



UNIVERSITY OF KELANIYA - SRI LANKA

Centre for Distance and Continuing Education

Faculty of Commerce & Management Studies

Bachelor of Business Management (General) Degree Third Examination (External) – 2023

November - 2025

BMGT E3025 – Small Business Management

Time: 03 hours

Instructions:

- This paper is divided into four sections: **Part I, Part II, Part III, and Part IV.**
- **Part I:** One compulsory case study.
- **Part II:** 10 compulsory MCQs.
- **Part III:** 10 compulsory short-answer questions.
- **Part IV:** comprises four questions with two parts, Part A and Part B. You are required to answer at least one question from Part A and at least one question from Part B. In total, two questions should be answered from Part IV.

PART I

Read the below case and answer the questions

Growth Strategies of “Ceylon Brew Café”

Ceylon Brew Café is a family-owned coffee shop in Colombo, Sri Lanka, established in 2020. It has built a loyal customer base by serving high-quality coffee, pastries, and light meals, establishing a recognisable brand in its neighbourhood. Facing intense competition, the owners recognised the importance of planning for both short-term growth and long-term sustainability to ensure profitability.

In the short term, the café focused on strategies to boost revenue and strengthen market position. A market penetration approach included a “buy one, get one free” weekend promotion, which attracted students and young professionals, increased foot traffic, and boosted sales. Customer retention was enhanced through a loyalty program that rewarded repeat customers with redeemable points, encouraged frequent visits, and stabilised cash flow. Operational efficiency was improved by implementing an inventory management system, which reduced wastage, prevented stockouts, and lowered costs. The café also expanded its digital presence via social media marketing and online delivery platforms, reaching a wider audience without major physical expansion.

For long-term growth, the café implemented strategies over five to ten years. Market development involved exploring expansion into nearby cities such as Kandy and Galle through pilot outlets, targeting new customer segments. Product development introduced sugar-free beverages, gluten-free pastries, and locally inspired desserts to meet changing consumer preferences and differentiate the café from competitors. Franchising was considered a growth model, allowing expansion while maintaining operational standards and generating additional revenue.

Innovation and R&D played a key role in sustaining competitiveness. The café experimented with speciality coffee blends and sourced unique beans from local plantations, emphasising sustainability and ethical sourcing to strengthen brand identity. Mergers with local bakeries and dessert providers were explored to expand product offerings and market share.

To enhance resilience, the café adopted diversification strategies. Horizontal diversification involved adding related products, such as yoghurt-based drinks and different type of cakes, while vertical diversification entailed establishing a coffee bean roasting unit to control quality and supply. These strategies created multiple revenue streams, reduced dependency on a single product, and improved resource utilization.

By integrating short-term strategies for immediate gains with long-term strategies for sustainable growth, Ceylon Brew Café successfully balanced customer retention, operational efficiency, market and product development, franchising, and diversification, establishing a strong framework for long-term success in a competitive market.

- a) Identify and explain two short-term growth strategies and two long-term growth strategies applied by Ceylon Brew Café. Provide examples from the case to support your answer.

(10 Marks)

- b) Discuss the diversification strategies adopted by Ceylon Brew Café. Explain the two benefits and two potential risks of diversification in small businesses using examples from the case.

(10 Marks)

(Total 20 Marks)

PART II

Select the most appropriate answer

- 01) Which of the following best describes the role of small businesses in the economy?
- a) They reduce local employment
 - b) They promote economic leakage
 - c) They contribute to job creation and innovation
 - d) They operate mainly as non-profit entities
- 02) Which factor is commonly used to classify a business as “small”?
- a) Number of employees and annual turnover
 - b) The price of its products
 - c) The number of outlets it operates
 - d) Its advertising budget

- 03) A key difference between small and large businesses is:
- a) Small businesses have complex organizational structures
 - b) Small businesses are less flexible than large businesses
 - c) Large businesses dominate the market, while small ones are not dominant in their field
 - d) Both operate with the same number of employees
- 04) Which of the following is a *common weakness* of small businesses?
- a) Innovation and creativity
 - b) Inadequate management and poor financial planning
 - c) Flexibility and customer focus
 - d) Independence and control
- 05) One major strength of small businesses is:
- a) Dependence on external investors
 - b) Bureaucratic decision-making
 - c) Flexibility and innovation
 - d) Slow response to market changes
- 06) Which of the following is *not* a key criterion for selecting a suitable business project for a small business?
- a) Market demand
 - b) Technical feasibility
 - c) Financial viability
 - d) Personal wealth of the entrepreneur

- 07) Which of the following best describes the *primary purpose* of a quality control system in a small business?
- a) To reduce employee workload
 - b) To ensure products and services meet required standards
 - c) To increase the number of suppliers
 - d) To reduce the amount of training needed for employees
- 08) Which of the following statements best describes the purpose of a financial plan in a small business?
- a) It identifies only the sources of finance for business operations.
 - b) It outlines financial requirements, forecasts, and strategies necessary for business success.
 - c) It records only the past performance of the business for auditing purposes.
 - d) It focuses solely on reducing operational expenses through budgeting.
- 09) Which of the following best explains the importance of sustainability and CSR for small businesses?
- a) They are optional practices with no real business impact.
 - b) They help businesses comply with significant corporate policies only.
 - c) They enhance reputation, reduce costs, and create competitive advantages.
 - d) They are only relevant for multinational companies.
- 10) Which of the following is **not** a purpose of developing a growth and expansion plan for a small business?
- a) To clarify the vision for future growth
 - b) To attract investors or lenders
 - c) To minimize risks through contingency planning
 - d) To increase employee turnover for cost reduction

(02 Marks x 10 = 20 Marks)

PART III

Write a short answer to the following questions

1. Give any two legal forms of business ownership.
 - I.
 - II.
2. Mention two sources from which businesses can obtain legal advice.
 - I.
 - II.
3. State any two ways in which intellectual property can be protected.
 - I.
 - II.
4. State any two main characteristics of small businesses.
 - I.
 - II.
5. State any two roles of legal professionals in business.
 - I.
 - II.
6. State two Criteria for selecting a Business Project
 - I.
 - II.
7. Write two key areas of an operations and production plan.
 - I.
 - II.
8. Identify two internal risks that a small business might face.
 - I.
 - II.

9. State two essential aspects of Sustainability and Cooperate Social Responsibility (CSR) for Small Businesses.
- I.
 - II.
10. Write two analytical and strategic steps in developing a Growth and Expansion Plan for a small business.
- I.
 - II.

(02 Marks x 10 = 20 Marks)

PART IV

This section comprises four questions with two parts, Part A and Part B. You are required to answer at least one question from Part A and at least one question from Part B. In total, two questions should be answered from Part IV.

Section A

Question No: 01

- a). Explain any (05) five main factors that influence the choice of a legal form of business organization.
- (10 marks)**
- b). Compare and contrast sole proprietorships and partnerships as forms of business ownership aligning to these criterion
- I. Ownership & Control
 - II. Liability
 - I. Capital & Resources
 - IV. Decision Making
 - II. Continuity

(10 marks)

(Total 20 Marks)

Question No.02

- a). Discuss the positive and negative impacts of globalization on small businesses.
(10 marks)
- b). Explain the main types of intellectual property protection available to businesses and discuss their importance.
(10 marks)
- (Total 20 Marks)**

Section B

Question No: 03

- a). Explain the importance of a financial plan, risk analysis, and contingency planning for a small business. Support your answer with examples from small business operations.
(08 marks)
- b). A small bakery is planning to expand its operations to include a café section with seating for customers. As the owner, you are required to develop an Operations and Human Resource Plan for this new venture.
In your answer, address the following:
- I. Explain the business processes and workflow for producing and serving baked goods and beverages.
 - II. Identify the facilities, equipment, and technology required for the expanded café operations.
 - III. Describe a supplier selection and raw material sourcing strategy to ensure quality and timely delivery.
 - IV. Suggest quality control and productivity measures to maintain standards and efficiency.
 - V. Outline an organisational structure, including the roles and responsibilities of staff.
 - VI. Propose a staffing, training, and compensation strategy suitable for the new café section.
- (12 marks)**
- (Total 20 Marks)**

Question No: 04

State whether you **agree** or **disagree** with the statement below. Justify your answer using relevant examples, concepts, or reasoning.

- a) Market segmentation helps a small business understand the overall economy rather than specific customer groups.
- b) Flat organisational structures are unsuitable for small businesses because they have many levels of management.
- c) Break-even analysis helps entrepreneurs determine the *maximum* sales required for a business to become profitable.
- d) Small businesses cannot make a significant contribution to sustainability because they have limited resources.
- e) Global expansion is only suitable for large multinational companies, not for small businesses.

(5 * 4 marks = Total 20 Marks)