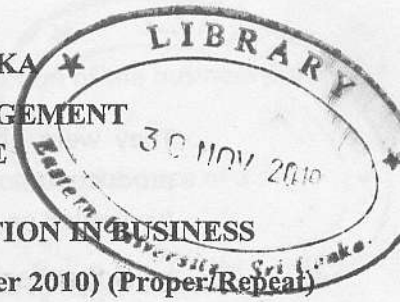


EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
DEPARTMENT OF COMMERCE



SECOND YEAR-SECOND SEMESTER EXAMINATION IN BUSINESS
ADMINISTRATION/ COMMERCE- 2008/2009 (September 2010) (Proper/Repeat)

DED 2013 SMALL BUSINESS MANAGEMENT

Answer all questions.

Time: 03 Hours

01. **Healthy Foods**

Mr. Ravi and Ms. Rajani first met in 2005 when they were both undergraduate at the University of Colombo students studying Business Administration 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 at their wedding in 2007.

The wedding menu was so popular with their guests that in 2007 they opened a small restaurant – **Healthy Foods** – near the Faculty of Law, University of Colombo. It offered mostly take away food and had seating for only sixteen persons. With both them teaching, the restaurant was open only for dinner. Starting with just Rs. 100,000 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. Ravi 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 Rajani Ravi 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 Law, University of Colombo. Capitalizing on trend toward healthy dieting and non-chemically treated foods.

Repositioning of the Business

In 2008, their uncle, a Business professor at University of Ottawa, visited them and became impressed with the success of their operation. He spent three months with Mr. Ravi and Mrs. Rajani Ravi. Together they prepared a business plan to reposition Healthy Foods from a restaurant to a manufacture of organic foods. The restaurant was sold and proceeds used to purchase processing and packaging equipment and to rent manufacturing space.

The business plan included extensive market research, 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 person sales force – Mr. Ravi.

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

In its first years, the company had only three natural, organically grown food products which were sold to national distributors. In 2009, Healthy Foods entered one of its products – a soy burger mix – in a Natural Food Competition sponsored by the Ceylon Chamber of Commerce and Industry. It won first place and brought recognition to Healthy Foods.

Since those early years, the company has added seven more organically grown, natural food products, which are widely distributed in South Asian Countries and other countries in Asia. Mr. Ravi and Mrs. Rajani Ravi still run the organization, along with two of their original employees, who have been promoted to managerial positions. For 2nd quarter of the 2010, the company posted sales revenues of Rs. 30 million and earned before-tax profits of 19 percent on sales.

Questions:-

- (a) Identify the key factors that made **Healthy Foods** a successful venture. (08 marks)
 - (b) What personal factors made Mr. Ravi and Mrs. Rajani Ravi to be a successful entrepreneurial team? (08 marks)
 - (c) Identify some possible areas for future expansion and diversification for **Healthy Foods**. (07 marks)
- (Total 23 marks)**

- 02.
- (a) Exhibit the differences between entrepreneurship and small business.
 - (b) In which ways small businesses are contributed to the Sri Lanka economy?
 - (c) What are the aspects to be emphasized in judging the scope of small businesses in Sri Lanka?
 - (d) Highlight the special characteristics of a successful small business venture
 - (e) What are the reasons for the failure of many small businesses in the first few years of their establishment?
 - (f) What are the advantages and disadvantages of buying an existing business?
 - (g) Give three advantages and disadvantages of starting a new business.
 - (h) What is a business plan?
 - (i) In which ways a good business plan is advantageous for small business entrepreneurs?
 - (j) From where do you collect the needed information for preparing a good business plan?
 - (k) Why is creativity an important competency for entrepreneurs?

- LIBRARY
30 NOV 2017
Eastern University, Sri Lanka.
- (l) Why is the executive summary the most important section of the business plan?
 - (m) What is the difference between sales promotion and advertising?
 - (n) What are the strategies a small business could use in setting the price of a new product?
 - (o) What are the personal entrepreneurial characteristics required for a successful businessmen?

(15 x 03 = 45 marks)

03. **"Funds play an important role in the creation and the expansion of a small business venture.**

- (a) What are the major sources of funds for a small business venture? (04 marks)
- (b) Identify the problems faced by small business entrepreneurs when they approach organised (formal) sectors to obtain loan. (04 marks)
- (c) What are the major problems faced in obtaining finance form friends and relatives? (04marks)
- (d) What are the loan scheme recently introduced by commercial Banks for the creation and expansion of small business venture in Sri Lanka? Explain. (04marks)

(Total 16 marks)

04. **"Small business ventures operate under risk everyday."**

- (a) Classify and explain the major risks that small business ventures are facing today. (04 marks)
- (b) Choose any one class of risk and give reasons for its existence. (04marks)
- (c) What are the precautionary measures that the small business ventures could take against risks? (04 marks)
- (d) **"Shoplifting"** is one of the risk faced by an entrepreneur to operate 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)

(Total 16 marks)