

EASTERN UNIVERSITY, SRI LANKA

FACULTY OF COMMERCE AND MANAGEMENT

Second Year /Second Semester Examination in Business Administration/
Commerce-2010/2011 (May/June 2013) (Proper/Repeat)

DED 2013 – Small Business Management

Answer all questions.

Time: 03 Hours

01. Delicious foods

Mr. Nimal and Ms. Niroshini first met in 2005 when they were both Eastern university undergraduates studying Bachelor of Commerce in Enterprise Development Specialization degree program. They found that they shared many interests. On graduation they both became teachers.

One of their shared interests was cooking and eating only naturally grown organic foods. They created several original recipes, which they served in their wedding in 2008.

The wedding menu was so popular with their guests that in 2008 they opened a small restaurant – “**Delicious Foods**” – near the Faculty of Health Care Sciences, Eastern University. It offered mostly take away food and had seating for only fifteen persons. As both of them are teaching, the restaurant was opened only for dinner. Starting with just Rs. 250,000 they were only able to afford second – hand equipments and occasional part – time help.

Within the first six months of operation, however, sales revenues more than doubled; Mr. Nimal left his teaching profession to work full time at the restaurant. They now were opened for both lunch and dinner, and they expanded their take-away service. Mrs Niroshini Nimal kept her teaching profession as insurance in case the new business failed.

The restaurant soon became one of the most popular near the Faculty of Health Care Sciences, Eastern University, capitalizing on the trend toward healthy dieting and non-chemically treated foods.

Repositioning of the Business

In 2010, their cousin, a Business professor at Oxford University, visited them and became impressed with the success of their operation. He spent three months with Mr. Nimal and Mrs. Niroshini Nimal. Together they prepared a business plan to reposition Delicious Foods from a restaurant to a manufacture of organic food products.

The restaurant was sold and the proceeds used to purchase processing and packaging equipments and to rent a manufacturing space.

The business plan included extensive marketing plan, production and technical plan, organization and management plan and financial plan. It was decided to sell the line of food products to distributors only, as the company could only afford a one man sales force – Mr. Nimal.

They were able to hire and train several of their restaurant employees to assume production positions, as Mrs. Niroshini Nimal managed the manufacturing process and Mr. Nimal called on Natural Food Distributors across the country.

In its first year, the company had only three natural, organically grown food products, which were sold to customers. In 2011, Delicious Foods introduced a new product – a soy burger mix – in a natural food competition sponsored by National Chamber of Commerce in Sri Lanka. It won first place and brought recognition to Delicious Foods.

Since those early years, the company has added ten more organically grown, natural food products, which are widely distributed in SAARC Countries and several countries in Asia. Mr. Nimal and Mrs. Niroshini Nimal still run the organization, along with help from three of their original employees, who have been promoted to managerial positions.

For 2012, the company posted sales revenues of Rs. 25 million and earned before-tax profits of 24 percent on sales.

Questions:-

- a. Identify the key factors that made Delicious Foods a successful venture. (05 Marks)
- b. What personal factors made Mr. Nimal and Mrs. Niroshini Nimal a successful Entrepreneurial team? (05 Marks)
- c. Identify some possible areas for future expansion and diversification (08 Marks)
- d. Identify the challenges that the business will face and discuss. (10 Marks)

(Total 28 Marks)

02. "There are many sources to finance the small business sector in Sri Lanka. Particularly Commercial Banks are the primary providers of debt capital to small business firms in Sri Lanka".

a. What are the financial schemes recently introduced by commercial banks for starting a new small business or to expand an existing small business in Sri Lanka. Give the details.

(06 Marks)

b. Both parties the borrowers (entrepreneurs) and lenders (bankers) have to face some problems in obtaining loans from commercial banks in Sri Lanka. Justify this statement with suitable examples.

(06 Marks)

c. What are the major problems involved in obtaining finance from friends and relatives?

(06 Marks)

(Total 18 Marks)

03. "Costing is the way you calculate the total cost of making and selling any product or service in your business. Many businesses do not know all their costs and do not do their costing properly".

a. How can costing improve your business?

(04 Marks)

b. What are the main components of the "Cost of production"?

(04 Marks)

c. Calculate the cost of producing 1 kg of mixture snack. (Use a minimum of seven Ingredients) give all the assumptions and the details of your calculations.

(10 Marks)

(Total 18 Marks)

04. "There is risk in everything that one does, and no one knows where he will make his landfall when his/ her enterprise is at its beginning. One man, trying to act effectively fails to foresee something and falls into great and grim ruin, but to another man one who is acting ineffectively, a god gives good fortune in everything and escape from his folly".

a. What are the risks faced by an entrepreneur when operating a small business firm? Explain. (04Marks)

b. What are the basic ways to cope with risk in a small business? (06 Marks)

c "Shoplifting" is one of the risk faced by an entrepreneur in operating a small business firm in Sri Lanka and else where in the world. What are the various anti – shoplifting tactics to be taken by the small business firms to minimize shoplifting? (04 Marks)

d. Identify the process of Environmental impact assessment? (04 Marks)

(Total 18 Marks)

05. "Marketing has been a major problem identified by entrepreneurs in the Eastern Province. It is an observed phenomenon that many of the Entrepreneurial Ventures fail due to the marketing problems encountered by them".

(a) What is marketing? Explain it, in the context of small businesses. (05Marks)

(b) Elaborate the marketing problems faced by an entrepreneur in your province. Explain how the 4 P's of the Marketing Mix could be used in solving these problems? (08 Marks)

(c)What are the pricing strategies adapted by Entrepreneurial Ventures in fixing the prices for their products or services? Describe the pricing strategy mostly adapted by an entrepreneur in your province. (05 Marks)

(Total 18 Marks)