

EASTERN UNIVERSITY, SRI LANKA  
FACULTY OF COMMERCE AND MANAGEMENT  
FOURTH YEAR FIRST SEMESTER EXAMINATION IN B.COM/ B. ECON  
2005/ 2006 & 2006/ 2007  
COM 4013 SMALL BUSINESS MANAGEMENT

Answer all questions

Time: 03 Hours

01. MRS. SIVANESHAN HAS RECIPE FOR SUCCESS

Geetha Sundaram earned a local reputation for herself as a teenager Pizza huts and Fast food items in her home town of Nuwarellia. She married Sivaneshan and moved to Batticaloa, where he worked as an Administrative officer. While enrolled as a student at the Eastern University, Geetha began to want to run her own business. Her baking background seemed a natural, but everyone including her husband had doubts that it could become a viable endeavor. However, Sivaneshan finally agreed to lend her Rs. 60,000.

Geetha located used equipment and furnishing and opened Geetha Ever Shine Bakery on August 10 1998. The location she choosed was near High schools, Divisional Secretariat, Training colleges, and several Banks. Her first morning in business she did not sell a single piece of Pizza or Fast foods, so in the afternoon she went up and down the street giving away samples. She sold Rs. 4500 worth of Fast food items that afternoon. The second day she started giving away samples earlier in the day and sold Rs. 8750 worth. Over time, she began to acquire a growing group of customers, and her sales increased substantially.

Excited by this success, Geetha and Sivaneshan opened another store. When it too succeeded, they opened still another. Today, there are several Ever Shine Bakeries in all provinces of the country with combined annual sales in excess of Rs. 6 million. Geetha's Company is now a large Public quoted Company based in Colombo city, Western Province.

When Geetha opened her first Pizza & Fast foods store, she did everything. She bought the furnishing and equipment, negotiated a lease, baked and sold the Pizza & Fast Foods, operated the store, and kept the records. As the business grew, she began to hire others to take over parts of it for her. Geetha quickly turned baking and selling over to others in order to give herself time to develop the Company and plan for expansion.

Geetha's approach to business has not changed as the Company has grown. She argues that a business must be fun in order to succeed. She strongly believes that people who work in the Company must be treated with kindness and respect so that they will treat customers with kindness and respect. She has refused to franchise her operations for fear that her approach to business will not be carried out by other. All Geetha's stores, therefore, are company owned and controlled.

A major component of that control is the quality of the Pizza & Fast Foods that are baked and sold. Geetha insists that all her Pizza & Fast Foods be made with fresh and high quality ingredients. Further, because the quality of a Pizza & Fast Foods is a function of how long it has been sitting before it is sold, she insists that most unsold Pizza & Fast Foods must be removed from display cases after few Hours. Those Pizza & Fast Foods are donated to Charity Organizations.

More recently, Geetha found itself in serious trouble. After opening nearly 100 stores. Geetha had to close some and now has less than 80. The public stock offering on the Colombo stock exchange market led to the purchase of only about 12 percent of the shares. The year 2006 saw enormous losses, and the stock plummeted as investors became concerned about the firm's long-term prospects. Some day that the Company's move into the international arena was premature and the management practice of retaining company control cannot succeed in distance locations such as Sri Lanka and South Asian. Indeed, late in 2006 Geetha yielded control of its South Asian operations to a Malaysian Company. However there were other problems as well. Some of them occurred because of a move to broaden the product line and absorb chariot.

Chariot consisted of over 50 full service bakery stores that Geetha's private, parent company. AI holdings, acquired from Elephant House in 2004. The strategy is to integrate the Chariot stores into the Geetha's chain by converting the chain from single product outlets to combination stores. The combination stores are about three times the size of the older Fast foods & pizza and sell Pizza & Fast Foods. But it is unclear in which direction the Company really wants to go. Some of the new stores retain the name Charriot, some are called Geetha's and others go by the name of Mrs. Sivaneshan Bakery Cafe.

Many entrepreneurial firms have problems containing their success as they grow, especially if growth is rapid. That seems to be the Pizza with Geetha. Whether the Company can plot a consistent strategy and develop a new, slower approach to growth that will enable the current management to continue its success remains to be seen.

(i) What entrepreneurial characteristics does Geetha display? Why do you think she was not content to operate only one successful store?

(06 marks)

(ii) What are some of the factors that led to the success of Geetha's Bakery? What dangers did the company face as it began? How were the dangers overcome?

(06 marks)

(iii) As Geetha expands into the international market, do you think that it will continue to be as successful as it has been in the past? Why or why not?

(06 marks)

(iv) Would you like to be a manager in the Geetha's Company? Why or why not? Would you purchase stocks in the Company? Why or why not?

(06 marks)

(Total 24 marks)

02. (i) Explain the terms "Entrepreneur" and "Entrepreneurship"

(ii) What are the three phases of Entrepreneurship Development?

(iii) List out the reasons for success of small businesses

(iv) What is business idea?

(v) What are the techniques normally used by a person to generate business idea?

(vi) Which types of business are most suited for small and medium scale entrepreneurs?

(vii) What benefits are associated with the preparation of a written business plan for a new business?

(viii) List out the important components of a good business plan

- (ix) What are the sources of funds available to create new small business firms in Sri Lanka?
- (x) What are the loan schemes introduced by State Banks in Sri Lanka to formation/ expansion of small and medium scale business?
- (xi) What are the reasons for the failure of many small businesses in the first few years of their establishment?
- (xii) Where to find information for your business plan?
- (xiii) What are the causes for the slow growth of entrepreneurship in srilanka?
- (xiv) What are the drawbacks of entrepreneurship?
- (xv) What are the two methods normally used to analyze a good business idea?
- (xvi) What are the characteristics of an entrepreneur?
- (xvii) What are the two bases generally used to define the term "small business"?
- (xviii) The lenders (bankers) have to face some problems to providing loans to entrepreneur. What are they?
- (xix) What are the major problems to face after obtaining funds from friends and relatives for a business?
- (xx) What is the purpose of an executive summary in a business plan?

(20 x 02 = 40 marks)

03. "Today the Entrepreneurship and small business are being the driving force in our Nation's economy, making substantial contribution in term of ...."

- (i) Exhibit the difference between an entrepreneurship and the small business. (06 marks)
- (ii) In which ways small businesses are contributed to Sri Lankan Economy? (06 marks)
- (iii) What are the aspects to be emphasized in judging the scope of small business in Sri Lanka? (06 marks)

(Total 18 marks)

04. "When the small Entrepreneurs run a small business they proceed with an indefinite State".

(i) What are the risks faced by an entrepreneurs, when running a small business in Sri Lanka?

(06 marks)

(ii) Briefly explain the basic ways to cope with risk in a small business.

(06 marks)

(iii) Imagine that "you are an entrepreneur of a leading textile in Batticaloa District" what precautionary measures should be taken to minimize the risk of 'shoplifting' in your firm?

(06 marks)

(Total 18 marks)