

11 OCT 2014

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT

SECOND YEAR-SECOND SEMESTER EXAMINATION IN BACHELOR OF
BUSINESS ADMINISTRATION/ BACHELOR OF COMMERCE-2011 / 2012 (AUGUST/
SEPTEMBER-2014) (PROPER / REPEAT / RE-REPEAT)

DED 2013 SMALL BUSINESS MANAGEMENT

Answer all questions

Time: 03 Hours

01. Mr. Rahul – An Entrepreneur

Mr. Rahul is not an ordinary entrepreneur having won the Provincial Outstanding Entrepreneur Award in 2012 and National Best Entrepreneur Award in 2013. These awards were given by the Governor of Eastern Province and the President of the Democratic Socialist Republic of Sri Lanka respectively.

Son of a government employee, Rahul did not want to emulate any of his family members. His preference was for self employment rather than wage employment. His firm, **Reliable Shoe Mart**, manufactures Ladies and Gents Leather Shoes and Boys and Girls School Shoes and Casual Shoes.

Rahul is the youngest in the family comprising two brothers and one sister. His eldest brother is a Chartered Accountant and another is a Bank Manager. His sister is married to a businessman. It is a typical middle class family.

After completing his Bachelor of Science (Materials Science and Engineering), he started his career as a Supervisor in the production section at D. Samson Industries (pvt) Ltd. Here he gained experience in handling, processing, storaging and supervising machinery and raw

materials. After two years stint in D.Samson Industries (pvt) Ltd., he shifted to Bet Group of Companies (pvt) Ltd. where he gained a year's experience in sales and marketing.

Batticaloa being a suitable place for start-up this business. Rahul's father advised him to set up manufacture of leather products in this area. His father was not in a position to give financial help. This did not deter Rahul in setting up his firm in 2010 and was able to successfully establish it by July 2011. State Banks like People's Bank, Bank of Ceylon and National Enterprise Development Authority have rendered the necessary assistance.

All along knew that starting a new firm is not simple and easy but was convinced that hard work and determination alone can help him to fructify the dream. He did not have any experience with the bank who insisted on sufficient and acceptable security for a working capital limit of Rs. 500,000.00. The short stint in marketing had convinced him that the initial years would be one of hard work, particularly in view of excessive competition.

He did not wish to manufacture and supply second rate products. From the inception he set to get the SLS Standard which he managed by October 2012 after one full year's struggle and spending around Rs. 125,000.00 on laboratory for testing as per SLS specifications. He takes pride in the fact that the shoes are SLS marked.

By 2013 he added new machinery worth Rs. 500,000.00. This not only helped in increasing production but also obtaining better finish of the products. He diversified in to manufacturing plastic items. Such as; tables, chairs, plates, jugs etc.

The entrepreneurial struggle is not without fruit. The turnover of Rs. 15, 00,000.00 in 2010-2011 zoomed up to Rs. 25, 00,000.00 in 2012-2013.

In 2012 he was chosen for a Provincial Outstanding Entrepreneur Award by the Governor of Eastern Province. In 2013 the President of the Democratic Socialist Republic of Sri Lanka conferred on him the National Best Entrepreneur Award for his self made industrial firm.

However, he has on regret. Such recognition, he felt will help him boost up his sales to the Central Government Departments. But according to him, the Central Government has not taken any cognizance of such awards or the SLS certification but is purchasing the same products at higher rates from outside parties.

The path of entrepreneurial success is not a bed of roses. According to Rahul, following are his problems.

1. The policy of Central Government for purchase of items from local entrepreneurs is not a favourable one.
2. The payment is delayed for a long time which may extend up to 05 years. For example, his payments from DS Offices in the Central Government are still pending for over 05 years.
3. Incentives / facilities offered by Government are not easily forthcoming and, therefore, not helpful to small entrepreneurs. For example, there is the incentive of Rs. 15000.00 to small industries firm producing SLS marked products which is to be given by the Central Government Ministry of industries and this has not been forthcoming in this case.
4. The Department of Industries or the Ministry has not taken cognizance of the awards conferred on him by highest authorities. This has disappointed the entrepreneur.
5. Obtaining working capital and term loans is a very troublesome job with back-breaking formalities.

The entrepreneur is personally trying for foreign collaboration with Singapore and India for manufacture of sports materials. He is hopeful that with this, his turn over will increase further during the current year as response from other countries is very encouraging. On the export front, he informs, a small consignment was sent to Malaysia for display in the exhibition and all the products displayed were sold. There have been inquiries from other

countries also but for want of proper guidance, he is not able to venture in to exports on a large scale. However, soon he shall break this barrier also.

Questions:

- i. Do you think that Mr. Rahul was eligible to undertake his business? Why or Why not? (06 Marks)
 - ii. Can you identify some basic start up problems Mr. Rahul had to face? (04 Marks)
 - iii. How far the National recognitions will contribute to entrepreneurial development in our country? (06 Marks)
 - iv. How can some Government policies and its activities be inefficient for small business development in Sri Lanka? (06 Marks)
 - v. Do you think foreign collaboration can be a way for successful business development in a local country? Why or Why not? (06 Marks)
- (Total 28 Marks)**

02. "Small business plays a major role in the Regional economy. But it also has a critical role in the developing National economy".

- (a) What is small business? What are the criteria used to define small business in Sri Lanka? (06 Marks)
- (b) Outline the causes of business failure in small business firms. Which problems cause most business failure? (06 Marks)
- (c) Discuss the importance of small business in promoting the development of Sri Lankan economy. (06 Marks)

(Total 18 Marks)

03. "Every Entrepreneur thinks that a business plan will benefit creation and expansion of his or her small business venture."

(a) Do you agree with the above statement? Give reasons?

(06 Marks)

(b) What are the basic elements of a good business plan? Explain

(06 Marks)

(c) Why is the executive summary the most important section of the business plan?

(06 Marks)

(Total 18 Marks)

04 "There are many sources to finance to the small business ventures in Sri Lanka".

(a) What is trade credit? How important is it as a source of debt financing to small firms?

(06 Marks)

(b) Outline and briefly describe the major types of loans offered by state and private commercial banks to small ventures in Sri Lanka.

(06 Marks)

(c) What are the difficulties faced by an entrepreneur in obtaining loans from state and private commercial banks in Sri Lanka? And what remedial actions would you suggest?

(06 Marks)

(Total 18 Marks)

05. "It may seem self-evident that small businessmen are aware of all risks, especially those that could affect the survival and growth of their venture".

(a) What does risk mean to a small businessman?

(06 Marks)

(b) Classify and briefly explain the major risks that small business ventures are facing.

(06 Marks)

(c) What precautionary measures should be taken to cope with risks in small business ventures?

(06 Marks)

(Total 18 Marks)