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Eastern University, Sri Lanka.

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT

Final Year /First Semester Examination in Business Administration/ Commerce
(Specialization in Human Resource Management)
(Specialization in Marketing Management)
(Specialization in Enterprise Development)-
2007/2008 (October 2008) (Proper/Repeat)

DED 3113 – Small Business Management

Answer all questions.

Time: 03 Hours

01. Tasty foods

Mr. Ragavan and Ms. Dharshini first met in 1998 when they were both Eastern university students studying Business Administration degree program. They found that they shared many interests. On graduate 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 2001.

The wedding menu was so popular with their guests that in the fall 2001 they opened a small restaurant – Tasty Foods – near the Faculty of Health Care Sciences, Eastern University. It offered mostly take away food and had seating for only twelve persons. With both them are teaching, the restaurant was open only for dinner. Starting with just Rs. 100,000 they were only able to afford second – hand equipment and occasional part – time help.

Within the first six months of operation, however, sales revenues more than doubled; Mr. Ragavan 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 Dharshini Ragavan 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 trend toward healthy dieting and non-chemically treated foods.

Repositioning of the Business

In 2003, their cousin, a Business professor at Sussex University, visited them and became impressed with the success of their operation. He spent three months with the Mr. Ragavan and Mrs. Dhashini Ragavan. Together they prepared a business plan to reposition Tasty 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, financial plan and marketing strategy. 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. Ragavan.

They were able to hire and train several of their restaurant employees to assume production positions, as Mrs. Dharshini Ragavan managed the manufacturing process and Mr. Ragavan 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 2005, Tasty Foods entered one of the product categories – a soy burger mix – in a natural food competition sponsored by the Federation of Chamber of Commerce and Industry in Sri Lanka. It won first place and brought national recognition to Tasty 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 south East Asia. Mr. Ragavan and Mrs. Dharshini Ragavan still run the organization along with help from two of their original employees, who have been promoted to managerial positions.

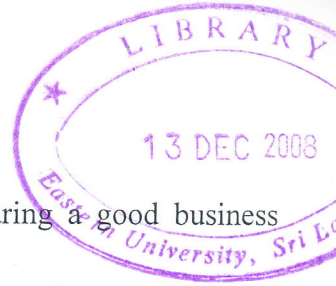
For 2007, the company posted sales revenues of Rs. 20 million and earned before tax profits of 19 percent on sales.

Questions:-

- (a) Identify the key factors that made Tasty Foods a successful venture. (09 marks)
- (b) What personal factors made Mr. Ragavan and Mrs. Dharshini Ragavan a successful entrepreneurial team? (09 marks)
- (c) Identify some possible areas for future expansion and diversification (07 marks)

(Total 25 marks)

- 02.
- (i) Cite the differences between an entrepreneurship and small business.
 - (ii) What are the aspects to be emphasized in judging the scope of small businesses in Sri Lanka?
 - (iii) What are the reasons for the failure of many small businesses in the first few years of their establishment?
 - (iv) In which ways an entrepreneurship and small businesses are contributed to the Lankan economy?
 - (v) What are the advantages and disadvantages of buying an existing business?
 - (vi) Give three advantages and disadvantages of starting a new business.
 - (vii) What is a business plan?
 - (viii) In which ways a good business plan is advantageous for small business?



entrepreneurs?

- (ix) From where do you collect needed information for preparing a good business plan?
- (x) List out the important components of a good business plan.
- (xi) Highlight the special characteristics of a successful small business venture.
- (xii) Why is the executive summary the most important section of the business plan?
- (xiii) What is the difference between sales promotion and advertising?
- (xiv) What are the strategies a small business could use in setting the price of a new product?
- (xv) 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? (05 marks)
- (b) Identify the problems when small business entrepreneurs approach organised (formal) sectors to obtain loan. (05 marks)
- (c) What are the loan scheme recently introduced by commercial Banks for the creation and expansion of small business venture in Sri Lanka? Explain. (05 marks)

(Total 15 marks)

04. **“Small business ventures operate under risk everyday.”**

- (a) Classify and explain the major risks that small business ventures are facing today. (05 marks)
- (b) Choose any one class of risk and give reasons for its existence. (05 marks)
- (c) What are the precautionary measures that the small business ventures could take against risks? (05 marks)

(Total 15 marks)