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III Semester M.B.A. (Day/Evening) Degree Examination, March/April - 2021**MANAGEMENT****Management of SMEs and Family Business****(CBCS Scheme 2019)****Paper : 3.5.2****Time : 3 Hours****Maximum Marks : 70****Instructions to Candidates:**Answer **ALL** the sections.**SECTION - A**Answer any **Five** questions. Each carries **5** marks.**(5×5=25)**

1. List out the various roles of entrepreneurs in SMEs.
2. Outline the importance of communication.
3. Enumerate the elements of production planning.
4. Identify the causes of sickness in industries.
5. Write a short note on family business.
6. Highlight the importance of external expertise in family business.
7. Cite the issues related to working in business.

SECTION - BAnswer any **Three** questions. Each carries **10** marks.**(3×10=30)**

8. Discuss the relationship between small-scale and large scale enterprises.
9. Explain the components of a financial plan.
10. Illustrate the New Government policies for entrepreneurship.
11. Describe the methods to overcome the pit falls in family business.

[P.T.O.]



SECTION - C

Compulsory Question.

(1×15=15)

12. CASE STUDY : The Sages family business

As a family business grows, estate planning can become more and more challenging to define, especially if the family members involved are in disagreement on the terms proposed. Have you finalized your estate plan? Learn how the Sages family business plans for this important step.

Thomas Sages looked stern and preoccupied upon his return from the funeral of his friend David's wife, Laura. When David died a few years earlier, the shock was great for Thomas, and this new loss revived the wound.

David had been Thomas' closest friend since they were young; he also was his business associate - contributing 10% of the business equity when Thomas started the expansion of his supermarket chain. And the ties were further strengthened when David and Laura's son married Thomas' daughter.

As Thomas' thoughts wandered, he found himself thinking about the future of the business he had so successfully built. Two of his children worked in the business, and he felt rather comfortable with their ability to lead it forward - even though he had occasional disagreements with them about new developments. His concern, revived by the funeral, was more about the transfer of his ownership stake. He had written a will many years ago, and he thought that he should revisit it.

The high quality grocery store that Thomas launched in 1954 had quickly developed into a very successful supermarket chain thanks to his entrepreneurial drive. While his son Louis, born from a first marriage, had never been included in the business, the three children from his second marriage, had all worked there. The two youngest, Caroline and Timothy had made their way up: Caroline was in charge of the consumer credit division and Timothy of the supermarket operations. Their older brother Charles, however, had left the business after some tension. When his children joined the business, Thomas gave each of them 5% equity, to link the responsibility of ownership to that of management. His wife Martina, his friend David, and a fund for the managers, each owned 10% of the capital.

David's shares had gone to his only son David Jr who was married to Caroline. Thomas wondered how he should transfer his own shares, which represented 55% of capital. One of his first questions was whether or not to link ownership and leadership of the business: Caroline and Timothy would probably not wish to deal with a "sleeping partner" such as Charles, especially given the fact that Charles had left the business with some bitterness. An option would be to give Charles some real estate, and to give shares to the other two. Splitting the real estate from the operations had been done by other family businesses for similar purposes. Maybe Charles should even be encouraged to trade his 5% stake against



some real estate. Thomas then wondered if the business should be further split : real estate to Charles, "bank" to Caroline, supermarket operations to Timothy. However, the fact that David Jnr. (Caroline's husband) owned 10% of the shares, and that the management fund also owned 10% of the shares meant that the matter needed to be closely examined. At this point, Thomas also realised that he needed to better understand the consequences of the latest inheritance laws - they had recently changed and he was not sure what his wife Martina should receive should he die before her. He also needed to think about Louis, his elder son, who never received shares from the business but was entitled to a share of the inheritance. Their relationship had been distant for many years, but they had grown closer recently and Thomas wanted Louis to be part of the plan. Thomas decided that he needed to discuss these issues with his trusted advisor, and picked up the phone.

Questions :

- a) What options should Thomas consider when planning for ownership succession?
 - b) What is your personal experience? What advice/guidance have you found useful or pitfalls that you have experienced?
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