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EASTERN UNIVERSITY, SRI LANKA

FACULTY OF COMMERCE AND MANAGEMENT

Second Year Second Semester Examination in Bachelor of Business Administration /

Bachelor of Commerce – 2013/2014 (May 2016)

(Proper/Repeat)

DED 2013 Small Business Management

Answer All Questions

Time:03 Hours

01. Read the following case study and answer the questions

STRATEGIES FOR SURVIVAL –WHAT IS NEXT?

The first 5 years for Maria Hernandez's business was virtually a week-to-week challenge of meeting payroll, paying suppliers, and above all keeping the customers in her restaurant satisfied with the food and service. As a single parent, Maria knew that the restaurant was her best chance to provide for herself and her two young children. It may have been her family recipes that made the food so popular, or possibly the level of service that each customer received that was the key success factor in the restaurant's success.

Today Maria faces some new challenges such as growth, expansion, and new competition that must be addressed. How successful can the restaurant really be? Has the restaurant reached its limit in terms of the number of customers it can effectively serve without expanding at the present location, moving to a larger facility, or running the risk of turning away business due to longer waiting times? The national chain is known to be a "tough" competitor with a reputation for entering the market with deep price discounts through coupons and special promotions. In addition, the national chain creates a very attractive restaurant with beautiful decorations. Maria recognized that she had done very little to upgrade her restaurant. She concentrated on the food and personal service. She doesn't know how important appearance is to her present or future customers.

Maria is also concerned that the national chain will target her employees. She hears that they pay more than she does and that they have an employee benefits package much better than her. If she loses even 20 percent of her employees, she knows that service will drop dramatically. If she were to lose some of her kitchen staff, the problems would be compounded.

Maria Hernandez had never taken the time to plan; she was busy working to survive. Now Maria needs to evaluate her restaurant's future in order to make the correct strategic decisions. What would you recommend?

QUESTIONS

- I. Outline the questions that must be answered for Maria to make the decisions necessary to plot an effective strategy for her restaurant. (8 Marks)
- II. Based upon on the above case, what are the most critical threats faced by Maria's business? (6 Marks)
- III. What are the possible answers that can be suggested for the questions that you identified in question I above (6 Marks)

(Total 20 Marks)

02.

- I. "Definitions of small-scale business vary widely from one country to another." Define the Small Business with the criteria according to the Sri Lankan context. (6 Marks)
- II. What are the characteristics of Small Business? (6 marks)
- III. Explain the significance role of Small Business for development of Sri Lankan economy (8 Marks)

(Total 20 Marks)

03.

- I. Give the reasons for starting a new business rather than buying an existing firm or acquiring a franchise. (6 Marks)
 - II. Identify the factors used to evaluate the effectiveness business idea or investment opportunity (9 Marks)
 - III. What are the motives for buying an existing business by an Enterprises (5 Marks)
- (Total 20 Marks)**

04.

- I. Discuss the components of a business plan. Explain your own business idea. (8 Marks)
 - II. Explain social responsibilities of small business in Sri Lanka. (6 Marks)
 - III. Describe the challenges faced by small business in aspects of environmentalism and consumerism. (6 Marks)
- (Total 20 Marks)**

05.

- I. Explain the factors that guide the choice between debt financing and equity financing, when you are starting a new venture in Sri Lanka (6 Marks)
 - II. Suppose you plan to start a business first time. What are the obstacles that you expecting obtaining funds for the new venture? (6 Marks)
 - III. Describe risk situation faced by small business and explain the process of risk management to overcome one of those risk situation (8 Marks)
- (Total 20 Marks)**