel effortlessly over dirt roads in rain, snow, or sunshine. It had no gearshift, no oil filter, oil pump, or gasoline pump. It was easy to use and to fix. People could learn to drive it in a day. In 1908, the first Model T cost \$850, in 1909, the price dropped to \$609, and by 1924 it was down to \$290.

By keeping the cars highly standardized with limited options and interchangeable parts, Ford was able to scrap the prevailing manufacturing system in which cars were constructed by skilled craftsmen who swarmed around one workstation and built a car piece by piece from start to finish. Ford's revolutionary assembly line, adapted from the meat-packaging industry, replaced craftsmen with unskilled laborers, each of whom worked quickly and efficiently on one small task. This allowed Ford to make a car in just four days - 21 days was the industry norm. By 1923, a majority of American households had a car.

- a) With the help of Kim & Mauborgne's strategy canvas below, show graphically how the Model T was strategically positioned. With which products or product groups can the Model T be strategically compared? Illustrate the contrasts graphically in the canvas. **(10)**



b) Discuss whether or not Ford was able to implement a blue-ocean strategy with its Model T. **(5)**

A large, empty rectangular box provided for the student to write their discussion response to the question about Ford's Model T and blue-ocean strategy.

c) Discuss in which way the assembly line affected Ford's strategy or its business model for the Model T. **(5)**

A large, empty rectangular box with a thin black border, intended for the student to write their answer to the question above. The box is currently blank.

### Question 3:

As chief accounting manager of a cereal producing company you are responsible for the annual financial statement. Therefore you build upon this year's opening balance sheet, which contains important information (in 1,000 €).

<b>Opening Balance Sheet 2012</b>	
Buildings & Properties 240	Owner's Equity 250
Other Fixed Assets 300	Free Reserves 50
Intangible Assets 80	Accounts payable 120
Inventory 30	Wages Payable 40
Accounts Receivable 80	Other current Liabilities 160
Liquid Assets 70	Long term Liabilities 180
<b>Total Assets 800</b>	<b>Equity and Liabilities 800</b>

In 2012 there have been the following accounting transactions:

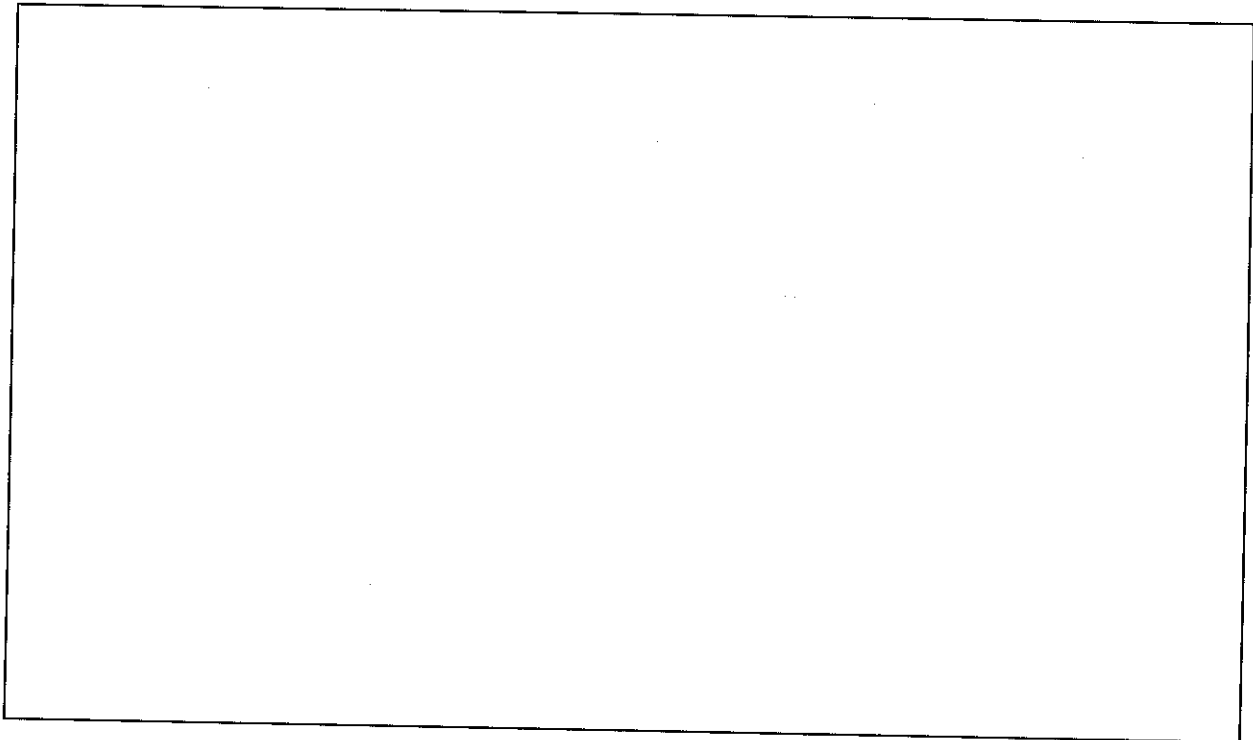
- A new associate has been accepted, investing a machine worth 30,000 €.
- The wages payable (open salary bills) were fully balanced by taking out an additional loan with 10 year duration.
- Our customer has balanced his open bill of 2011 by transferring 20,000 €.
- A production building was depreciated with 30,000 €.
- The interest expenditures exceeded the income from interest by 20,000 €. (paid cash)
- The company has produced 50,000 units in 2012, of which 45,000 units were sold at 10 € each (cash). The rest built up stocks valued with 10€. (Note: The increase in Inventory constitutes an earning)
- The average variable costs of production were 6 € and fixed costs amounted to 70,000 €. All bills were paid immediately with cash.
- The company's tax rate on income is 20% (taxes had to be paid cash). The net income is fully set aside as free reserves (Note: equal treatment of revenues and increase in inventory).





b) Calculate the Cash Flow from operating activities!

**(6P)**



c) The associates are interested in key ratios of 2012 to better supervise the company's development. Determine the current ratio as well as the return on investment and give a short interpretation of the result.

**(6P)**

