



# **ST.ANNE'S COLLEGE OF ENGINEERING AND TECHNOLOGY**

(Approved by AICTE, New Delhi. Affiliated to Anna University, Chennai)

Accredited by NAAC

ANGUCHETTYPALAYAM, PANRUTI – 607 106.

## **DEPARTMENT OF MECHANICAL ENGINEERING**

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**MG 8091 ENTREPRENEURSHIP DEVELOPMENT**

**REGULATION - R-2017**

**FINAL YEAR - EIGHTH SEMESTER**

**PREPARED BY**

**K.SARAVANAN. ASP/MECHANICAL**

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**OBJECTIVES:**

To develop and strengthen entrepreneurial quality and motivation in students and to impart basic entrepreneurial skills and understanding to run a business efficiently and effectively.

**UNIT I ENTREPRENEURSHIP 9**

Entrepreneur – Types of Entrepreneurs – Difference between Entrepreneur and Intrapreneur  
Entrepreneurship in Economic Growth, Factors Affecting Entrepreneurial Growth.

**UNIT II MOTIVATION 9**

Major Motives Influencing an Entrepreneur – Achievement Motivation Training, Self Rating, Business Games, Thematic Apperception Test – Stress Management, Entrepreneurship Development Programs – Need, Objectives.

**UNIT III BUSINESS 9**

Small Enterprises – Definition, Classification – Characteristics, Ownership Structures – Project Formulation – Steps involved in setting up a Business – identifying, selecting a Good Business opportunity, Market Survey and Research, Techno Economic Feasibility Assessment – Preparation of Preliminary Project Reports – Project Appraisal – Sources of Information – Classification of Needs and Agencies.

**UNIT IV FINANCING AND ACCOUNTING 9**

Need – Sources of Finance, Term Loans, Capital Structure, Financial Institution, Management of working Capital, Costing, Break Even Analysis, Taxation – Income Tax, Excise Duty – Sales Tax.

**UNIT V SUPPORT TO ENTREPRENEURS 9**

Sickness in small Business – Concept, Magnitude, Causes and Consequences, Corrective Measures- Business Incubators – Government Policy for Small Scale Enterprises – Growth Strategies in small industry – Expansion, Diversification, Joint Venture, Merger and Sub Contracting.

**TOTAL : 45 PERIODS**

**OUTCOMES :**

Upon completion of the course, students will be able to gain knowledge and skills needed to run a business successfully.

**TEXT BOOKS :**

1. Khanka. S.S., “Entrepreneurial Development” S.Chand & Co. Ltd., Ram Nagar, New Delhi, 2013.
2. Donald F Kuratko, “Entrepreneurship – Theory, Process and Practice”, 9th Edition, Cengage Learning, 2014.

**REFERENCES :**

1. Hisrich R D, Peters M P, “Entrepreneurship” 8th Edition, Tata McGraw-Hill, 2013.
2. Mathew J Manimala, "Entrepreneurship theory at cross roads: paradigms and praxis" 2nd Edition Dream tech, 2005.
3. Rajeev Roy, "Entrepreneurship" 2nd Edition, Oxford University Press, 2011.
4. EDII “Faulty and External Experts – A Hand Book for New Entrepreneurs Publishers: Entrepreneurship Development”, Institute of India, Ahmadabad, 1986.

# MG 8091 – ENTREPRENEURSHIP DEVELOPMENT

## UNIT 1 ENTREPRENEURSHIP

Entrepreneur – Types of Entrepreneurs – Difference between Entrepreneur and Intrapreneur. Entrepreneurship in Economic Growth, Factors Affecting Entrepreneurial Growth.

### PART-A

**1. Who is an Entrepreneur (Or) Define Entrepreneur? (Apr 12, 15, 17, 18,19,Nov 13, 14,19)**

According to J.B.say, “Entrepreneur is an Economic agent to unites all the means of production” An entrepreneur is an individual who takes moderate risks and brings innovation. An entrepreneur is a person who has possession of a new enterprise, venture or idea and assumes significant accountability for the inherent risks and the outcome.

**2. Write a note on innovative Entrepreneur? (Nov 08)**

An entrepreneur is a person who has possession of a new enterprise, venture or idea and assumes significant accountability for the inherent risks and the outcome. An innovating entrepreneur sees the opportunity for introducing a new technique or new methods or new product or a new market.

**3. Mention any four triggering factors for a person to become an entrepreneur. (Apr 09)**

Risk takers, sprit to excel, burning desire, and hard worker

**4. Suggest suitable jobs for persons having high need for achievement. (Apr 09)**

The jobs which have high challenging will be suitable for persons having high need for achievement.

**5. What situations have led to Entrepreneurship in organization? (Apr 09)**

Entrepreneurship is a strategy for stimulating innovation by making better use of entrepreneurial talent. When effectively promoted and channeled, entrepreneurship not only foster innovation, it also helps employees with good idea to better channels, the resources of a corporation to develop more successful products.

**6. Define Intrapreneur with example? (Nov 16)**

The term intrapreneur was coined in America in the late seventies. In simple word, a new intrapreneur coming from a large industrial organization with a new innovative idea is called intrapreneur

**7. Differentiate between Entrepreneur and Intrapreneur. (Apr 10, 15, 17) (Nov 18, 19)**

<b>Entrepreneur</b>	<b>Intrapreneur.</b>
He is an independent businessman	He is semi independent businessman
He bears the risk fully	He does not bear the risk of the business.

**8. What are the characteristics of an Entrepreneur?**

Entrepreneurs tend to: be goal-oriented,  
 Be innovative, creative, and versatile,  
 Be hardworking and energetic,  
 Have a positive attitude  
 Be willing to take initiative,  
 Have a strong sense of commitment.

**9. What is innovation? (Nov/Dec 2008)**

An entrepreneur is meant for innovation. In the present world the taste of the customer keeps on changing so the entrepreneurs initiate research and innovative activities to produce goods to satisfy the customers changing demands for the products.

**10. State the difference between entrepreneur and manager. (Apr 13)**

<b>Nature</b>	<b>Entrepreneur</b>	<b>A Manager</b>
<b>Goal management</b>	An Entrepreneur starts a venture by setting up a new enterprise for his personal goal achievements.	But the main aim of a manager is to render his service to an Enterprise already in exceed.
<b>Status</b>	An Entrepreneur is the owner of the enterprise.	A manager is the employee of an enterprise owned by the entrepreneur.
<b>Risk taking</b>	An Entrepreneur bears all risk and uncertainty involved in the enterprise.	A manager being an employee does not take any risk involved in the enterprise.
<b>Rewards</b>	An Entrepreneur is motivated by profit. The profit of an entrepreneur is uncertain and irregular.	A manager receives salary as reward for service rendered which is fixed and regular.

**11. Write any two functions of an entrepreneur.**

- Risk bearing, organization, innovation,
- Searching market opportunities,
- Obtaining the available resources.
- Purchasing input.

**12. What are the types of entrepreneurs? (April 11, 14 18, 19, Nov14, 18)**

- Innovating entrepreneurs
- Imitative entrepreneurs,
- Fabian entrepreneurs
- Drone entrepreneur.

**13. What are imitative entrepreneurs?**

Imitative entrepreneur do not innovative the changes themselves, they only imitate techniques and technology innovated by others. These types of entrepreneurs are particularly suitable for the under-developed region for bringing a mushroom drive of imitation of new combinations of factors of production already available in developed region.

**14. What is Fabian entrepreneur?**

Entrepreneur of this type are very cautious and skeptical while practicing any change. They have neither the will to introduce new changes nor the desire to adopt new methods innovated by the most enterprising entrepreneurs. This type of entrepreneur will not be interested in taking risk and they try to follow the footsteps of their predecessors.

**15. What are drone entrepreneurs?**

These types of entrepreneur adopt opportunities to make changes in production formula even at the cost of severely reduced return, relative to other like producers. They even suffer from losses but they are not ready to make changes in their existing production methods.

**16. What is difference between entrepreneur and entrepreneurship?**

Entrepreneur	Entrepreneurship
1) Person	1) Process
2) Organizer	2) Organization
3) Innovator	3) Innovation
4) Risk Bearer	4) Risk Bearing

**17. Define entrepreneurship? (Nov13, Apr14)**

Entrepreneurship is the purposeful activity of an individual, or group of individuals undertaken to initiate, maintain and aggrandize profit by production.

**18. What are the characteristics of entrepreneurship?**

The characteristics of entrepreneurship are as follows.

- 1) Innovation Function
- 2) Organizing Function
- 3) A function of Group Level Pattern
- 4) Managerial and Leadership Function
- 5) Gap Filling Function

**19. What is gap filling function?**

The most important feature of entrepreneurship is gap filling. The main aspects of the entrepreneur are to fill the gap (or) make up the deficiencies which always exist in the knowledge about the production function.

**20. What is managerial and leadership functions?**

An individual entrepreneur should have additional personality skill such as leadership and managerial skill. Both skills are predominant orientation in the direction of productivity, working relation and creative integration along with desire to make profit.

**21. Write any five barriers of entrepreneurship?**

The barriers of entrepreneurship are

- 1) Lack of a viable concept,
- 2) Lack of market knowledge
- 3) Lack of technical skill,
- 4) Lack or initial capital
- 5) Lack or business knows how.

**22. What are the factors affecting entrepreneurial growth?**

The factors affecting entrepreneurial growth are

- 1) Economic factors
- 2) Non-economic factors
- 3) Government Action

**23. List the economic factors that affect the entrepreneurial growth?**

The economic factors that affect the entrepreneurial growth are

- 1) Capital
- 2) Labor
- 3) Raw Material
- 4) Market

**24. What are the non-economic factors?**

The non-economic factors are

- 1) Legitimacy of entrepreneurship
- 2) Social Mobility
- 3) Marginality
- 4) Security

**25. How does an entrepreneur called as innovator? (Apr 13)**

An innovating entrepreneur sees the opportunity for introducing a new technique or new methods or new product or a new market.

**26. Explain David McClellants “Need for achievements”relevance to entrepreneurship?**

David McClellants had conducted a study on group of people to find need for achievements relevance to entrepreneurship. From the study he identified some factors. Individual strived, follow the models, provide their plans or goals

**PART B & C**  
**13 & 15 MARKS QUESTIONS**

**1. Who is an entrepreneur? Explain the importance and types of entrepreneurs. (Apr 10, 13, 14)**

**(Or)**

**Bring out the Schumpeter's views on entrepreneur. Explain the Different types of entrepreneurs in the society. (Apr 08, 15, Nov 16)**

**Entrepreneur:-**

According to Joseph Schumpeter, "an entrepreneur in an advanced economy is an individual who introduces something new in the economy a method of production not yet tested by experience in the branch of manufacture concerned a product with which consumers are not yet familiar, a new source of raw materials or new markets and the like.

**The major types of entrepreneur are:-**

- (i) Innovating entrepreneurs
- (ii) Imitative entrepreneurs,
- (iii) Fabian entrepreneurs
- (iv) Drone entrepreneur.

**Innovating entrepreneur:-**

Innovative entrepreneurship is characterized by aggressive assemblage of information and the analysis of results derived from sound combination of factors.

An innovating entrepreneur sees the opportunity for introducing a new technique or new methods or a new product or a new market.

**Imitative entrepreneur:-**

Imitative entrepreneurs do not innovate the changes themselves, they only imitate techniques and technology innovated by others. These types of entrepreneurs are particularly suitable for the under-developed region for bringing a mushroom drive of imitation of new combinations of factors of production already available in developed region.

**Fabian entrepreneur:-**

Entrepreneurs of this type are very cautious and skeptical while practicing any change. They have neither the will to introduce new changes nor the desire to adopt new methods innovated by the most enterprising entrepreneurs. This type of entrepreneur will not be interested in taking risk and they try to follow the footsteps of their predecessors.

**Drone entrepreneurs:-**

These types of entrepreneurs adopt opportunities to make changes in production formula even at the cost of severely reduced return, relative to other like producers. They even suffer from losses but they are not ready to make changes in their existing production methods.

2. Describe how innovation is important as a dimension of entrepreneurship. (Nov 09)

## Enterprising Behaviours



3. What do you understand by the term entrepreneur? Give the main Characteristics of an entrepreneur. Also differentiate between entrepreneur and intrapreneur) (Nov 14, Apr 18)

### Entrepreneur:-

An entrepreneur is an individual who takes moderate risks and brings innovation. An entrepreneur is a person who has possession of a new enterprise, venture or idea and assumes significant accountability for the inherent risks and the outcome.

### Characteristics of Successful Entrepreneurs

Entrepreneurs are different from each other, but successful entrepreneurs tend to share certain characteristics. Not all of them have developed each of the following to the same degree, but they tend to have developed most of them to some degree. Here are some common characteristics of successful entrepreneurs.

Entrepreneurs tend to:



- Be passionate about achieving their goals
- Have a spirit of adventure (in fact, the word "adventure" is derived from the Latin word meaning "to venture")
- Have a strong need to achieve and seek personal accomplishment
- Be self-confident and self-reliant
- Be goal-oriented
- Be innovative, creative, and versatile
- Be persistent
- Be hardworking and energetic
- Have a positive attitude
- Be willing to take initiative
- **An eye for opportunity:** Many entrepreneurs start by finding a need and quickly satisfying it.
- **Independence:** Even though most entrepreneurs know how to work within the framework for the sake of profits, they enjoy being their own boss.
- **An appetite for hard work:** Most entrepreneurs start out working long, hard hours with little pay.
- **Self-confidence:** Entrepreneurs must demonstrate extreme self-confidence in order to cope with all the risks of operating their own business.
- **Discipline:** Successful entrepreneurs resist the temptation to do what is unimportant or the easiest but have the ability to think through to what is the most essential.
- **Judgment:** Successful entrepreneurs have the ability to think quickly and make a wise decision.

<b>Difference</b>	<b>Entrepreneur</b>	<b>Intrapreneur.</b>
independent	He is an independent businessman	He is semi independent businessman
Risk barrier	He bears the risk fully	He does not bear the risk of the business.
Raising fund	He himself raising fund	He will not raise the fund himself.
operation	Operate from out side	Operate from within the organization itself.

**4. What is meant by Entrepreneur? How will you distinguish intrapreneur (Apr 14)**

**(Or)**

**Who are intrapreneurs? Distinguish between an entrepreneur and Intrapreneur. (Nov 16, 18, 19, Apr 19)**

The term intrapreneur was coined in America in the late seventies. In simple word, a new entrepreneur coming from a large industrial organization with a new innovative idea is called intrapreneur.

Intrapreneurship is a strategy for stimulating innovation by making better use of entrepreneurial talent. When effectively promoted and channeled, intrapreneurship not only fosters innovation, it also helps employees with good ideas to better channels, the resources of a corporation to develop more successful products.

**Difference between Entrepreneur and Intrapreneur:-**

A new entrepreneur coming from a large industrial organization with a new innovative idea is called intrapreneur.

<b>Difference</b>	<b>Entrepreneur</b>	<b>Intrapreneur.</b>
independent	He is an independent businessman	He is semi independent businessman
Risk barrier	He bears the risk fully	He does not bear the risk of the business.
Raising fund	He himself raising fund	He will not raise the fund himself.
operation	Operate from out side	Operate from within the organization itself.

**5. Explain in brief the factors affecting the growth of entrepreneurship. (Apr 10, 18, Nov 18)**

**(Or)**

**Discuss the cultural, economic, and political and personality factors that affect entrepreneurial growth. (Apr 08)**

**Factors affecting Entrepreneurship growth:**

1. Economic factors
2. Social factors
3. Cultural factors
4. Personality factors
5. Psychological and sociological factors.
6. Government action

**(1) Economic Factors:**

- Lack of adequate basic facilities
- Non- availability of capital
- Non availability of raw materials and finished goods.
- Greater risk involved in business
- Non- availability of skilled labor

**(2) Social factors**

- Legitimacy of entrepreneurship
- Social mobility
- Marginality

- Security
- Psychological factor
- Customs and traditions
- Rationality of the society
- Social system
- Social set-up

**(3) Personality Factors**

- Suspect personality
- Emergence of planning

**(4) Government /political action**

Government encourages entrepreneurship by creating basic facilities, utilities and services and by providing incentives and concessions.

**6. Explain how entrepreneurship has influenced the economic development of nations in recent years. (Nov 09, 19)**

**(Or)**

**“Entrepreneur is the catalyst in the process of economic development”? In the light of this statement, explain the role of entrepreneurship in the economic growth of a country. (Nov 08, Apr 10)**

**(Or)**

**Discuss the role played by entrepreneurs in the economic development of Tamilnadu in particular and India in general. (Apr 09, 17)**

"Entrepreneurship is essentially the act of creation requiring the ability to recognize an opportunity, shape a goal, and take advantage of a situation. Entrepreneurs plan, persuade, raise resources, and give birth to new ventures."

**Role of entrepreneurship in economic development.**

**Entrepreneur**

An entrepreneur can be regarded as a person who has the initiative skill and motivation to set up a business or enterprise of his own and who always looks for high achievements. He is the catalyst for social change and works for the common good. They look for opportunities, identify them and seize them mainly for economic gains. An action oriented entrepreneur is a highly calculative individual who is always willing to undertake risks in order to achieve their goals.

**Need for Entrepreneurship Development**

Economic development essentially means a process of upward change whereby the real

per capita income of a country increases over a period of time. Entrepreneurship has an important role to play in the development of a country. It is one of the most important inputs in economic development. The number and competence of entrepreneurs affect the economic growth of the country.

The economic history of the presently advanced countries like USA, Russia and Japan supports the fact that economic development is the outcome for which entrepreneurship is an inevitable cause. The crucial and significant role played by the entrepreneurs in the economic development of advanced countries has made the people of developing and under developed countries conscious of the importance of entrepreneurship for economic development. It is now a widely accepted fact that active and enthusiastic entrepreneurs can only explore the potentials of the countries availability of recourses such as labour, capital and technology.

The role of entrepreneurs is not identical in the various economies. Depending on the material resources, industry climate and responsiveness of the political system, it varies from economy to economy. The contribution of entrepreneurs may be more in favorable opportunity conditions than in economies with relatively less favorable opportunity conditions.

## **Entrepreneurship and Economic Development**

Entrepreneurship helps in the process of economic development in the following ways:

### **1) Employment Generation:**

Growing unemployment particularly educated unemployment is the problem of the nation. The available employment opportunities can cater only 5 to 10 % of the unemployed. Entrepreneurs generate employment both directly and indirectly. Directly, self employment as an entrepreneur and indirectly by starting many industrial units they offer jobs to millions. Thus entrepreneurship is the best way to fight the evil of unemployment.

### **2) National Income:**

National Income consists of the goods and services produced in the country and imported. The goods and services produced are for consumption within the country as well as to meet the demand of exports. The domestic demand increases with increase in population and increase in standard of living. The export demand also increases to meet the needs of growing imports due to various reasons. An increasing number of entrepreneurism is required to meet this increasing demand for goods and services. Thus entrepreneurship increases the national income.

### **3) Balanced Regional Development:**

The growth of Industry and business leads to a lot of Public benefits like transport facilities, health, education, entertainment etc. When the industries are concentrated in selected cities, development gets limited to this cities. A rapid development. When the new

entrepreneurism grow at a faster rate, in view of increasing competition in and around cities, they are forced to set up their enterprises in the smaller towns away from big cities. This helps in the development of backward regions.

#### **4) Dispersal of economic power:**

Industrial development normally may lead to concentration of economic powers in a few hands. This concentration of power in a few hands has its own evils in the form of monopolies. Developing a large number of entrepreneurism helps in dispersing the economic power amongst the population. Thus it helps in weakening the harmful effects of monopoly.

#### **5) Better standards of living:**

Entrepreneurism plays a vital role in achieving a higher rate of economic growth. Entrepreneurism is able to produce goods at lower cost and supply quality goods at lower price to the community according to their requirements. When the price of the commodities decreases the consumers get the power to buy more goods for their satisfaction. In this way they can increase the standard of living of the people.

#### **6) Creating innovation:**

An entrepreneur is a person who always looks for changes. Apart from combining the factors of production, he also introduces new ideas and new combination of factors. He always tries to introduce newer and newer technique of production of goods and services. An entrepreneur brings economic development through innovation.

Entrepreneurship also helps in increasing productivity and capital formation of a nation. In short, the development of the entrepreneurship is inevitable in the economic development of the country. The Role played by the entrepreneurship development can be expressed in the following words:

" Economic development is the effect for which entrepreneurship is a cause"

#### **7. State and explain the factors affecting Entrepreneurial growth in our country? (Apr 11,12,14,19, Nov 14, 16,19)**

**(Or)**

#### **State & Explain the various bottle necks to Entrepreneurship in our country? (Apr 17)**

The development of Entrepreneurship is not a spontaneous one but a dependent phenomenon of economic, social, political, and psychological factors often nomenclatures as supporting conditions to Entrepreneurship development.

These conditions may have both positive and negative influences on the emergence of Entrepreneurship.

Following are the factors of environment affecting Entrepreneurship growth. These conditions are grouped under three categories.

- Economic factors
- Non-Economic factors
- Government action

1) Economic factors:

The economic factor that affects Entrepreneurial growth is.

- Capital
- Labour
- Raw material
- Market

**a. Capital:**

Capital is one of the most important prerequisites to establish an enterprise. Availability of capital facilitates the Entrepreneur to bring together the land of one, machine of another and raw materials of yet another to combine them to produce goods. Therefore capital is a lubricant which smoothens the working of vehicle called enterprise.

Increased capital investment, capital output, ratio results, in profit. This ultimately goes up to capital supply increased, Entrepreneurship also increases.

**b. Labour:**

The quality rather than quantity of labor is another factor which influences the emergence of Entrepreneurship. It is noticed that cheap labour is often less mobile (or) even immobile.

According to Adam Smith, division of labor as an important element in economic development, which itself depends upon the size of the market which leads to improvement in the productive capacities of labour due to an increase in the dexterity of labour.

For example, the problem of low-cost immobile labour can be circumvented by plunging ahead with capital-intensive technologies, as Germany did.

It can be dealt by utilizing labour-intensive method like Japan, for example.

By contrast the disadvantages of high cost-labour can be modified by introduction of labour saving innovation as was done in the U.S.A.

**c. Raw material:**

The necessity of raw material hardly needs any emphasis for establishing any industrial activity and therefore, its influence in the emergence of Entrepreneurship.

In the absence of raw material, neither any enterprise can be established nor can an Entrepreneur be emerged.

In fact, the supply of raw material clearly does not influenced by them but become influential depending upon other opportunity condition.

**d. Market:**

The fact remains that the potential of the market constitutes the major determined of probable reward from Entrepreneurial function. The size and composition of market both influence Entrepreneurship in their own ways.

Practically in a monopoly product, a market becomes more influential for Entrepreneurship than a competitive market.

However, the disadvantages of a competitive market can be cancelled, to some extent, by improvement in transportation system facilitating the movement of raw material and finished goods and increasing the demand for produced goods.

**2. Non-Economic factors:**

Some of the major non-economic factors that influence the emerging Entrepreneurship have been listed below.

- Legitimacy of Entrepreneurship
- Social mobility

- Marginality
- Security
- Psychological factor

**i. Legitimacy of entrepreneurship:**

The proponents of non-economic factors give emphasis to the relevance of a system of norms and values in a sociocultural setting for the emergence of Entrepreneurship.

In professional vocabulary, such system is referred to as the 'legitimacy of Entrepreneurship' in which the degree of approval granted Entrepreneurial behavior influences its emergence and characteristics of it do emerge.

We do also believe that Entrepreneurship will be more likely to emerge in setting in which legitimacy is high.

**ii. Social Mobility:**

Social mobility involves the degree of mobility, both social and geographical, and the nature of mobility channels within a system.

Our earlier study on Entrepreneurship also concurs, by and large, with Brozen's point of view with regard to the relationship between social mobility and the emergence of Entrepreneurship, what is particularly important in the patterning of mobility channels.

Our study brought home the point that the movement of young and educated. Males not only results in denudation of potential Entrepreneurs in the region, but also the returned migrants did not assume Entrepreneurial roles because of inter alia their lack of business knowledge due to their mobility channels to the armed forces.

**iii. Marginality:**

A group of scholars hold a strong view that social marginality also promotes Entrepreneurship. They believe that individuals (or) group on the perimeter of a given social system (or) between two social systems. Provide the personnel to assume the Entrepreneurial roles.

They may be drawn from religious, cultural, ethnic (or) migrant minority groups, and their marginal position is generally believed to have a psychological factors effect which makes Entrepreneurship.

Several factors are attributed to the increase in the likelihood of marginal becoming entrepreneurs for example; one of these is the presence of positive attitude towards Entrepreneurship within the group.

**iv. Security:**

Several scholars have advocated Entrepreneurial security as important factors of Entrepreneurial behavior. Yet, scholars are not consensus on the amount of security that is needed.

We also regard security to be a significant factor for Entrepreneurship development.

**v. Psychological Factor:**

Many Entrepreneurial theories have propounded the Entrepreneurship that concentrates specifically upon psychological factors.

- Need achievements
- Withdrawal of status respects.

**a) Need achievements:**

To the best of our knowledge the best known of primarily psychological theories is David McClelland's of need achievements.

According to McClelland, a constellation of personality characteristics which are indicative of high need achievement is the major determinant of Entrepreneurship development.

McClelland gives the psychological concept of achievement motivation (or) need achievements to account for the differences in response to similar conditions.

Referring to the encouraging impact of achievements motivation training programs organized by the small Industries Extension Training Institute, Hyderabad.

McClelland argues that the need achievement can be developed through the intensive training programs.

**b) Withdrawal of status respect:**

E.E. Hagen attributed the withdrawal of status with respect of a group to the genesis of Entrepreneurship.

Hagen believes that the initial condition leading to eventual Entrepreneurial behavior is the loss of status by a group. He postulates that four types of events can produce status withdrawal.

- The group may be displaced by force.
- It may have its values symbols denigrated.
- It may drift into a situation of status inconsistency.
- It may not be accepted the expected status and migration in a new society.

He further postulates that withdrawal of status respect would give rise to four possible reactions and four different personality types.

- Retreatist
- Ritualist
- Reformist
- Innovator

**A. Retreatist:**

He who continues to work in a society but different to his work and position.

**B. Ritualist:**

He who adopt a kind of defensive behavior and acts in the way accepted and approved in his society but no hopes of improving his position.

**C. Reformist:**

He is a person who forms a rebellion and attempts to establish a new society.

**D. Innovator:**

He is a creative individual and is like to be an entrepreneur.

Hagen maintains that once status withdrawal has occurred, the sequence of change in personality formation is set in motion.

**4. Government/Political action:**

Government encourages Entrepreneurship by creating basic facilities, utilities and services and by providing incentives and concessions.

Any interested government in economic development can help through at clearly expressed industrial policy; promote Entrepreneurship in one way (or) other. To conduct, in the societies where the government was committed to their economic development, Entrepreneurship flourished and could not flourish in the societies where the government was either the least (or) not interested in their economic development.



One way of examining the role of government in influencing Entrepreneurship may be the extent to which the government is a competitor with Entrepreneurs from private sectors, whether for factors of production (or) for markets.

**8. Explain the main functions performed by the entrepreneurs. (Or) Steps involved in entrepreneurship development (Nov 13, 16, Apr 15)**

**Functions of an entrepreneur:**

Kilby has enumerated about 13 functions of an entrepreneur, which include some of the managerial function also. These functions are as follows.

- Searching market opportunities.
- Obtaining the available resources.
- Purchasing inputs.
- Marketing of the products and overcome competition.
- Dealing on getting licenses and other formalities.
- Recruitment of persons.
- Managing customer and supplier relations.
- Raising necessary funds.
- Managing production.
- Acquiring and overseeing assembly of the factory.
- Industrial engineering.
- Upgrading process and product quality.
- Adopting new production techniques and methods.

We may classify the functions of an Entrepreneur into three broad categories.

- Risk bearing ,Organization and Innovation

**1. Risk bearing:**

An Entrepreneur undertakes the responsibility for loss that may arise due to unforeseen contingencies in future.

He guarantees interest to creditors, wages to labour and rent to the land lord and risk can be insured.

**2. Organization:**

An Entrepreneur organizes the combination of land, labour and capital during the beginning stage and at the performance stage, for optimum of the resources.

Efficient expansion and growth of the enterprise largely depends on the efficiency of the organizational network employed and monitored by the Entrepreneur.

**3. Innovation:**

Implies “doing of new things (or) doing of thing that is already being done in a new way”.

Schumpeter considered economic development as a desired dynamic change brought by Entrepreneur by instituting new combinations of production.

According to him innovation may occur in any one f the following five forms:

- Launching of new product.
- Creation of new market.
- Introduction of new technology and method of production.
- Creation of complete possession (or) service.

## UNIT II MOTIVATION

Major Motives Influencing an Entrepreneur – Achievement Motivation Training, Self Rating, Business Games, Thematic Appreciation Test – Stress Management, Entrepreneurship Development Programs – Need, Objectives.

### PART A

**1. Brief about the need for achievement motivation on entrepreneurship development. (Apr 08, 18)**

- Need for achievement through goal setting and inter personal support.
- Like to take personal support.
- Concrete measures of task performance.
- Organisational skills.

**2. List any two objectives of entrepreneurial training. (Apr 08)**

The objectives of Entrepreneurial training are

- Develop and strengthen their entrepreneurial quality.
- Select product / project.
- Acquire the basic management skill.

**3. Briefly summarise the psychological factors contribute to entrepreneurial motivation. (Nov 08)**

The following psychological factors contribute to entrepreneurial motivation are

- Need for achievement through goal setting and interpersonal support.
- Like to take personal responsibility.
- Concrete measures of task performance.
- Organisational skills.

**4. State the main objectives and need of Entrepreneurship programme. What is meant by entrepreneurship Development programme? (Nov 08, 14, Apr 14)**

The main objectives of Entrepreneurship Development Programme are to develop and strengthen their entrepreneurial quality.

The need for achievement is one of the important entrepreneurial traits / competencies.

**5. Explain the motivation can be transferred into acceptable performance by employees. (Apr 09)**

Employee motivation and performance are increasingly viewed as key resources in helping organizations improve the productivity, quality, customer relations, etc. Few subjects receive more ongoing attention in organizations. Regardless of the organizational setting, manager faces a common challenge of fostering a motivating work environment.

**6. What incentives are offered to set up SSI units? (Apr 09)**

The incentives to setup SSI units are:

1. Exemption on electricity duty.
2. Exemption on stamp duty.
3. Tax holiday.
4. Refund of octroi.
5. Special capital incentives.
6. Interest subsidy

**7. What situations have led to intrapreneurship in organization? (Nov 09)**

Intrapreneurship is a strategy for stimulating innovation by making better use of entrepreneur talent. When effectively promoted and channelled, intrapreneurship not only foster innovation, it also helps employed with good idea to better channels. The resources of a corporation to develop more successful products.

**8. Why does small business become sick? (Nov 09)**

The small business become sick under two categories,

- Internal causes
- External causes

Both the causes affect the industry related to organization, structure, production, channels, distribution channels, technical knowhow, etc.

**9. Define stress? (Apr10, Nov 16, 19)**

According to selye, “Stress is an adoptive response to the external situation that results in physical, psychological and for behavioural deviation for organizational participants.

**10. What is Thematic Apperception Test? (Apr 10, 11, 17. 18, Nov 19)**

Thematic Apperception Test (TAT) balloons are not provided with the frustration cartoons shown to the respondent. The respondent is asked to interpret the situation with regards to a particular product, company (or) other business phenomenon.

**11. Define the term motivation?**

Motivation is the willingness to exert high levels of effort towards organisational goals conditional by the efforts ability to satisfy some individual need.

**12. List out the Maslow’s classification of need.**

The Maslow’s classification of need is

- Physiological needs
- Safety needs
- Social needs
- Esteem needs
- Self-actualization needs

**13. List out the three needs isolated by McClelland.**

David McClelland has identified three acquired needs namely

- Need for affiliation
- Need for power
- Need for achievement

**14. State the importance of need for Achievement. (Nov 13)**

- (i)They set moderate, attainable and realistic goals for them.
- (ii)They find a situation in which they can solve their personal responsibility.
- (iii)They need continuous feedback on how they are doing.
- (iv)They look for challenging tasks.

**15. What is self – rating? (Nov14, 16, Apr 14)**

Self rating teaches people to observe their own behaviour, compare their outputs to their goals and administer their own reinforcement to sustain goal commitment and performance.

**16. What is business game? (Apr 15, 19)**

A business simulation or game may be defined as sequential decision making exercise structured on a model of a business operation, in which the trainee assumes the role of managing the simulated operation.

**17. What is the source of idea generation?**

There are four main sources for generating business ideas

- Invent something new
- Copy someone else idea and improve it
- Spot a gap in the market/answer an unmet need
- Use your own skill and interests.

**18. What is distress?**

Stress is a condition arising from the interaction of people and their jobs and characterized by change within people that force them to deviate their normal functioning.

**19. What is eustress?**

Eustress refers to the healthy, positive constructive outcome of stressful events and the stress response. Eustress is the stress experience that activates and motivates people to achieve their goals and succeed in their life's challenges.

**20. What are symptoms of stress?**

The various symptoms of stress are

- Nervousness and tension
- Emotional instability and
- Sleeping problem absentmindedness and Inability to relax

**21. How the individual level of stress can be coped? (Apr 15) (Nov 18)**

- Physical exercise
- Changing gears
- Behavioural self control
- Warming up one self
- Social support

**22. Identify different phases of EDP's? (Nov 13)**

Selection of person with the required potential in terms of knowledge attitudes.

- Designing techniques for training
- Selection and training process.
- Survey of environment.
- Strategic to make ED effective.

**23. What are the objectives of EDP's? (Apr12, 13, 19)**

The objectives of EDP's are

- Develop and strengthen their entrepreneurial quality.
- Select product / project
- Acquire the basic management skill.

**24. State the objective of Entrepreneurial Motivation Training. (Apr 11, 12)**

1. To enhance entrepreneurial spirit. 2. To help the entrepreneur to examine his own self and relate his image of himself with the environment.

## PART B & C

### 13 & 15 MARKS

#### **1. Define stress. Discuss the various stress management techniques to overcome work stress. (Apr 08, 12, 17, 18, Nov 14)**

According to Selye, stress is an adaptive response to the external situation that results in physical, psychological and behavioural deviation for organisational participations. According to Beets and Newman, stress is a condition arising from the interaction of people and their jobs and characterized by changes within people that force them to deviate from their normal functioning. This side of stress is called distress. This is healthy positive constructive outcome of stressful events and the stress response.

#### **Symptoms of stress:**

It can be broadly classified into the categories.

- a) Psychosomatic problems
- b) Psychological problems
- c) Behavioural problems

##### **a) Psychosomatic problems:**

The word, psychosomatic combines the two words namely, psycho which means mind and soma which means body. The psychosomatic symptoms of stress are bodily or physically for which the causes are mental.

For example, one person may suppress anger and may eventually develop depression, whereas another may suppress anger and eventually develop migraine headaches.

##### **b) Psychological problems:**

The high level of stress may be accompanied by psychological such as anger, anxiety, depression, nervousness, irritability, tension and boredom depending upon the nature of stress and the capacity of individual to bear stress.

##### **c) Behavioural problems:**

When the stress is at high level people show dysfunctional behaviour, such behaviour may lead to alcoholism, drug addiction, increase in smoking, sleeplessness, under/overacting etc. in the extreme case it may result into suicide.

#### **Coping strategies for stress**

Any high level stress affects the individual directly through him/ his family. Therefore, stress needs to be coped with to minimize its debilitating effects.

Researchers have indicated various strategies to be used to cope with stress.

The various strategies can be classified into the two broad categories.

1. Individual level
2. Organisational level

##### **1. individual level**

Individual coping strategies tend to be more reactive in nature. Some specific techniques that individuals can use to effectively cope their stress are

##### **i) physical exercise:**

Exercise of different forms such as jogging walking. Swimming, playing, riding, bicycling etc. this helps to overcome stress are

Physical exercise helps people to better cope with stress generally as a side effect, such as relaxation enhanced self-esteem and simply getting one's mind off work for a while.

**ii) Changing gears:**

Changing gears involves shifting ones attention from main work to something else such as a hobby. Yet while changing gears, the changed work needs to capture the workers attention.

Changing gears helps in removing one’s attention from pressure of work, on the one hand draining of pent-up tensions, on the other.

**iii) Behavioural self- control:**

A conscious analysis of the causes and consequences of their own help managers controlling the situations instead of letting the situation control them.

**iv) Warming up one self:**

A manager also needs to warm up before starting work just as the players who warm up before the buzzer sounds to start the game. The basic object in warming up is to set tone for the day. Warming up, thus prepares one for the tensions well have to encounter during the day.

**v) Social support:**

“Misery loves company” studies have suggested that social support moderates the effects of stress on personal wellbeing. It is one of the important aspects of the quality of social milieu.

We see in practice, people give and receive different types of social support, such as money, material and emotional help. Adequate social support may reduce intensity and frequency of stressor.

**Organisation level:**

Organisation coping strategies are more of proactive nature that is they attempt at removing existing or potential stress and prevent the onset of stress of job holders.

**i) Setting clear objectives:**

Organisations should set clear objectives for its members. This helps minimize role ambiguity which usually filters down the organisation in the form of neurosis.

**ii) Spread the message:**

Spreading the message about the importance of regular habits of work, leisure, proper diet, exercise and mental peace among the organisational members helps them better cope with stress.

**iii) Clarity in roles:**

There is enough evidence to show that defining individual roles through role efficiency helps them reduce their role- shares stresses. This is so a result of an individual’s movement from a reactive.

**2. Explain the major motive influencing an entrepreneur. (Nov 14, 18, 19, Apr 15, 19)**

**Major Motives Influencing an Entrepreneur**

It is a greatest question what factors that motive entrepreneur to start enterprises?

To identify, several researches have been made and that research studies identify the factors that motivate people to start business enterprises.

There are two types of factors that motivate an entrepreneur

1. Internal factor
2. External factor

**Internal factor:**

It includes

- Desire to do something new
- Educational qualification
- Technical background

- No. Of years of experience
- Occupational background

**External factors:**

It includes

- Government support and assistance.
- Availability qualification.
- Technological background.
- Encouragement from already established business house.
- Promising demand for the product.

Murthy et.al classified the motivating factors on different bases.

1. Ambitious factors
2. Compelling factors
3. Facilitating factors

Most of the entrepreneurs are motivated to start business mainly because of six factors.

- They possessed technical knowledge in the same or related line.
- They work in same line and have a manufacturing experience.
- There was heavy demand for the particular product.
- They possess a financial support
- The government and institutional assistance available facilitated individuals to enter industry.
- More they have dream to be entrepreneur and to do something independent in life.

**3. What is business game? State its objectives, needs. Define in basket training. Why in basket training is essential to entrepreneurs? (Apr 11, 13)**

A business simulation or game may be defined as a sequential decision making exercise structured on a model of a business operation, in which the trainee assumes the role of the managing the simulated operation.

The primary objectives of these business games are to teach general management skills such as

- Decision making setting priorities
- Long range planning
- Effective use of time,
- Personal and equipment.

**Model of business game:**

It is one type of motivation techniques that are adopted to encourage and get an effective feedback from the workers...

The development process for the game is as follows.

- To outline the key issues that the game needed to illustrate.
- To develop a first version of the game.
- To play the game with group MIS (management information system) personnel to allow refinements.
- To disseminate the game throughout the group.

**The business game is put forth for the following process.**

- To show the importance of simplification in concert with manufacturing planning and control (MPC) system implementation.

- To show the need to recognize bottlenecks and to illustrate optimized production technology. (OPT) principles.
- To illustrate the benefits of good plan layout.
- To show the necessity of effective planning control and co-ordination.
- To demonstrate the relationship between manufacturing and financial performance.
- To explain the principles and benefits of “pull” control system.

Addition of the following constraints to those listed below allowed its application in practice within group companies.

#### **Overview of the business game:**

The game should accommodate six to twenty five people.

The game should be capable of being run on the premises of group companies and not require sophisticated infra structure.

Development of the basic outline and rules of the game occurred over several weeks.

Phase 1 would set the participations a challenging factory management problem. After an initial explanation of the rules, the participants would play the game. A de-brief session would follow, to allow discussion of the key issues of the game.

Phase 2 would follow the same pattern as the first scenario with some changes being explained to the participant's .They would then replay the game, showing the benefits of the key issues described earlier.

A final de-brief and discussion session would follow experience has shown that the first two elements of phase 1 take around three hours ,representing approximately half the time for the entire game.

After the creation of a prototype, selected members from group MIS played the game and took part in feedback session's .Dissemination finally occurred after a process of refinement.

#### **4. What is entrepreneurship development program? Provide the various sources of EDP. (Apr 12, 15, 18, Nov 16, 19)**

Entrepreneurship development has, therefore, become a matter of great concern in all developed in all developed and developing countries all over the world .But the real problem is how to develop entrepreneurship .So there arises Entrepreneurship development programmes(EDP's)

##### **Evaluation of EDP'S:**

Developing entrepreneurship has become a movement in India in the recent year's .In India, in the year 1960's a great deal of discussion centred upon whether growth could resolve income regional disparities. In 1969, India developed a strategy to promote industries in relatively backward states and districts.

EDP was initiated in 1970 under a sponsorship of a state financial cum promotional institution the Gujarat industrial and Investment Corporation. The program was run through GHC and its characteristics were crystallised through repeated experiments until 1987, with Gujarat's financial and institutions and industrial promotion agencies jointly sponsored a separate centre for entrepreneurship development to administer the program.

So for some 16 evaluation studies have been conducted by various organizations and individual researches. No doubt, these studies vary in their objectives, coverage and content,



but one common thread in all form of them is the assessment of effectiveness or impact of EDP's however, loosely defined.

### **EDP process**

Entrepreneurial development program is a process which involves various steps.

- Selection of person with the required potential in terms of knowledge attitudes.
- Designing techniques for training.
- Selection and training process.
- Survey of environment.
- Various strategies for making effective entrepreneurship development.

### **Problems faced by EDP's**

The important problems faced by EDP's are

- Trainer- motivations are not found up to the mark in motivating the trainees to start their own enterprises.
- Another problem in case of ED organizations lack in commitment and sincerity in conducting the EDP's.
- Non- conductive environment factor makes the trainer ineffective.

### **Need for EDP's**

The need for EDP's arise on the basis of achievement could be induced. A 5 yr experimental study on one of the prosperous district of A.P in India in collaboration with small industries extension and institute, Hyderabad. To identify opportunities for entrepreneur and give training and motivation to new entrepreneur.

### **Objectives of EDP's**

The important objectives of the EDP's are

- Develop and strengthen their entrepreneurial quality.
- Analyse the environmental setup relating to small industry and business.
- Select product /project.
- Know the source of help and support available for starting a small – scale industry.
- Acquire the basic management skills.
- Develop passion for integrity and honesty.
- Understand the need of entrepreneurial discipline.

**5. What do you understand by achievement motivation? How can achievement motivation be developed? (Nov 13, 14, 16, Apr 18)**

**(Or)**

**Bring out the model for entrepreneurship development and discuss the role of achievement motivation in Entrepreneurship development. (Apr 11)**

Achievement plays an important role to a successful entrepreneur .In simple terms, need for achievement is the desire to do well. People with high achievement motive like to take calculated risks and want to win. Hence there is need for developing entrepreneur in an economy.

The following psychological factors contribute to entrepreneurial motivation.

- Need for achievement through goal and inter personal support
- Like to take personal responsibility
- Interest in situation involving moderate risk
- Concrete measures of task performances.
- Anticipation of future possibilities.
- Organizational skills.

Some societies produce a larger % of people with high need achievement.

Entrepreneur becomes the link between the need achievement and economic growth.

### ***The Kakinada experiment***

McClelland has tried to induce achievement motivation in adults and provide them with an urge to improve that lot because un-induced achievement motivation results in long before waiting to bear fruit. Such an inducement may help break the barrier of limited aspirations.

To overcome this he conducted an experiment among business man of America, Mexico, and Mumbai.

Later he carried out a separate full-fledged training program in Kakinada city of Andhra Pradesh. This training is popularly known as Kakinada experiment. It was started in January 1964. The main objective is to break the barrier of limited aspiration by inducing achievement motivation.

A total of 52 persons were selected from business and industrial community of the town. They were given an orientation program at small industry extension training institute (SIET), Hyderabad.

The participants were grouped into 3 batches. They were put under training for three months.

The achievement development course contained 4 main items.

(i)The individuals strived to attain concrete and frequent feedback.

(ii)The participants sought models of achievement (i.e.) watched those who have performed well and tried to emulate.

(iii)The participants thought of success and accordingly set plans and goals.

(iv)The participants are asked to talk and think to themselves in a positive manner.

After the training the behaviour of the participants was observed after a period of 2 yrs .The observations were encouraging.

It was analysed that there was a greater difference between those who participated and those who not. The participants need for achievement was assessed by using Thematic Appreciation test (TAT).

An achievement related themes are then counted and the final score represent the individual's desire for high achievement.

The Kakinada experiment is being utilized in a number of experiments that have recently initiated technical personnel to set up new enterprises of their own. In Gujarat various state agencies have combined to operate an entrepreneurship development program (EDP) to help young people acquire the motivation necessary to become risk takes.

The Gujarat program has helped many people to setup enterprises. From the experiment or program it is clear the entrepreneurship is to be developed from a very huge age.

So efforts have to be made to develop a school curriculum that would result in high need for achievement among the students. This is because younger minds are more susceptible to change.

**6. Explain the aims and objectives of Thematic Apperception Test. Discuss the applications and uses of Thematic Apperception Test. (Apr14, 19, Nov 18)**

Aims and objectives: Thematic Apperception Test (TAT) balloons are not provided with the frustration cartoons shown to the respondent. The respondent is asked to interpret the situation with regards to a particular product, company (or) other business phenomenon.

The participant need for achievement was assessed by using thematic appreciation test (TAT)

In this TAT, ambition related pictures were displayed to the trainees and the individual is asked to interpret what he/she sees and what is happening in the picture.

An achievement related themes are then counted and the final score represents the individual's desire for high achievement.

The Kakinada experiment is being utilised in a number of experiments that have recently initiated technical personnel to set up new enterprises of their own.

In Gujarat various state agencies have combined to operate an entrepreneurship development programme (EDP) to help young people acquire the motivation necessary to become risk-takes.

So efforts have to be made to develop a school curriculum that would result in high need for achievement among the students.

This is because the younger minds are more susceptible to change.

**Applications and uses:**

The original purpose of the TAT was to reveal the underlying dynamics of the subject's personality, such as internal conflicts, dominant drives and interests, motives, etc. The specific motives that the TAT assesses include the need for achievement, need for power, the need for intimacy, and problem-solving abilities. After World War II, however, the TAT was used by psychoanalysts and clinicians from other schools of thought to evaluate emotionally disturbed patients. Another shift took place in the 1970s, when the influence of the human potential movement led many psychologists to emphasize the usefulness of the TAT in assessment services—that is, using the test to help clients understand themselves better and stimulate their personal growth.

The TAT is widely used to research certain topics in psychology, such as dreams and fantasies, mate selection, the factors that motivate people's choice of occupations, and similar subjects. It is sometimes used in psychiatric evaluations to assess disordered thinking and in forensic examinations to evaluate crime suspects, even though it is not a diagnostic test. As mentioned earlier, the TAT can be used to help people understand their own personality in greater depth and build on that knowledge in making important life decisions. Lastly, it is sometimes used as a screener in psychological evaluations of candidates for high-stress occupations (law enforcement, the military, religious ministry, etc.).

**7. Define the term Motivation. What are the special Motivational Techniques for the entrepreneur? (Apr 14)**

**Definition:**

Internal and external factors that stimulate desire and energy in people to be continually interested and committed to a job, role or subject, or to make an effort to attain a goal. Motivation results from the interaction of both conscious and unconscious factors such as the (1) intensity of desire or need, (2) incentive or reward value of the goal, and (3) expectations of the individual and of his or her peers. These factors are the reasons one has

for behaving a certain way. An example is a student that spends extra time studying for a test because he or she wants a better grade in the class.

**Special Motivational Techniques:**

**Time is on Your Side:**

Just as financial advisers tell young investors, “Time is on your side.” When you’re young, you can take higher risks, such as buying up high-risk stocks and waiting a decade before selling. The same applies to small businesses. If you’re young and able, you have the luxury of failing and being able to pick yourself back up. You’re able to take risks that older businessmen simply can’t afford to take.

**Don’t Look Before You Leap:**

Fear is a great motivational tool. If you want to start up a business, quit your day job. Transfer your life savings to a trusted family member, and then tell them to withhold it from you. Once you’ve removed all your safety nets, you’re ready to leap. The greatest entrepreneurs have risen from desperation – and you’ll never truly feel desperate unless you lose your monthly income and access to your savings.

**The Glass is Always Half Full:**

There’s simply no point in viewing the glass as half empty. Pessimists should not be entrepreneurs – they should try to make living shorting stocks instead. A great motivational tool is to always look at the bright side – a cliché, for sure – but also one of the most important qualities of a motivated manager. Perhaps you botched a product release, and a competitor flattened you. It’s only a big deal if you didn’t learn anything from the costly lesson. It was worthwhile if you’re able to perform a thorough autopsy of your dead product to understand why it failed. Your product didn’t fail – rather, you were given an opportunity to see weaknesses which you couldn’t see earlier.

## **UNIT III BUSINESS**

Small Enterprises – Definition, Classification – Characteristics, Ownership Structures – Project Formulation – Steps involved in setting up a Business – identifying, selecting a Good Business opportunity, Market Survey and Research, Techno Economic Feasibility Assessment – Preparation of Preliminary Project Reports – Project Appraisal – Sources of Information – Classification of Needs and Agencies

### **PART A**

**1. State any two spring boards for identifying a business opportunity? (Apr 08)**

The basic steps in identifying business opportunity are:

- Preliminary evaluation
- Selection of product or service.
- Conductor market survey.
- Contractual programmers to collect sufficient information about proposed venture.
- Succeeding in the market.

**2. What are the steps involved in the process of a market survey? (Apr 08)**

The steps involved in the process of a market survey are:

- Definition the purpose
- Gathering data from secondary source.
- Gather information from primary source.
- Analyzing and interpreting the report.

**3. State the advantages and disadvantages of partnership firm? (Nov 08, 19)**

Advantages:

- Objectives of the firm are formulated in an informal manner by the entrepreneur.
- Specialization is restricted to the entrepreneur.

Disadvantages:

- There is no plan and policy about objective
- Limited managerial ability.

**4. List out the elements of project formulations? (Nov 08)**

Feasibility analysis

- Techno- economic analysis
- Project design and network analysis
- Input analysis
- Financial analysis

**5. What steps does an entrepreneur take to minimize risk when starting a new venture? (Apr 09)**

Starting a new business always has been and always will inherently carry some risk. That is the nature of anything new. However, there are some simple things that you can do to ensure that the risk is minimized as much as possible. A thorough business plan and preparation help greatly.

**6. Differentiate between equity and debt. Which form of capital is better suited for entrepreneurial business? (Apr 09, Nov 14)**

S.NO	DEBT	EQUITY
1.	Must be repaid or refinanced.	Can usually be kept permanently.
2.	Collateral assets must usually be available.	No collateral required.
3.	Interest payments are tax deductible.	Dividend payments are not tax deductible.
4.	Debt allows leverage of company profit.	Shareholders share the company profits.

**7. List out any four sources of finance? (Nov 09)**

- Working capital
- Sale of assets
- Over draft
- Share issues

**8. Why is calculating BEP important for entrepreneurs? (Nov 09)**

The calculation of BEP is important for entrepreneurs in deciding the viability of a new project, especially in respect of manufacturing activities. The breakeven point establishes the level of output, production which evenly breaks the costs and revenues.

**9. Define SME? (Apr 10)**

Small and medium enterprises are companies whose headcount or turnover falls certain limits.

**10. What is techno economic evaluation (Or) techno economic feasibility? (Apr 10, 12, Nov 13, 18, 19)**

Techno-economic feasibility makes an analysis of the market and technology. The choice of technology itself will be based on the demand potential and aid in project design. Techno economic feasibility analysis gives to the project an individual and sets the stage for detailed design development.

**11. Define small scale industries? (Apr 15, Nov 18)**

The definition of small scale industry varies from one country to another and from one time to another in the same country depending upon the pattern and stage of development. The term small scale industries have been defined in three ways 1.conventional 2.operational and 3.national income.

**12. What is the function of SSI? (Nov 13, 14)**

- A small scale unit is generally a one man show.
- Capital investment is small and has a fewer than 10 workers.
- Eliminates the economic backwardness.
- Generates immediate and large-scale employment opportunities

**13. What is the classification of SSI? (Apr 18)**

- Manufacturing industries
- Feeder industries
- Serving industries
- Ancillary to large industries
- Mining or quarrying.

**14. List the importance of SSI? (Apr 13)**

- Innovative and productive
- Individual tastes
- Symbols of national identity
- Always winners of the game
- Dispersal over wide area.

**15. Write any two objectives of small enterprises?**

- To eliminate the economic backwardness of rural and under developed regions in the country.
- To generate immediate and large-scale employment opportunities.

**16. Define sole proprietorship?**

According to wheeler the sole proprietorship is the form of business organization which is owned and controlled by a single individual. He receives all the profits and bears all the links in the success or failure of the enterprise.

**17. What are the salient features of proprietorship?**

- Sole ownership
- One man control
- No separate entity of the firm.
- Unlimited liabilities
- No government regulation.
- Undivided risk.

**18. Write any two merits of proprietorship?**

Objectives of the firm are formulated in an informal manner by the entrepreneur.  
Specialization is restricted to the entrepreneur.

**19. Write any tow demerits of proprietorship?**

- There is no plan and policy about objective.
- Limited managerial ability.

**20. What are the salient features of partnership firm?**

- More persons
- Profit and loss sharing
- Contractual relationship
- Contractual relationship
- Existence of lawful business.

**21. Define co-operation?**

The Indian co-operative societies act, 1912, section 4, defined co-operative as a society which has its objective the promotion of economic interests of its members in accordance with co-operative principles.

**22. What are the elements of project formulation? (Apr 11)**

- Feasibility analysis
- Techno economic analysis
- Project design and network analysis
- Input analysis
- Social cost benefit analysis

**23. How do you classify projects? (Apr 11)**

1. Projects focus
2. Project risks
3. Total investment
4. Communication complexity
5. Development methodology

**24. What is non probabilistic sampling? (Apr 12)**

Non probability sampling is a sampling technique where the samples are gathered in a process that does not give all the individuals in the population equal chances of being selected

**25. Identify the problem faced by a small enterprise. (Apr 13, 17)**

- Lack of finance leads to closing of small units.
- Some small industries requires highly skilled labor and equipment
- There is lack of support to small scale unit owners.

**26. Define industrial clusters: (Nov 14)**

**Industrial clusters** are groups of similar and related firms in a defined geographic area that share common markets, technologies, worker skill needs, and which are often linked by buyer-seller relationships.

**27. How to prepare preliminary project report and classification? (Apr 14, 19, Nov 16)**

Introduction, Summary and recommendations, Product capacity, Market potential, Process and know how, Plant and machinery, Location, Plot plan and building, Raw materials, Utilities, Effluents, Personnel requirement, Capital cost, Working capital.

Projects classification



**28. Discuss the characteristics of small enterprises and problem faced by small enterprises?  
(Apr 14, Nov 16)**

**Characteristics of small enterprises**

- A small scale unit is generally a one man show
- Capital investment is small and have fewer than 10 workers

**Problem faced by small enterprises**

- problem of skilled man power
- inadequate credit assistance
- irregular supply of raw materials
- absence of organized marketing
- competition from large scale unit and imported articles

## PART B & C

### 13 & 15 MARK QUESTIONS

**1. What are the different ownership structures available to entrepreneurs? Describe the advantages and disadvantages of different ownership structures? (Apr 11)**

**The different ownership structures:**

- The entrepreneur choice of ownership depends upon the nature of business, scale of operation, capital requirements, ownership rights such as control and decision making opportunities and impact of taxation.
- In general, an entrepreneur wishing to start an industry on his own will prefer to organize it on a small scale if he has a limited capital and skill will go for sole trader.
- If the entrepreneur is unable to control all the operation he will seek out other people willing to join him as partners.
- The risk associated with the unlimited liability can be avoided and large amount of capital can be brought into business by forming a limited company.
- If the capital requirements are not very large, a private limited company may be formed, to meet the needs of a large amount of capital to run a large business, a public company will have to be formed.

**Sole proprietorship**

Sole proprietorship is a form of business organization in which an individual invests his own capital, uses his own skill and intelligence in the management of its affairs and is solely responsible for the results of its operation.

**Salient features**

The important features of a sole proprietorship are:

- Sole ownership
- One man control
- No separate entity of the firm
- Undivided risk
- No government regulation
- Unlimited liabilities

**Merits**

- Specialization is restricted to the entrepreneur.
- Authority and responsibility are centered round the entrepreneurs.
- Quick and prompt decision.
- Maximum flexibility in operations.

**Demerits**

- There is no plan and policy about objectives
- Limited managerial ability.
- Lack of continuity.
- Instability
- Element of risk is minimum
-

## **Partnership firm**

According to Indian partnership act, 1932 section 4 of this act defines a partnership as the relation between two persons who have agreed to share profit of a business carried on by all or any of them acting for all .Persons that enter into partnership are collectively known as firm but individually known as partners.

### **Salient features**

- More persons
- Profit and loss sharing
- Contractual relationship
- Existence of lawful business
- Unlimited liability.

### **Merits**

- Line of authority specified.
- Authority and responsibility are defined.
- Continuity of work.
- Flexibility in operation.

### **Demerits**

- Restricted growth
- Lack of public confidence.
- Communication gaps

### **Partnership deed**

A partnership firm can be formed through an agreement among two or more persons. The agreement entered into between partners may be either oral or written. But it is desirable that all terms and conditions of partnership are put in writing so as to avoid any misunderstanding among the partners. Such written agreement among partners is known as partnership deed.

- Name of the firm
- Nature of the business
- Name of all the partners
- Date of agreement
- Place of the business
- Amount of capital contributed by each partner.
- Duration of partnership
- Duties, powers and obligations of partners.
- Maintenance of accounts and audit.
- Arbitration in case of disputes among the partners.
- Arrangements in case a partner becomes insolvent.
- 

### **Registration of firms**

Under the Indian partnership act 1932, the registration of the firm is not compulsory. But an unregistered firm suffers from certain limitations. Therefore, registration of a partnership is desirable.

### **Dissolution of firm**

There is a difference between the dissolution of partnership and dissolution of firm. Dissolution of partnership occurs when a partner ceases to be associated with the business, whereas dissolution of firm is the winding up the business.

### **Settlement of accounts on**

Section 48 of the partnership act, 1932 lays down the following procedure for the settlement of accounts between partners after the dissolution of the firm.

- The losses of the firm on dissolution have to be made up
  - First out of profits
  - Then, out of capital
  - If need be, out of private estates of the partners in their sharing ratio.

**2. What is a preliminary project report? State the advantages of preliminary project report. How and why do you prepare it? (Apr 11, 17, Nov 13, 16)**

### **General Proforma of a feasibility report**

- Introduction
- Summary and recommendations
- Product capacity
- Product capacity
- Market potential
- Process and know how
- Plant and machinery
- Location
- Plot plan and building
- Raw materials
- Utilities
- Effluents
- Personnel requirement
- Capital cost
- Working capital
- Mode of finance
- Manufacturing cost
- Financial analysis
- Implementation schedule.

### **Guidelines of planning commission**

In order at process investment proposals and arrive at investment decisions, the planning commission has issued guidelines for preparing industrial projects.

### **General information**

The feasibility report should include an analysis of the industry to which the project belongs. It should deal with the past performance of the industry. The description of the type of industry should also be given the priority of the industry increase in production, role of the public sector allocation of investment of funds, choice of technique etc.

### **Preliminary analysis of alternatives**

This should contain present data on the gap between demand and supply for the outputs which are to be produced, data on the capacity that would be available from projects they are in production or under implementation at the time the report is prepared a complete list of all existing plants in the industry giving their capacity and their level of production actually attained a list of all projects for which letters of intent / licenses have been issued and a list of proposed projects.

### **Project description**

The feasibility report should provide a brief description of the technology chosen for the project. Information relevant for determining the optimality of the location chosen should also be included. i.e., population, water, land, air, effects arising out of the projects pollution, other environmental disruption, etc.

### **Marketing plan**

- It should contain the following items. Data on the marketing plan.
- Demand and prospective supply in each of the area to be served.
- The method and the data used for making estimates of domestic supply and selection of the market area should be presented.
- It should contain an analysis of past trends in prices.

### **Capital requirements and costs**

- The estimates should be reasonable complete and properly estimated. Information on all items of costs should be carefully collected and presented.

### **Operating requirements and costs**

- Operating costs are essentially those costs which are included after the commencement of commercial production.
- Information about all items of operating costs should be collected.
- Operating costs relate to cost of raw materials and intermediaries, fuel, utilities, labor, repair and maintenance, selling expenses and other expenses.

### **Financial analysis**

- The purpose of this analysis is to present some measures to assess the financial viability of the project. A perform balance sheet for the project data should be presented.
- Depreciation should be allowed on the basis specified by the bureau of public enterprises.
- The feasibility report should take into account income tax rebates for priority industries, incentives for backward areas, accelerated depreciation, etc.

### **Economic analysis**

- Social profitability analysis need some adjustments in the data relating to the costs and return to the enterprise.

- The enterprise should try to assess the impact of its operation on foreign trade. Indirect costs and benefits should also be included in the report. If they cannot be quantified they should be analyzed and their importance emphasized.

### **3. Discuss the factors that are involved in the identification and selection of business opportunity and the guidelines which help to identify and asses' opportunities? (Nov 08, Apr 16)**

#### **Identifying, selecting a good business opportunity**

##### **Market characteristics**

Unfulfilled demand of a product will open the door for new product. Supply and demand of various products and demand for new products should also be analyzed.

##### **Import and exports**

The government of India is encouraging exports and various EXIM policy encourage entrepreneur to think about the new option.

##### **Emerging new technology and scientific know how**

Commercial exploitation of indigenous or imported technologies and know how is another source of project idea.

##### **Social and economic trends**

Social and economic status of people is always dynamic in nature and offer wide opportunities. An entrepreneur should observe such change.

##### **Product profile**

An analytical study of the end products and by products can throw light on new project idea.

##### **Changes in consumption pattern**

Changes in consumption pattern of the people in the home country and a foreign country also requires the entrepreneur's attention.

##### **Revival of sick units**

Revival of sick unit gives simple investment opportunities in the hands of dynamic entrepreneur. He can recover and turn a sick unit in to a profitable one.

##### **Trade fair and trade journals**

Magazines, journal, industries or trade fair offer wide scope for business opportunities.

#### **Identifying a business opportunity**

- Opportunity can be defined as an active and excellent projects idea which an entrepreneur searches for and accepts such idea as a basis for his investment decision.
- An opportunity should contain the following characteristics.
  - Good and wide market scope.
  - An attractive, acceptable and reliable return on investment.

### **Steps in identification of business opportunity**

The basic steps in identifying business opportunity are

- Preliminary evaluation
- Selection of product or service
- Conduct of market survey
- Contractual programmers to collect sufficient information about proposed venture.
- Succeeding in the market

### **Preliminary evaluation**

As soon as entrepreneur realizes regarding business opportunity, he has to evaluate investment opportunities against set of specific criteria to select those project ideas which are commercially feasible. The criteria are

- Is opportunity compatible with the promoter?
- Is opportunity compatible with government regulation and priorities?
- Whether raw materials are easily available.
- What is the size of the potential market?
- Whether cost justifies the profit.
- What is the risk inherent in the project?

**4. What is meant by detailed project report? What are the precautions that an entrepreneur should take at the time of preparation of detailed project report? Tabulate the estimate profitability and financial ratios with illustrations. (Nov 08, 16, Apr 13, 17, 19)**

### **Project formulation**

- The World Bank defines a project as an approval for a capital investment to develop facilities to provide goods and services.
- According to little and miles a project is any scheme or a part of a scheme for investing resources which a can be reasonably analyzed and evaluated as an independent unit. It may be any item of investment activity which can be separately evaluated.
- A project report is prepared by an expert after detailed study and analysis of the various aspects of a project,
- It acts as a guide to management especially at the initial stage to know whether the technical, commercial, financial and economic conditions are feasible or not.

### **Significance of project formulation**

- A well formulated project is the best gate way for obtaining the required assistance form financial institutions.
- Project report will also be of grit assistance for obtaining necessary government clearances and in meeting the hundreds of procedural formalities.
- The report which is submitted by the entrepreneur will establish his bonfires in the eyes of the bureaucracy and obtain the due government sanction without much difficulty.

## **Contents of a project report**

A project is said to be good if they satisfy the following contents.

### **General information**

Information on product profile and product details.

### **Promoter**

His education qualification, work experience, project related experience.

### **Location**

Exact location of the project, lease or freehold, locational advantage.

### **Land and building**

Land is, construction are, type of construction etc.

### **Plant and machinery**

Details of machinery required, capacity, suppliers, cost etc.

### **Production process**

Description of production process. Process chart, technical knowhow, etc.

### **Utilities**

Water, power, steam, sources of utilities etc.

### **Transport and communication**

Mode, possibility of getting, costs.

### **Raw material**

List of raw materials required by quality and quantity.

### **Manpower**

Manpower requirement by skilled and semi-skilled, sources of man power supply, cost etc.

### **Products**

Product mix, estimated sales, distribution channels, input output ratio.

### **Markets**

End users of product, distribution of local, national, trade practices, sales promotion.

### **Requirement of working capital**

Sources of working capital need for collateral security.

## **5. Indicate the appropriate tools of market survey and methods of research to introduce new service facility in a particular residential locality densely populated by software professionals. How do you assess their needs for the service offering? (Apr 09, Nov 14, 19)**

### **Market survey and research**

#### **Introduction**

- Marketing research involves the gathering of data in order to obtain such information through the following questions.

#### **Steps in market survey**

- Marketing research may be conducted by the entrepreneur or by an external supplier or consultant.
- Let us see the step by step market research.

### **Defining the purpose or objectives**



The main objective would be to ask people what they think of the product or service and whether they would buy it, and to collect some background demographics and attitudes of these individuals.

### **Gathering data from secondary sources**

Secondary sources of data are being collected from trade magazines, newspaper, articles, libraries, government agencies and the internet. Before considering either primary sources of data secondary data is been considered.

### **Gathering information from primary sources**

Information that is new in primary data. Gathering primary data involves a data collection procedure. Such as observation, networking interviewing, focus groups or experimentation and usually a data collection instrument such as a questionnaire.

### **Observation method**

- This type of research method involves gathering data by observing and recording. This research can be conducted by transcend observes.
- It is done at the point of purchase to determine the brand preference, like and dislike of the person in product.

### **Advantages**

- Information collected by observation is more objective and accurate.
- It is not biased, as the person doesn't know that is being observed.

### **Disadvantages**

- The behavior of the consumer is not easily predictable.
- Basically the respondent will become aware that he is being observed and may act differently.

### **Experimentation method**

Under this method the experimenter deliberately manipulate or changes one or more variable in such a way that its effect upon one or more other variables can be measured.

### **Advantages**

- This method is more realistic and gives best results
- It is possible to measure relative efficiency.

### **Projective technique method**

Here the respondents are asked questions and encouraged to speak or project their feelings, attitude or motives of a third person and not themselves. In the process they speak out their own opinion.

### **Advantages**

- Information can be acquired in large quantity.
- They feel free to speak out.

## **Disadvantages**

- The respondent and the data have to be handled with tact.
- It is time consuming and costly.

## **Limitations of marketing research survey**

- It only provides a base for predicting future events and does not guarantee any certainty in the happening of the event.
- Some research conclusions may be of limitation as the tools and techniques may not be suitable.
- Its use and effectiveness depends largely on the ability of the executives to get the most value out of it.
- It does not provide complete answer to marketing problems as the answers may be vague or irrelevant.

## **Marketing Research is of use to the following:-**

### **1. Producers**

- a. To know about his product potential in the market vis-à-vis the total product;
- b. New Products;
- c. Various brands;
- d. Pricing;
- e. Market Structures and selection of product strategy, etc.

### **2. Business and Government**

Marketing Research helps businesses and government in focusing attention on the complex nature of problems faced by them. For example:

- a. Determination of Gross National Product; Price indices, and per capita income;
- b. Expenditure levels and budgeting;
- c. Agricultural Pricing;
- d. The economic policies of Government; and
- e. Operational and planning problems of business and industry.

### **3. Market Research Agencies**

Marketing Research is being used extensively by professionals to help conducting various studies in Marketing Research. Most prominent agencies being:-

- a. Linta India Ltd;
- b. British Market Research Bureau (BMRB);
- c. Hindustan Thompson Associate Ltd;
- d. eSurveysPro.com;
- e. MARG

### **4. Managers**

**6. Discuss the steps involved in setting up a business with suitable example? (Apr 10, 12, 14, 15, Nov 18)**

**Steps for starting up a business**

**Introduction**

An entrepreneur possessing the keen aptitude for setting up a small scale unit should formulate a business plan and take a number of steps to give shape to his business idea. He is to prepare project report and obtain various approvals and sanctions.

**Steps to be taken**

**Selection of the product**

- An entrepreneur may select a product according to his own capacity and motivation.
- The economic viability of product should cover the following demand aspects.
- Volume of existing demand in the domestic market.
- Volume of existing demand in the export market.
- Volume of aggregate existing demand
- Volume of potential demand
- The degree of import substitution.
- Degree of substitution of an existing product.
- The volume of demand by big units for ancillary product.

**Selection of form of ownership**

- Sole proprietorship
- Family ownership
- Partnership and
- Private limited company.

The first two forms are mostly preferred for having unified control over the unit. The next two forms highly facilitate the pooling of financial resources, managerial and technical skills and business experience.

**Selection of site**

- From state development corporation like SIDCO, SIPCOT, MMDA, TNHB.
- Form the industrial estate constructed by the state industrial developed agency.
- Choose from plot sheds developed by private developers.
- Buy private land and develop the same for industrial use.

**While selecting following factors have to be considered.**

- Situated in one native place
- Site which enjoys all the incentives provided by the government.
- The place near the market.
- The site which offers a suitable labor supply and raw materials.

### **Permanent registration certificate**

An industrial unit which has commenced production or is found to be as readiness to go in to certificate. This step is usually taken only after the unit has gone into stream.

### **Obtaining statutory license**

Statutory license must be obtained by the small scale enterprises depending upon the product line chosen, size of the unit workers employed and so on.

### **Power connection**

The entrepreneur had to obtain the power connection depending on the need utility.

Low tension (LT)

High tension (HT)

### **Arrangement of finance**

Long term requirement for acquiring fixed assets like land and building, plant and machinery etc.

Short term loans for working capital in the form of key loan cash, credit bill discounting etc.

## **7. Discuss the classification and characteristics of small business? (Apr 10, 15)**

### **Classification of SSI**

Based on industries production chain and service small scale industries can be classified as

- Manufacturing industries
- Feeder industries
- Serving industries
- Ancillary to large industries
- Mining (or) quarrying

### **Manufacturing industries**

These industries produce complete product for direct consumption and also processing industries.

### **Feeder industries**

This type of industries is specialized to certain products and service eg. Casting, selling etc.

### **Serving industries**

This industries cover repair shops necessary to maintain mechanical equipment i. e., spare parts shop.

### **Ancillary to large industries**

These industries produce parts and components and render services to large industries.

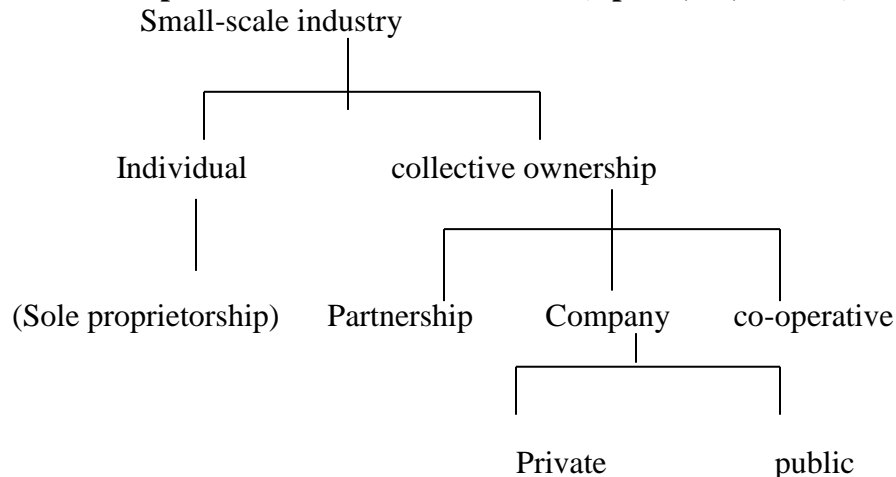
## Mining or quarrying

This industry is involved in unearthing, breaking of bulk stone etc.

## Characteristics of SSI

- A small scale unit is generally a one man show.
- Capital investment is small and has a fewer than 10 workers.
- Most probably it is located in rural and semi urban area.
- Compared to large unit, a small scale industrial unit has a lesser gestation period i.e., the period after which the return on investment starts.
- Small scale industry can started any where based on the availability of resources like raw materials, labor etc.
- It helps to promote balanced regional development and influx of job seeders form rural areas to cities.
- They are more flexible to adopt changes like introduction of new product, new method of production, materials and new markets, new forms of organization etc.

## 8. Discuss the ownership structures of small business. (Apr 12, 19, Nov 14)



Organizational structure of small industries in India is

The entrepreneur's choice of ownership depends upon the nature of business, scale of operation, capital requirements, ownership rights such as control and decision making opportunities and impact of taxation.

In general, an entrepreneur wishing to start an industry on his own will prefer to organize it on a small scale if he has a limited capital and skill will go for sole trader.

If the entrepreneur is unable to control all the operation he will seek out other people willing to join him as partners.

The risk associated with the unlimited liability can be avoided and large amount of capital can be brought into business by forming a limited company.

If the capital requirements are not very large, a private limited company may be formed, to meet the needs of a large amount of capital to run a large business, a public company will have to be formed.

### **Sole proprietorship**

Sole proprietorship is a form of business organization in which an individual invests his own capital, uses his own skill and intelligence in the management of its operation.

According to Wheeler, "the sole proprietorship is that form of business organization which is owned and controlled by a single individual. He receives all the profits and bears all the risks in the success or failure of the enterprises".

Salient features

The important features of a sole proprietorship are:

- ✓ Sole ownership
- ✓ One-man control
- ✓ No separate entity of the firm
- ✓ Undivided risk
- ✓ No government regulation
- ✓ Unlimited liabilities

### **Merits**

The various merits proprietorship offers are as follows.

- Objectives of the firm are formulated in an informal manner by the entrepreneur.
- Specialization is restricted to the entrepreneur.
- Authority and responsibility are centered the entrepreneur
- Quick and prompt decision.
- Maximum flexibility in operations

### **Demerits**

- There no work and policy about objectives.
- No scope for developing skill, knowledge, aptitudes and ability.
  - No scope for co-ordination of activities.
  - Limited managerial ability.
  - Lack of continuity.
  - Instability.
  -

The sole proprietorship would be the most suitable in cases where

- Capital requirement is low.
- Business activity is limited.
- Elements of risk is minimum and
- Individual can manage the show and also satisfy customers.

### **Partnership firm**

According to Indian partnership act, 1932 section 4 of this act defines as a partnership as "the relation between the two persons who have agreed to share profit of business carried on by all or any one of the acting for "all". Persons who enter into partnership are collectively known as "firm" but individually known as a "partners".

The uniform partnership Act of the USA defined a partnership “as an association of two or more persons to carry on as co-owners a business for profit”.

According to J.L.Hanson, “a partnership is a form of business organization in which two or more persons up to a maximum of twenty join together to undertake some form of business activity”.

### **Salient features**

The salient features of partnership firm are

- ✓ More persons
- ✓ Profit and loss sharing
- ✓ Contractual relationship
- ✓ Existence of lawful business.
- ✓ Utmost good faith and honest.
- ✓ Unlimited liability.

### **Merits**

- Objectives of the units are clearly stated
- Better specialization through division of labor.
- Line of authority are specified
- Authority and responsibility are defined.
- Continuity of work.
- Flexibility in operation.

### **Demerits**

- Lack of harmony in the event of mutual distrust.
- Restricted growth.
- Lack of public confidence.
- Communication gaps

A partnership concern would be most suitable where.

- The size of the business is relatively small.
- The capital requirement is not much.
- There need for variety of skills for managing the different types of activities

### **Partnership deed**

A partnership firm can be formed through agreement among two or more persons. The agreement entered into partner may be either oral or written. But it is desirable that all terms and conditions partnership are put in writing so as to avoid any misunderstanding among the partners. Such written agreement among partners is known as partnership deed.

A partnership deed generally contains the following.

- ✓ Name of the firm
- ✓ Nature of the business
- ✓ Name of all the partners
- ✓ Date of agreement
- ✓ Place of the business
- ✓ Amount of capital contributed by each partners
- ✓ Duration of partnership
- ✓ Profit sharing ratio between the partners

- ✓ Loans and advanced by partners and interest payable on them
- ✓ Drawing allowed to partners and the rate of interest
- ✓ Amount of salary or commission payable to any partner.
- ✓ Duties, powers and obligations of partners.
- ✓ Maintenance of accounts and audit.
- ✓ Modes of valuation of goodwill on admission, retirement and death of a partner
- ✓ Procedure for dissolution of the firm and settlement of accounts.
- ✓ Arbitration in case of disputes among the partners
- ✓ Arrangement in case a partner becomes insolvents.

**9. What is a business Environment? Discuss the various methods for scanning the external environment before formulating a business strategy. (Apr 14)**

**Business environment** is the sum total of all external and internal factors that influence a business. You should keep in mind that external factors and internal factors can influence each other and work together to affect a business. For example, a health and safety regulation is an external factor that influences the internal environment of business operations. Additionally, some external factors are beyond your control. These factors are often called **external constraints**. Let's take a look at some key environmental factors.

**External Factors**

**Political factors** are governmental activities and political conditions that may affect your business. Examples include laws, regulations, tariffs and other trade barriers, war, and social unrest.

**Macroeconomic factors** are factors that affect the entire economy, not just your business. Examples include things like interest rates, unemployment rates, currency exchange rates, consumer confidence, consumer discretionary income, consumer savings rates, recessions, and depressions.

**Microeconomic factors** are factors that can affect your business, such as market size, demand, supply, relationships with suppliers and your distribution chain, such as retail stores that sell your products, and the number and strength of your competition.

**Social factors** are basically sociological factors related to general society and social relations that affect your business. Social factors include social movements, such as environmental movements, as well as changes in fashion and consumer preferences. For example, clothing fashions change with the season, and there is a current trend towards green construction and organic foods.

**Technological factors** are technological innovations that can either benefit or hurt your business. Some technological innovations can increase your productivity and profit margins, such as computer software and automated production. On the other hand, some technological innovations pose an existential threat to a business, such as Internet streaming challenging the DVD rental business.



**10. Write a note on the Techno economic feasibility and project appraisal. (Apr 13, 17, 18, 19, Nov 13, 19)**

**A techno economic feasibility**

A Techno Economic Feasibility Study enables the authorities to make an investment decision regarding the project.

**Coverage/ methodology**

The study is carried out by identification of potential benefits expected to accrue to the community and comparison with the estimated construction cost, operation and maintenance cost of the project. It covers:

- Economic Evaluation: Economic viability is assessed within the broad frame work of the cost-benefit analysis technique. It involves comparison of cost and benefit streams over a fixed analysis period. Economic analysis is carried out using HDM IV Model (Highways Development & Management).
- Financial Analysis: The estimated construction cost, operation and maintenance cost, traffic forecast, toll revenue are considered over a concession period of 15/ 20 years and likely rate of return is estimated.

**Benefits**

It helps an investor make an informed decision and hence the right investment.

**Project appraisal**

Project appraisal is a scientific tool. It follows a specific pattern. First and foremost, an analysis of a region's economy provides a general framework within which the assessment of any project is made.

This analysis indicates whether the project is in a potential environmental, which enjoys priority for economic development of the region/state concerned. This exercise itself usually involves the investigation of six different aspects, economic, technical, organizational, managerial, and operational and finance.

The relative important of these different aspects can vary considered according to circumstances and type of project.

**The main stages of the system to project appraisal are**

- |                 |   |  |
|-----------------|---|--|
| 1. Economic     | – | Indicates priority use                                 |
| 2. Technical    | – | Involves scale of the project and The process adopted. |
| 3. Organization | – | Suitability is examined.                               |
| 4. Managerial   | – | Adequacy and competence are                            |

**UNIT IV**  
**FINANCING AND ACCOUNTING**

Need – Sources of Finance, Term Loans, Capital Structure, Financial Institution, Management of working Capital, Costing, Break Even Analysis, Taxation – Income Tax, Excise Duty – Sales Tax.

**PART-A**

**1. What is fixed capital?**

The money invested in some fixed assets (or) durable assets like and building, machinery, equipment, furniture, etc. is known as fixed capital.

**2. What is working capital? (Apr 12, Nov 19)**

The money invested in current assets like raw materials, finished goods, debtors etc. is known as working capital. In other words, money required for day-to-day operations of business/enterprises is called working capital.

**3. What is long-term capital?**

Long-term capital is such money whose repayment is arranged for more than five years in future. The source of long-term finance could be owner's equity, term-loans from financial institutions, credit facilities from the commercial banks, etc.

**4. What is short-term capital?**

This is a borrowed capital that is to be paid within one year. The short-term finance should be utilized for acquiring current assets, for example raw materials, finished goods, semi-finished goods, debtors etc.

**5. What are the sources of finance? (Apr 11)**

The various sources from which an enterprise can raise the required funds could broadly be classified into two sources. They are 1. Internal sources 2. External sources.

**6. What are the external sources of finance?**

The sources of external finance are raised through the following.

1. Increasing trade credit. 2. Factoring. 3. Venture capital. 4. debentures. 5. bank loans.

**7. What is term loan? (Apr 12, 18, 19)**

“The loans which taken for a definite period of time are called ‘term loans’”. Based on period, loans are broadly classified into two types. They are.

Short-term loans and long-term loans

## **8. List the source of short-term finance?**

Some sources of short-term finance are

1. Commercial bank, 2. Public deposits 3.trade credits 4.factoring 5.discounting of bills 6.bank over draft

## **9. Define capital structure. (Nov 14)**

Ezra Solomon has defined capital structure as “optimum leverage can be defined as that mix of debt and equity which will maximise the market value of a company, i.e., the aggregate value of the claims and ownership interests represented on the credit side of the balance sheet.further the advantage of having an optimum financial structure, if such an optimum does exist, is twofold. It minimises the company’s cost of capital which in turn its ability to increase and find new wealth by creating investment opportunities. Also by increasing the firm’s opportunity to engage in future wealth. Creating investment, it increases the economy’s rate of investment and growth”.

## **10. Write any two features of capital structure.**

The features of capital structure are:

1. It should involve the minimum cost and the maximum yields.
2. The debut should be within the repaying capacity of the enterprise.

## **11. List the factors determining capital structure.**

The factors that determine the capital structure are:

1. Nature of business, 2.size of the enterprise, 3.trading on equity 4.cashflows
5. Purpose of financing

## **12. What are the types of financial institutions?**

The types of financial institutions are

1. Commercial bank, 2.State financial corporation, 3. State industrial and Investment Corporation
4. Industrial development bank of India, 5.industrial finance corporation of India ltd.

## **13. What are the functions of SFC?**

The major functions of SFC are:

1. Promotion of self-employment
2. To finance expansion, modernization and up gradation of technology in the existing units.
3. Providing soft-term loan to cover the equity gap to help small-scale industrial units.

## **14. What are the concepts of working capital?**

There are two concepts of working capital. They are 1.grass working capital. 2. Net working capital.

## **15. What is gross working capital?**

Grass working capital is the amount of funds invested in the various components of current assets. The working capital is a financial concept thus, Gross working capital=total current assets.

## **16. What is net working capital?**

The net working capital is the difference between current assets and current liabilities. The concepts of net working capital enable a firm to determine how much amount is left for operational requirements.

## **17. List some current assets.**

Some of the current assets are: 1.cash in hand and at bank 2.sundry debtors less provision 3.bills receivables.

## **18. List some current liabilities.**

1. Sundry creditors' 2.bills payable 3.outstanding expenses

## **19. State operating cycle.**

The American institute of certified public accountants defined the operating cycle as “the average time intervening between the acquisition of materials (or) services entering the process and final cash realization”.

## **20. What are the types of working capital?**

Working capital may classify in two types. They are 1.fixed working capital 2.variable working capital

## **21. What is fixed working capital?**

Fixed working capital is the minimum amount of working capital required to ensure utilisation of fixed assets and support the normal operation of the business.

## **22. What is variable working capital?**

Variable working capital is the amount of working capital which keeps on fluctuating from time to time on the basis of business activities. It is intended to meet seasonal demands and some special exigencies.

## **23. Write any five factors determining working capital.**

The important factors determining the requirements of working capital are:

1. Nature of business 2.Terms of credit 3.Volume of credit 4.Turnover of inventories 5.Production cycle.

## **24. What is working capital management?**

Working capital management is an integral part of overall corporate management. Working capital refers to the excess of current assets over current liabilities. Working capital

Management is concerned with the administration of all current assets and current liabilities.

## **25. Define costing.**

Star bus observes,” costing is the process of determining the cost of doing something, i.e., the cost of manufacturing an article, rendering a service (or) performing”.

## **26. What are the methods of costing?**

The important methods of costing are: 1.job costing 2.contract costing 3.process costing 4.operation costing

**27. State the type of costing.**

The types of costing are: 1.historical costing 2.standard costing 3.uniform costing 4. Opportunity costing.

**28. What is opportunity costing? (Nov 19)**

By opportunity cost we mean the expected (or) benefit forgone in rejecting one course of action for another. When rejecting one course of action, the rejected alternative becomes the opportunity cost for the alternative accepted for example, if a fixed deposit is drawn and invested in an industry, the opportunity cost, i.e., the interest on fixed deposit is the opportunity cost.

**29. List some classification of cost.**

The important classifications are: 1.nature, 2.variability, 3.controllability, 4.direct and indirect costs, 5.capital and revenue.

**30. What are the elements of cost?**

The elements of cost are as follows

1. Direct material cost, 2.Direct wages, 3. Indirect materials

**31. What is overhead in costing?**

According to Weldon, overhead means the cost of indirect materials, indirect labour and such other expenses, including services as cannot conveniently be charged direct to specific cost units. In other words, overhead means the aggregate of indirect materials cost, indirect labour and indirect and indirect expenses.

**32. State the need for tax benefit for SSI? (Or) purpose of taxation (Apr 13, Nov 16)**

1. If SSI unit is owned by a company, the deduction available is 30% for first 10 years.
2. If SSI unit is owned by a co-operative society, the deduction available is 25% for first 10 years.
3. If any other person owns SSI unit, the deduction to be claimed is 25% for first 10 years.

**33. What are the sources of finance for a small business? (Nov 13)**

Banks, Government guaranteed loans, Offices of economic development, Finance companies, Venture capitalists, Angels, Grants

**34. What is sales tax? (Nov 18, Apr 19)**

Sales tax is an indirect tax. It is levy on purchase and sale of goods in India. Sales tax is levied under authority of both central legislation and state government's i.e. Central sales tax and local sales tax.

**35. Define excise duties.**

Excise duties may be defined as "a tax or duty on home produced goods either at some stage of production or before their sale to domestic consumers."

Excise duty in any duty or tax levied upon the manufacture or sale or consumption of commodities within the country.

**36. What is break even analysis? (Apr 11, 15, 18)**

The breakeven point establishes the level of output production which evenly breaks the costs and revenues.

**37. What is the significance of working capital? (Apr 13, Nov 16)**

1. Nature of business 2. Terms of credit 3. Volume of credit 4. Turnover of inventories 5. Production cycle.

**38. Explain the following (Apr 08)**

a) Opportunity cost

By opportunity cost we mean the expected (or) benefit forgone in rejecting one course of action for another. When rejecting one course of action, the rejected alternative becomes the opportunity cost for the alternative accepted for example, if a fixed deposit is drawn and invested in an industry, the opportunity costive, the interest on fixed deposit is the opportunity cost.

b) Secondary costs:

The cost which incurs other than production cost is secondary costs. Such as factory overload, selling and distribution overload.

**39. Distinguish between PERT and CPM (Apr 08, 15)**

PERT: Programme Evaluation Review Techniques

PERT is a short form of project evaluation and review technique. The PERT techniques deal with projects whose activities are non-deterministic in nature. In PERT we try to find best estimate of time using some appropriate statistical method.

CPM: Critical Path Method

CPM is an effective tool for scheduling and planning. A man using CPM can understand that how the parts of a project should fit together and is able to do two things. firstly, he can analyse graphically that how the different parts of the project fit together and test the logic of the proposed solution.

**40. Point out the components of working capital. What are its kinds? (Nov 08)**

There are two concepts of working capital. They are'

1. Grass working capital.
2. Net working capital.

Working capital may classify in two types. They are

1. Fixed working capital
2. Variable working capital

**41. State the uses and limitations of break-even analysis. (Nov 08, Apr 14, 18)**

The uses:

It is useful when deciding whether a new product is going to be viable.

It sees how changes in price, costs and output affect the break-even point.

Limitations:

It assumes that all the output can be sold.

It is a static model. It relies upon the accuracy of the data used.

**42. What is mean by trade credit? (Apr 09)**

Credit one firm grants to another firm the purchase of good or services.

**43. Mention types of ownership structures suitable for entrepreneurial firms. (Apr 09)**

Entrepreneurial firm can adopt any type of ownership structure like sole proprietors, partnership, company, co- operative etc.depend up his necessities.

**44. Briefly explain the different types of start-ups (Nov 09)**

Types of business start ups are:

1. Business start up step one: product, service or both.
2. Business start up step two: independent or franchise.
3. Business start step three: wholesale or retail.

**45. What is break even point? (Apr 10)**

The break-even point establishes the level of output production which evenly breaks the costs and revenues. It is the level of production at which the turnover just covers the fixed overheads and the units starts making profits.

The break-even analysis also determines the margin of safety, i.e.excess of budgeted or actual sales over the break-even sales.

## PART B & C

### 13 & 15 MARKS QUESTIONS

**1. Describe the need for intentional to small scale industries. What is a DIC? Explain its functions. (Apr 08)**

The district industries canters programmes was launched in 1978 for effective promotion of cottage and small scale industries widely dispersed in rural areas and small towns.

These centres are the focal points providing all the services and support required by small scale and village entrepreneur's less than one roof.

These serves as an integrated administrative frame work at the district level for industrial development.

The main functions of DIC's are follows.

- a) It conducts surveys to know industrial potential of district keeping in view the availability of raw materials, human skills, infrastructure, demand etc.
- b) It prepares an action plan for industrial development.
- c) It appraises the various investment proposals received from entrepreneurs.
- d) It guides and assists entrepreneurs in buying appropriate machinery and equipment and equipment and new materials.
- e) It suggests appropriate marketing strategies to entrepreneur.
- f) It maintains links with research and development institutions for up gradation of technology, quality improvement, industrial training etc.
- g) It conducts artisans training programmes.
- h) It has been assigned operation responsibility for special schemes to provide self-employment to educated unemployed youths.

The need for institutional support to small scale industries are:

1. To prepare model schemes, project reports and other technical literature for prospective entrepreneurs.
2. To secure reservation of certain products for the SSIs.
3. To assist small industries with marketing facilities.
4. To provide SSIs with machines on hire-purchase basis.
5. To provide various ancillary services for the entrepreneurs.
6. To import and distribute components and parts to actual small-scale users in specific industries.
7. To provide financial assistance in the form of subsidies to industrial units in backward areas like central investment subsidy, state capital subsidy.
8. interest-free sales tax loan. Power tariff subsidy and margin money assistance for the rehabilitation of the sick small-scale industries.

**2. What is working Capital and Explain why it is important? (Or) Explain about working capital. Discuss the sources and the management of working capital. (Apr 08, 11, 13, 18, Nov 18)**

There are two concepts of working capital. That is

1. Gross working capital.
2. Net working capital.

**1. Gross working capital.**

Gross working capital is the amount of funds invested in the various components of current assets.



The working capital is a financial concept.

Thus, gross working capital= total current assets.

## **2. Net working capital.**

The net working capital is the difference between current assets and current liabilities. The concepts of net working capital enable a firm to determine how much amount is left for operational requirements.

### **Current assets include:**

1. Cash in hand and at bank
2. Sundry debtors less provision
3. Bills receivables.
4. Closing stock
5. Short-term investments
6. Prepaid expenses
7. Accrued incomes.

### **Current liabilities include.**

1. Sundry creditors
2. Bills payable
3. Outstanding expenses
4. Bank overdraft
5. Dividend payable
6. Provision for taxation.

Networking capital may be positive or negative. When the current assets exceed current liabilities, the working capital is positive.

On the other hand, when the current liabilities, the working capital is negative.

## **3. Discuss the importance and objective of network analysis techniques with the suitable example. (Or) What are the major steps involved in a Network analysis? Explain its significance in financial. (Apr 11, 12, 15, Nov 14)**

The accounting principles board of the American institute of certified public accountants, U.S.A, has defined working capital as, "working capital, sometimes called net working capital is represented by the excess of current assets over current liabilities and

CPM is an effective tool for scheduling and planning. A man using CPM Can understand that how the parts of a project. Should fit together and is able to do two things.

Firstly he can analyse graphically that how the different parts of the project fit together and test the logic of the proposed solution.

Secondly, using the network diagram, he can demonstrate his scheduled way to do the project and can expedite the actual doing of the work.

A CPM is a route between two or more operations which minimise or maximise some measure of performance.

It also defined as the sequence of activities which will require greatest normal time to accomplish i.e., in a critical path the sequence of activities with longest durations are singled out. It is called a critical path because any delay in activities lying on this path would cause a delay in the whole project.

A critical path is that sequence of activities that determines the total project time. To quicken the process the activities lying on the critical path should be taken first.

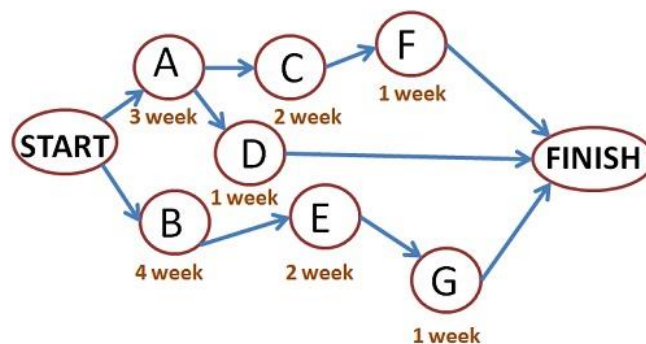
The non-critical path activities have some slack or float associated with them and their extension or delay is not likely to affect the final completion data.

The slack activities should be given priority in order of their float values.

### CPM: Critical Path Method

CPM is an effective tool for scheduling and planning. A man using CPM can understand that how the parts of a project should fit together and is able to do two things. Firstly, he can analyse graphically that how the different parts of the project fit together and test the logic of the proposed solution.

### Diagram



### Objects of CPM

The main objects of CPM are

- To find the obstacles and difficulties involved in a production process.
- To assign time for each operation or activity.
- To decide about the starting and finishing times of the work.

### Advantages of CPM

- It helps in asserting the time schedule.
- With its aid control by the management is made easy.
- It makes better and detailed planning possible.

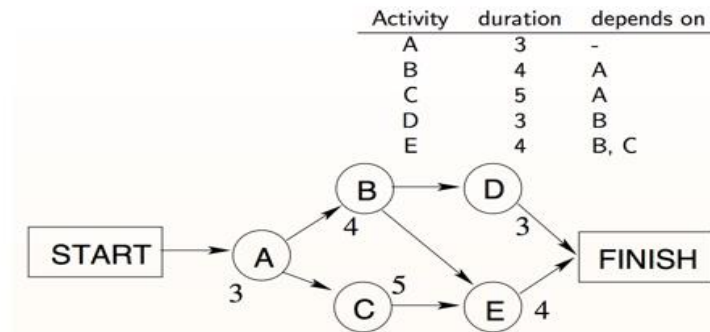
### Limitations of CPM

- CPM fails to incorporate statically analysis in determine the time estimates.
- It is difficult to use CPM as controlling devices for the simple reason that one must repeat the entire evaluation of the project each time when changes are introduced into the network.

## PERT: Programme Evaluation Review Techniques

PERT is a short form of project evaluation and review technique. The PERT techniques deal with projects whose activities are non-deterministic in nature. In PERT we try to find best estimate of time using some appropriate statistical method.

### Diagram



There are four principal stages in network analysis.

**1. Network Generation:** This stage begins with specifications of the project's goal or objective. It moves from the conceptualization of what must be done to the precise specification of events and activities that are to be carried out in achieving the goal or objective. The network produced during this stage represents a graphic model of the project and incorporates time (and sometimes cost) estimates.

**2. Network Evaluation:** Once an initial network plan for a project is completed, it must be assessed by a manager to determine its soundness from the standpoint of its underlying logic.

**3. Network Monitoring:** Once adopted, the network plan becomes a valuable managerial tool for the life of the project. It can be employed to determine the extent to which the project is preceding as planned and whether managerial interventions are required. Where such interventions are necessary, the network provides useful data for weighing possible alternative managerial actions.

**4. Network Modification:** Monitoring may indicate that the network plan will have to be altered to maintain necessary managerial control.

**4. How do you assess the working capital required to run a small scale industry? What sources do you tap for meeting this requirement? (Or) Explain how capital is raised by entrepreneurs at various stages of business development, through an example. Trace the growth of venture in our country. (Apr 09, 10, 18)**

The sources of working capital mainly include the following.

1. Loans from commercial banks
2. Ploughing back of profits or self-financing
3. Provision for taxation
4. Bank credit and overdraft
5. Trade credit
6. Accrual accounts
7. Advances and 8. Discounting bills of exchange.

### **1. Loans from commercial banks:**

Small scale industries can raise loans the commercial banks with or without security. The method of financing does not require any legal formality except that of creating a mortgage on the assets.

Loan can be paid on lump sum or in parts. The short term loans can also be obtained from banks on the personal security of the directors of a country. Such loans are known as clean advances.

Bank finance is made available to small scale industries at concessional rate of interest. Hence, it is generally a cheaper source of financing working capital requirements of enterprise.

### **2. Ploughing back of profits or self-financing:**

It means the reinvestment by a concern of its surplus earnings in its business. That is a part of the earned profits may be ploughed back by the, in meeting its working capital requirements.

It is an internal source of finance and is most suitable for its expansion, modernisation, replacement or repayment of loans. It is interest free source of finance.

### **3. Provision for taxation:**

The provision for tax is created out of the profits of the company at the end of the financial year but the tax is paid only after the assessment is finalised. The firm can use the fund during the intermittent period.

### **4. Bank credit and overdraft:**

Commercial banks are the most important source if short-term working capital they provide working capital in the form of loans, cash or over drifts and though discounting bills.

### **5. Trade credit:**

Trade credit refers to credit extended by the supplier of goods in the normal course of business. The creditworthiness of a firm and the confidence of its suppliers are the main basis of security trade credit.

### **6. Accrual accounts:**

Generally, there is a certain amount of time gap between incomes is earned is actually received and is actually received or expenditure becomes due and is actually paid.

Salaries, wages and taxes, for example, become due at the end of the month but are usually paid in the first week of the next month.

Thus, the outstanding salaries and wages, say expenses for a week help the enterprise to meet their working capital requirements. This source of rising funds does not involving longer time in completing the process of manufacture.

### **7. Discounting bills of exchange:**

When goods are sold on credit, bills of exchange are generally drawn for acceptance by the buyers of goods. This bills are generally drawn for a periods of 3 to 6 months.

In practise, the writer of the bill is used in case of time bills whereas the term, purchasing of bills is used in respect of demand bills.

The nature of discount to be charged by the bank is prescribed by the reserve bank of India form time to time.

## **Working capital management:**

Working capital management is an integral part of overall corporate management. Working capital refers to the excess of current assets over current liabilities. Working capital management is concerned with the administration of all current assets and current liabilities. The basic objective of working capital management is to manage the firm's current assets and current liabilities in such a way that satisfactory level of working capital is maintained. That is, the working capital is neither inadequate nor excessive. This is so because both inadequate as well as excessive. Inadequate working capital positions are bad for any business. Inadequate working capital may lead the firm to insolvency and excessive working capital means idle funds which earn no profit for the business.

It is therefore, important that the financial manager should chalk out suitable working capital management policies in respect of different components of working capital so as to ensure higher profitability, proper liquidity and sound structural health of the organisation. The proper and efficient management of working capital can ensure all this.

### **5. What are all the functional risks faced by a small business? Discuss the reason for bankruptcy and remedial actions against them. (Apr 10)**

Financial risk is an umbrella term for any risk associated with any form of financing. Typically, in finance, risk is synonymous with downside risk and is between the actual return and the expected return.

Investment risk.

Business risk.

Credit risk.

Market risk.

Liquidity risk.

Operational risk.

#### **Investment risk**

Depending on the nature of the investment, the type of investment risk will vary. High risk investments have greater potential consequences. Capital risk is the risk that the initial amount invested may be lost.

Currency risk is the risk associated with the foreign currency movement affecting the value of an asset if the invested assets are being held in that currency.

Liquidity risk is the risk that an investment may not be easily traded, otherwise known as liquid, or the market has a small capacity and may therefore take him to sell.

#### **Business risk**

The risk that a company or project will not have adequate cash flow to meet financial obligations, the causing the nosiness to file for bankruptcy.

Bilateral barter can depend upon mutual coincidence of wants. Before any transaction can be undertaken, each party must be able to supply something the other party demands, to overcome this mutual coincidence problem some communities had developed a system of intermediaries who can warehouse and trade goods. However intermediaries often suffered from financial risk.

## **Credit risk**

Credit risk also called default risk, is the risk associated with borrower going into default (not making payments as promised).

## **Market risk**

This is the risk that the value of a portfolio, either an investment portfolio or a trading portfolio, will decrease due to the change in value of the market risk factors. The four standard market risk factors are stock prices, interest rates, foreign exchange rates and commodity prices. The associated market risks are

Equity risk is the risk that stock prices and or the implied volatility will change.

Interest rate risk is the risk that interest rates and or the implied volatility will change.

Currency risk is the risk that foreign exchange rates and or the implied volatility will change.

## **Liquidity risk**

This is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss. There are two types of liquidity risk.

Asset liquidity

Funding liquidity

## **Operational risk**

Information technology risk.

Reputation risk.

Legal risk.

**6. What are the different sources of finance for a business? Explain (Or) discuss the sources of finance for an entrepreneur. Also provide the strategies for the suitable capital structure for a calculated risk business. (Apr 12, 15, 19, Nov 18, 19)**

The various sources from which an enterprise can raise the required funds could broadly be classified into two sources. They are 1. Internal sources 2. External sources.

Internal sources

1. Retained profit
2. Controlling working capital
3. Sales of assets
2. External sources

The sources of external finance are raised through the following.

1. Increasing trade credit.
2. Factoring.
3. Venture capital.

4. Debentures.

5. Bank loans.

The factors that determine the capital structure are as follows

### **1. Nature of business**

The nature of the business itself is one of the factors determine capital structure to be maintained.

### **2. Size of the enterprise**

It is that small enterprises have to depend more on owner capital than on borrowed capital.

### **3. Trading on equity**

In case the rate of return on capital employed is more than the rate of interest on debentures.

### **4. Cash flows**

The ability of a business to discharge its fixed obligations depends upon the availability of cash.

### **5. Purpose of financing**

The purpose of financing also affects the capital structure of the enterprises.

### **6. Provision for future**

The scope of changing the capital structure in future happens to be a basic consideration for determining the capital structure of enterprises.

### **7. What are the All India Financial Institutions that meet the financial needs of the entrepreneurs? (Apr 13)**

1. The IPR of 1948 emphasized the role of entrepreneurship and SSIs in the industrialization of the country. An emphasis was laid on the promotion of cottage and small-scale industry as they could play a critical role in creating self-employment. The earlier recommendation to establish a Cottage Industries Board to foster the growth of SSU was accepted.

2. Industrial Development Bank of India (IDBI) was established in 1964. IDBI was meant to provide financial assistance to cottage, tiny, small and medium enterprises through refinance of industrial loans granted by State Financial Corporations, State Industrial Development Corporations, Commercial Banks, Co-operative Banks and Regional Rural Banks. It also covered provisions for rediscounting of bills, seed capital assistance to new entrepreneurs, finance for purchasing machinery on lease or hire purchase and others.

3. Nationalisation of Banks – Banks which were under the control of Industrial Houses were reluctant to finance SSIs. In 1969, and in the following decade most of the large banks were nationalised which paved the way for easy flow of loans to SSIs and Tiny sectors on affordable terms and conditions.

4. The Industrial Licensing Policy of 1970 restricted the role of large industrial houses and foreign concerns to the core, heavy and export-oriented Units. In other words, non-core sector, which was within reach of entrepreneurs, was left to them for creating small enterprises. Also, with a view to promote development of SSIs in rural pockets, District Industries Centres (DIC) was proposed to be set up to provide all the services and support required by the small and village entrepreneurs under a single roof.

## **5. IFCI**

The industrial finance corporation of India was established in 1948 under an act of parliament with the object of providing medium and long term credit to industrial concerns in india. IFCI transformed into a corporation from 21<sup>st</sup> May, 1993 providing greater flexibility to respond to the needs of the rapidly changing financial system.

## **6. IRBI**

Industrial reconstruction corporation of India ltd, setup as a primary agency for rehabilitation of sick industrial units which has been reconstituted and renamed as the industrial reconstruction bank of India by an act of parliament with effect from march 20, 1985.

## **7. LIC**

The life insurance corporation of India was set up under the LIC act in 1956, as a wholly owned corporation of the government of India, on nationalization of life insurance business in the country.

## **8. Describe the sources of short term finance and long term finance. (Apr 13, 15, 16, 17, Nov 16)**

Some sources of short-term finance are

1. Commercial bank,
2. Public deposits
3. Trade credits
4. Factoring
5. Discounting of bills
6. Bank over draft

### **1. Commercial bank**

A financial institution that provides services, such as accepting deposits, giving business loans and auto loans, mortgage lending, and basic investment products like savings accounts and certificates of deposit. The traditional commercial bank is a brick and mortar institution with tellers, safe deposit boxes, vaults and ATMs. However, some commercial banks do not have any physical branches and require consumers to complete all transactions by phone or Internet. In exchange, they generally pay higher interest rates on investments and deposits, and charge lower fees

### **2. Public deposits**

Besides the issue of shares- equity and preference and debentures, a company can accept deposits from the public to finance its medium and short-term requirements of funds. This source has become very popular recently because, a company offers interest at a rate higher than offered by banks. Under this method, companies are able to obtain funds directly from public without financial intermediaries.

### **3. Trade credits**

An agreement where a customer can purchase goods on account (without paying cash), paying the supplier at a later date. Usually when the goods are delivered, a trade credit is given for a specific amount of days - 30, 60 or 90. Jewellery businesses sometimes extend credit to 180 days or longer. Basically, this is a credit a company gives to another for the purchase of goods and services.



#### **4. Factoring**

In "advance" factoring, the business owner sells his receivables in the form of invoice to the factor, which makes an advance of 70-85% of the purchase price of the receivable amount. The factor collects the full amount from the customer in due course and pays the balance amount due to the business owner after deducting his commission and other charges. In "maturity" factoring, the factor makes no immediate advance on the purchased accounts; but sees to it that the customer pays the invoiced amount within the stipulated time i.e. on maturity. However, if the customer fails to make payment within the stipulated time e.g. 30 days, the factor makes payment to the client and proceeds to collect the payment from the customer.

#### **5. Discounting of bills**

Business activities across borders are done through letter of credit. Letter of credit is an instrument issued in the favour of the seller by the buyer bank assuring that payment will be made after certain timer frame depending upon the terms and conditions agreed, it could be either sight, 30 days from the Bill of Lading or 120 days from the date of bill of lading. Now when the seller receives the letter of credit through bank, seller prepares the documents and presents the same to the bank. The most important element in the same is the bill of exchange which is used to negotiate a letter of credit. Seller discounts that bill of exchange with the bank and gets money. Discounting bill terminology is used for this purpose. Now it is seller's bank responsibility to send documents and bill of exchange to buyer's bank for onward forwarding to the buyer for the acceptance and the buyer finally, accepts bill of exchange drawn by the seller on buyer's bank because he has opened that LC. Buyers bank than get that signed bill of exchange from the buyer as guarantee and release payment to the sellers bank and waits for the time span.

#### **6. Bank over draft**

An overdraft occurs when money is withdrawn from a bank account and the available balance goes below zero. In this situation the account is said to be "overdrawn". If there is a prior agreement with the account provider for an overdraft, and the amount overdrawn is within the authorized overdraft limit, then interest is normally charged at the agreed rate. If the negative balance exceeds the agreed terms, then additional fees may be charged and higher interest rates may apply.

**UNIT V**  
**SUPPORT TO ENTREPRENEURS**

Sickness in small Business – Concept, Magnitude, Causes and Consequences, Corrective Measures - Incubators – Government Policy for Small Scale Enterprises – Growth Strategies in small industry – Expansion, Diversification, Joint Venture, Merger and Sub Contracting.

**TWO MARK QUESTIONS AND ANSWERS:**

**1. Point out the different types of Mergers? (Apr 08)**

There are three types of merger

Horizontal merger, Vertical merger and Conglomerate merger

**2. What is Sub-Contracting? (Apr 08, 10, 13, 15, Nov 18)**

Sub-contracting is a type of work contract that seeks out source certain types of work to other companies. Sub-contracting is done when the general contractor does not have the time (or) skills to perform certain tasks.

**3. What are the causes of slow growth of industrial entrepreneurship in India? (Nov 08)**

The causes of slow growth of industrial entrepreneurship in India is Improper policy, Change of government and Environment factor etc.

**4. What are the factors covered in the final contract? (Nov 08)**

The factors covered in the final contract are

Detail contract agreement, Agreement deed, Consideration,

Time period, Purpose of contract and Person involved etc.

**5. What do you understand by vertical diversification? Give a suitable example. (Apr 09) (Nov 14)**

Virtual integration is a new form of value chain management. Under such a system, the links of the value chain are brought together by informal arrangements among suppliers and customers.

Shipments of the components that you firm needs can be easily arranged through the internet or a networked computer system. The same type of arrangement allows you to fully serve your customers in ordering, services or any other needs.

**6. Define venture capital. Mention any two sources from which it can be received? (Apr 09)**

Venture capital funds made available for startup firms and small businesses with exceptional growth potential management and technical expertise are often also provided is also called risk capital.

Sources forms which it can be received are:

Venture capitalist

Financial institutions like bank, IFCI, SBI, ICICI, etc.

**7. Define merger? (Apr10, 17, 19, Nov 13)**

Merger is defined as “a transaction involving two or more companies in the exchange of securities and only the company services.

**8. Define industrial sickness? (Apr 19)**

The sick industries companies (special provisions) act, (SICA), 1985 defines a sick industry as “ an industrial company which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth and has also suffered from cash losses in such financial year immediately preceding such financial year.

**9. Write and four signal of industrial sickness? (Nov 19)**

The signals of industrial sickness are

Reduce in capacity utilization, Inventories in excessive quantities, Irregularity in maintaining back accounts and Continuous breakdown in plant and machinery.

**10. What is expansion? (Nov 14, Apr 14)**

Expansion is one of the forms of internal growth of business.

It means enlargement or increase in the same line of activity.

Expansion is a natural growth of business enterprise taking place in course of time. In case of expansion, the enterprise grows its own without joining hands with any other enterprise.

**11. What are the three form of expansion?**

The three form of expansion are

Penetration strategy

Market development strategy

Product development

## **12. What is diversification? (Nov 18)**

A diversification strategy involves selling a new product to a new market. Even though both knowledge bases appear to be new, some diversification strategies are related diversifications that are best explained through a discussion of the value-added chain.

## **13. What are the types of diversification? (Nov 18)**

The types of diversification are as follows.

Backward integration

Forward integration

Horizontal integration

## **14. Define franchising?**

According to David D. Settz, “a franchise is a form of business ownership created by contract where by a company grants a buyer the rights to engage in selling or distributing its products or services under a prescribed business format in exchange for royalties or shares of profits. The buyer is called the ‘franchisee’ and the company that sells rights to its business concept is called the ‘franchiser’.

## **15. What are the types of franchising?**

There are several types of franchising some of these are

Territorial franchise

Operating franchise

Mobile franchise

Distributorship

Co-ownership

Leasing

Manufacturing etc.

## **16. What is the type of franchised?**

The type of franchised are

Manufacturers and wholesalers

Manufacturers and retailers.

Wholesalers and retailers.

Retailers and retailers.

**17. Define joint venture? (Nov 14)**

A joint venture is a strategic alliance where two or more people or companies agree to contribute goods, services and or capital to a common commercial enterprise.

**18. Stage any three advantages of joint venture?**

Advantages of joint venture

Provide companies with the opportunity to gain new capacity and expertise.

Sharing of risks with a venture partner.

Joint ventures can be flexible.

**19. State any three disadvantages of joint venture? (Apr 18)**

Disadvantages of joint venture

It takes times and effort to build the right relationship and partnering with another business can be challenging.

The partners don't provide enough leadership and support in the early stages.

Success in a joint venture depends on through research and analysis of the objectives.

**20. List any four content of joint venture agreement?**

A written joint venture agreement should cover.

The parties involved.

The objectives of the joint venture

Financial contributions

Intellectual property developed by the participant in the joint venture.

**21. What is an Acquisition?**

An acquisition is the purchase of an entire company or part of a company, by definition the company is completely absorbed and no longer exists independently.

**22. Define incentives (Nov 13)**

In economics, an incentive is any factor that provides a motive for a particular course of action, or counts as a reason for preferring one choice to the alternatives.

**23. What is conglomerate merger?**

Conglomerate merger is a type of combination which a firm established in one industry combines with another firm in another unrelated industry. Such merger move for diversification of risk constitutes the rational.

**24. List any two advantages of merger?**

Advantages of merger

It provides benefits of economics of scale in terms of production and sales.

It enables sick enterprises to merge into the healthy ones.

**25. List any two advantages of sub-contracting? (Apr 18)**

Sub-contracting offers a number of advantages. They are

It allows work on more than one phase of the project to be done at once, often leading to a quicker completion.

The sub-contractor is usually able to work with a general contractor is usually able to work with a general contractor on more than one project, thus creating a savings for both in the long run as a relationship is formed.

**26. List any two disadvantages of sub-contracting?**

The disadvantages of sub-contracting are

- Goods produced under sub-contracting system are often qualitatively inferior.
- Delays in payments, a common feature, by the contractor to the sub-contractor endanger the very survival of the latter.

**27. Define Small Business? (April/may-2011)**

Designation for firms of a certain size which fall below certain criteria in terms of annual turnover, number of employees, total values of assets, etc.

**28. What are the different types of mergers? (Apr 11)**

1. Horizontal 2. Vertical 3. Conglomerate merger

**29. When companies do prefer joint ventures? (Apr 12)**

Joint ventures may involve companies in one more countries. International joint ventures in particular are becoming more popular, especially in capital intensive industries such as oil and gas exploration, mineral extraction, and metals processing. The basic reason is simple to save money. Joint ventures become more attractive as a way to share risks and costs and create scale economies.

**30. State the growth strategies in small industry? (Apr 12)**

1. Market segmentation
2. Leveraging partnerships
3. Use checklists
4. Acquisitions
5. Become a leader in the industry

### **31. What is BIFR? (Apr 13)**

The Board for Industrial and Financial Reconstruction (BIFR) is an agency of the government of India, part of the Department of Financial Services of the Ministry of Finance. Its objective is to determine sickness of industrial companies and to assist in reviving those that may be viable and shutting down the others.

### **32. Define business environment (Nov 14)**

Business environment is the sum total of all external and internal factors that influence a business. You should keep in mind that external factors and internal factors can influence each other and work together to affect a business.

### **33. Define the term Magnitude. (Apr 14)**

The global experience indicates that in the process of economic and industrial development, a certain level of industrial sickness is inevitable to exist as the inefficient units are bound to be displaced from the industrial scene by more sufficient one.

Example: The incidence of sickness in the Indian economy since the 80's. The number of large sick units has increased from 241 in 1976 to 714 in 1986, while the number of sick units in the small scale sector has increased sharply from around 8 thousand to 146 thousand.

### **34. What are business incubators? (Nov 19)**

A business incubator is a company that helps new and startup companies to develop by providing services such as management training or office space.

## **PART B & C**

### **13 & 15 MARKS QUESTIONS**

#### **1. Define joint ventures. State the reasons behind creation of joint venture. Discuss the partner selection criteria. (Apr 08, Nov 14, 18)**

A joint venture is a strategic alliance where two or more people or companies agree to contribute goods, services and or capital to a common commercial enterprise.

#### **Types of joint venture**

- One option is to agree to co operate with another business in a limited and specific way. For example, a small business with an exciting new product might want to sell it through a larger company`s distribution network. The two partners could agree a contract setting out the terms and conditions of how this would work.
- Alternatively, you might want to set up separate joint venture business, possibly a new company, to handle a particular contract. A joint venture company like this can be a very flexible option. The partners each own shares in the company and agree how it should be managed.

#### **Joint ventures verses partnership**

- The main difference between joint venture and a partnership is that the member of a joint venture have teamed together for a particular purpose or project, while the members of the partnership have joined together to run “ a business in common”
- Each members of the joint venture retains ownership of his or her property and each member of the joint venture shares only the expenses of the particular project or venture.
- Tax – wise, there are also differences between joint ventures and partnership. As a member of joint ventures you will revive a share of the profits which will be taxed according to whatever business structure you have setup.
- So, for instance, if you operate a sole proprietorship, your joint venture profits will be taxed just as any other business income.
- Joint ventures enjoy tax advantages over partnership, too. Capital cost allowance (CCA) is treated difficulty. While those in partnerships have to claim CCA according to partnership rules, those in joint ventures can choose to use as much or little of their CCA claim as they like.
- And joint ventures don`t have to file information returns unlike partnership.

#### **Advantages of joint venture:**

- Provide companies with the opportunity to gain new capacity and expertise.
- Sharing of risks with a venture partner.
- Joint ventures can be flexible.



### **Disadvantages of joint venture:**

- Different cultures and management styles results in poor integration and co operation.
- The partners don't provide enough leadership and support in the early stages.
- And analysis of the objectives.

## **2. Discuss the various causes and consequences of industrial sickness in India. Suggest measures to curb industrial sickness with special reference to small sale industry. (Nov 08, 14, 18, Nov 14, 18)**

### **Causes and consequences**

- ❖ Causes of industrial sickness
  - The causes of industrial sickness cannot be attributed to a single factor alone. It is a cumulative of many factors which may be closely inter related with each other.

### **The causes for industrial sickness can be broadly classified into two categories.**

- Internal or Endogenous causes
- External or Exogenous causes

### **Internal causes**

Internal causes which affect the industry related to organization structure, production, channel, distribution channels, technical knowhow etc. The following are internal enterprise problems which influence industrial sickness.

- Choice of wrong and defective idea of industry.
- Propel structure of the industry.
- Poor management prevailing in the industry.
- Poor quality maintenance and production capacity.
- Bad marketing ability of the industry.
- Lack of horizontal and vertical integration.
- Poor utilization of capacity.
- Lack of managing strategies.
- Policy planning in various functional departments.
- Poor project implementation and handling of labor.
- Inadequate training in sick.
- Poor and close organization.

### **External Causes**

- External causes are those factors beyond the control of the industries. Some of the important external factors causing industrial sickness are.
- Changes in the industrial policies of the government from time to time.
- Lack and shortage of demand for the product.
- Inadequate and untimely availability of necessary inputs like raw materials, power, transport and the skilled labor.

- Recessionary trends hovering in the economy.
- Shortage of working capital.
- Continuous industrial strikes and labor unrest.
- Natural calamities like drought, floods, etc.

### **Consequences of industrial sickness**

- The important consequences of industrial sickness are as follows:
  - Substantial investment in sick units causes a great national loss in the form of wastage of scarce resources and decline in production.
  - Industrial sickness causes a great loss to inter depended, entrepreneur and investors.
  - Industrial unrest, sick industrials units often delay pay to their staff. As a result strikes, lockouts, and other forms of industrial unrest occur.
  - Closure of sick and non-viable industrial units causes widespread unemployment in the country.
  - Government gets sizeable proportions of its revenue by way of taxes and duties levied on industrial unit. Ultimately this reduction affects various socio and economic development in the country.

**3. Elaborate the government policies for development and promotion of small scale industries in India (Or) What are the saint features of new small enterprise policy, 1991? Discuss the need for policy support to small scale enterprises. Does the governments projective policies beneficial for the development of small scale industrial units? Give your views with examples. (Nov 08, 18, Apr 12, 18, 19)**

#### **New small enterprise policy 1991**

1.The government of India, for the first time, tabled the new small enterprise policy titled `policy measures for promoting and strengthening small, Tiny and Village enterprises` in the parliament on august 6,1991.

2. The main thrust of new small enterprise policy is to impact more vitality and growth impetus to the sector which enables it to contribute its mite fully to the economy, particularly in terms of growth of output, employment and exports.

3.The sector has been substantially deliquesced consented efforts would be made to deregulate and DE bureaucratize the sector with view to remove all fetters on it growth potential on this on hand, and reposing greeters on it growth potential on this one hand, and reposing greater faith in small and new entrepreneurs on the other.

#### **The salient features of the new small enterprise policy**

- The investment limit has been increased in plant and machinery of tiny enterprises form Rs. 2 lakh to Rs. 5 lakhs based on their location.
- Inclusion of industry related service and business enterprises, based on their location as small scale industries (SSI).

- To limit the financial liability of the new entrepreneurs to the capital investment. An new partnership act has to be introduced.
- Introduction of a scheme of integrated infrastructural development including technological backup services for small scale industries.
- An factoring services have to be introduced to solve the problems of delayed payment to small sector.
- Market promotion of small scale industries products through co operative/public sector institutions, other specialized professional and the consortium approach.
- In the small industries development organization (SIDO)an export development Centre (EDC) has to be set up.
- To widen the scope of the national equity fund (NEF) to enlarge the single window scheme and also to associate commercial banks with provision of composite loans.

**Some important point on the new small enterprise policy is.**

The new policy is founded on a proper understanding of the fundamental problems of small scale sector and the measure proposed it are well directed to mitigate the various handicaps that faces their sector.

The new policy provides for continuous support to the tiny sector like easier access to institutional finance, preference in government purchase and relaxation of certain labor laws. Since tiny sector is the nursery of the traditional skill, the proposed package of incentives for tiny sector will help it's grow with more vitality.

One important feature is the introduction of a new legal form of organization of business, namely restricted or limited partnership. As per this form, the liability of other partner is limited to their invested capitals.

This can be considered as a welcome provision. It will attract equity capital from friends and relatives who were earlier reluctant to advance their funds due to the limited liability of the partners.

**4. Explain the threads of small industries and the remedial measures to overcome that. (Apr 12, 13)**

Small scale industries play a very vital role in the economic development of our country. This sector can stimulate economic activity and is entrusted with the responsibility of realizing various objectives like generation of more employment opportunities with less investment, reducing regional imbalances etc. Small-scale industries are not in a position to play their role effectively due to various constraints. The various problems faced by small-scale industries are as under:

**(i) Inefficient Labor**

Labor is major but active player in small-scale industries. But they lack training and developmental 20 opportunities in small-scale sector. So they are unable to contribute as expected from them. Since size of small units is not always optimal so they are also unable to understand the importance of training and development. Level of education of workers working

in small-scale sector is also low and they fail to cope up with the challenges of modern production system. Professionals and technocrats are also not interested to join small scale as this sector is not ready to compensate them properly. So small entrepreneurs are facing the constraint of inefficient labor force and unable to improve their productivity.

### **(ii) Defective System of Supply of Raw Materials**

Small-scale industries are facing the problem of short supply of raw materials. Small size and weak financial position also force them to utilize the services of middlemen to get raw materials on credit from suppliers. Canalizing agencies like state level small industry corporations, STC, MMTC and Handloom Development Corporations are not providing much help in arranging adequate supply of raw materials at right price in right time. So they fail to utilize their full production capacity and it also increases their cost of production which adversely affects their competitive strength in the market.

### **(iii) Absence of Credit Facility**

Historically, SSIs have had privileged access to bank finance through cheap priority sector lending. Since interest rates were fixed lower for them than the market rates, they did not reflect the higher risks and costs of investing in small borrowers. SSIs also benefited from the subsidies implicit in the tax standards for provisioning for bad and doubtful debts. The deregulation of interest rates in present scenario forces them to pay more. The benchmark rate of interest for banks is the 21 percent lending rates – a higher rate reflects the risks of lending to individual borrowers. Consequently, interest rates have risen sharply for small-scale units. The priority sector lending scheme hardly softens the burden since not more than Rs. 2 lakh can be borrowed under this scheme. Besides, SSIs are also unable to generate resources as they lack systematic way to communicate their work to the capital markets and muster support from the intermediaries. Due to poor financial image, they generally fail to get their credit facility at reasonable costs.

### **(iv) Lack of Machinery and Equipment**

SSIs are also facing the problem of inferior supply of machinery and equipments etc. Most of companies which are engaged in production of plants and machineries are meant for medium and large scale companies. Only selected companies or few producers are engaged in the production of plant, machineries and equipments for small-scale sector. So they generally charge high price for their capital goods supplies from small-scale units. Besides, bargaining power of SSIs is not so much and they have to work with available machinery and equipments in the market. They have also been forced to use second-hand machines. It also affects the production performance of SSIs.

### **(v) Huge Number of Bogus Small Firms**

Government policy favors SSIs in terms of concessions, subsidy and incentives. This has prompted the so-called entrepreneurs to develop bogus firms on paper to avail government subsidies and incentives. It makes impossible for the genuine firms to get due concessions, subsidies etc. from the Government. They indirectly help the medium and large-scale enterprises in availing raw materials etc. at reduced rates. Availability of cheap finance also encourages the bogus firms to operate in the small-scale sector.

### **(vi) Unsuitable Location**

Selection of location for the development of plants etc. also creates problem before the SSIs. The choice of location is generally governed by different consideration like availability of in frastructural facility, the cost and tenure of acquisitions, availability of labor and the proximity of markets.

### **(vii) Competition from Large Scale Units**

SSIs are facing the problem of competition from their other counterparts – medium and large scale industries. Since 1991, a large number of items reserved for small industries are now freely importable. The Government has also announced that it is considering a phased removal of quantity restrictions on consumer goods imports over a period of five years.

### **Remedial measure**

1. Effective Planning
2. Improvement in Techniques of Production and Proper Technology
3. Training and Development:
4. Provision of Infrastructural Facilities:
5. Regular Supply of Raw Materials
6. Adequate Credit Arrangement
7. Effective Marketing Arrangements
8. Development of Suitable Machinery.

## **5. Discuss the various types of growth strategies adopted by business firms? (Apr-13, Nov 14)**

The following are the main growth strategies available to firms:

1. Intensive Growth Strategy (Expansion)
2. Diversification
3. Modernization
4. External Growth Strategy a) Mergers (b) Joint Ventures

### **1. Intensive growth strategy**

Intensive growth strategy or expansion involves raising the market share, sales revenue and profit of the present product or services. The firm slowly increases its production and so it is called internal growth strategy. It is a good strategy for firms with a smaller share of the market.

## **2. Diversification**

Beyond a certain point, it is no longer possible for a firm to expand in the basic product market. So the firm seeks increased sales by developing new products for new markets. This strategy towards growth is called diversification. The diversification does not simply involve adding variety in a product but adding entirely different types of products.

## **3. Modernisation**

A firm may use the strategy of modernization to achieve growth. Modernization basically involves up gradation of technology to increase production, to improve quality and to reduce wastages and cost of production. The worn-out and obsolete machines and equipment are replaced by the modern machines and equipment. Modernization plan can have the following implications

## **4. Merger**

Merger is an external growth strategy. When different companies combine together into new corporate organizations, such a process is known as mergers. Merger can occur in two ways: (a) Acquisition of takeover and (b) amalgamation

## **5. Joint venture**

When two or more firms mutually decide to establish new enterprise by participating in equity capital and in business operations, it is known as joint venture. A joint venture is a business partnership between two or more companies for a specific business operation.

## **Objectives of growth**

### **The important objectives of growth are as follows**

- Growth ensures the survival of the business even in adverse and hard times.
- The big size of business facilitates the use of technology.
- The benefits of business motivate a small enterprise to grow big.
- The personal factors of the entrepreneurs also lead to growth of business.

## **Stages of growth**

Enterprise life cycle is broadly classified into five stages.

- Start up
- Growth
- Expansion
- Maturity
- Decline

## **Start up stage**

- It is a beginning of the business enterprise. The production takes place in limited scale. Scale is also limited to a small area. Profit may not be earned during the start up stage.

### **Growth stage**

- During this stage, the enterprise is known to and accepted by the market. Production and sales increasing rapidly. Profit also increases.

### **Expansion stage**

- Business activate at this stage are diversified to reap the best benefit from the available business opportunities.

### **Maturity stage**

- In this situation, marginal enterprises start leaving the market. Some enterprises adopt methods such as trading in to survive for some more time in the market.

### **Decline stage**

- At this stage the enterprises find it difficult to survive, sales drops abruptly. Enterprises start incurring losses at an increasing rate. In this situation they try to close the organization.

### **Types of growth strategies**

The growth strategies are broadly classified into two types

Internal growth strategy

External growth strategy

### **Internal growth strategy**

The popular forms of growth strategy are.

Expansion

Diversification

### **Expansion strategies**

#### **Types of expansion**

Expansion of business can be done in three in three ways. They are

- Penetration strategy
- Market development strategy.
- Product development strategy.

#### **Penetration strategy**

- A penetration strategy focuses on the firm`s existing product in its existing market and the entrepreneur attempts to penetrate his product or market further by encouraging existing customer to by more i.e, encourage repeat purchase.

### **Market development strategy**

- Growth of entrepreneur can occur through market development strategies. It involves selling the firms existing product to new customer groups.
- The new customer groups can be categorized on the basis of geographic, demographics, and or based on a new product use.

### **New product use**

- An entrepreneur might find out that people use product in a way that was not intended expected. This new knowledge of product use provides insight in to how the product may be valuable to new groups of buyer.

### **Product development strategies**

- Product development strategies for growth involve developing and selling new products to people who are already purchasing the firm`s existing products.
- Experience with a particular customer group on the problems customers have with existing technology and wags in which they can be better served.
- For example, Disney Corporation built on its existing viewers of its movies and developed merchandising products specifically aimed at this audience.

## **6. Describe the incentives and subsidies offered by the government for the promotion and growth of small industry in India? (Nov 13, Apr 17)**

An incentive is a motivational factor which induces a person to work hard or to do his work more efficiently. Many incentives are provided both by the Central and State Governments to promote the growth of small-scale industries and also to protect them from the onslaught of the large-scale sector. Among the various incentives given to small-scale industries the following deserve special mention:

### **1. Reservation**

To protect the small-scale industries from the competition posed by large-scale industries, the Government has reserved the production of certain items exclusively for the small-scale sector. The number of items exclusively reserved for the small-scale sector has been considerably increased during the Five Year Plan Periods and now stands at 822.

### **2. Preference in Government purchases**

The Government as well as Government organisations shows preference in procuring their requirements from the small-scale sector. For instance, the Director General of Supplies and Disposals purchases 400 items exclusively from the small-scale sector. The National Small-Scale Industries Corporation assists the SSI units in obtaining a greater share of Government and defence purchases.

### **3. Price preference**

The SSI units are given price preference up to a maximum of 15 per cent in respect of certain items purchased both from small-scale and large-scale units.



#### **4. Supply of raw materials**

In order to ensure regular supply of raw materials, imported components and equipment's, the Government gives priority allocation to the small-scale sector as compared to the large-scale sector. Further, the Government has liberalised the import policy and streamlined the distribution of scarce raw materials.

#### **5. Excise duty**

In respect of SSI units excise duty concessions are granted to both registered and unregistered units on a graded scale depending upon their production value. Full exemption is granted up to a production value of Rs.30 lakhs in a year and 75 % of normal duty is levied for production value exceeding Rs.30 lakhs but not exceeding Rs.75 lakhs. If the production value exceeds Rs.75 lakhs, normal rate of duty will be levied.

#### **6. RBI's credit guarantee scheme**

In 1960, the RBI introduced a Credit Guarantee Scheme for small-scale industries. As per the Scheme, the RBI takes upon itself the role of a guarantee organisation for the advances which are left unpaid, including interest overdue and recoverable charges. This scheme covers not only working capital but also advances provided for the creation of fixed capital.

#### **7. Financial assistance**

Small-scale industries are brought under the priority sector. As a result, financial assistance is provided to SSI units at concessional terms by commercial banks and other financial institutions. With a view to providing more financial assistance to the small-scale sector, several schemes have been introduced in the recent past the Small Industries Development Fund (SIDF) in 1986, National Equity Fund (NEF) in 1987 and the Single Window Scheme (SWS) in 1988.

#### **8. Technical consultancy services**

The Small Industries Development Organisation, through its network of service and branch institutes, provides technical consultancy services to SSI units. In order to provide the necessary technical input to rural industries, a Council for Advancement of Rural Technology was set up in October, 1982.

#### **9. Machinery on hire purchase basis**

The National Small Industries Corporation (NSIC) arranges supply of machinery on hire purchase basis to SSI units, including ancillaries located in backward areas which qualify for investment subsidy. The rate of interest charged in respect of technically qualified persons and entrepreneurs coming from backward areas are less than the amount charged to others. The earnest money payable by technically qualified persons and entrepreneurs from backward areas is 10% as against 15% in other cases.

## **10. Transport subsidy**

The Transport Subsidy Scheme, 1971 envisages grant of a transport subsidy to small-scale units in selected areas to the extent of 75 % of the transport cost of raw materials which are brought into and finished goods which are taken out of the selected areas.

## **11. Training facilities**

The Entrepreneurship Development Institute of India, financial institutions, commercial banks, technical consultancy organisations, and NSIC provide training to existing and potential entrepreneurs.

## **12. Marketing assistance**

The National Small Industries Corporation (NSIC), the Small Industries Development Organisation (SIDO) and the various Export Promotion Councils help SSI units in marketing their products in the domestic as well as foreign markets. The SIDO conducts training programmes on export marketing and organises meetings and seminars on export promotion.

## **13. District Industries Centres (DICs)**

The 1977 Industrial Policy Statement introduced the concept of DICs. Accordingly a DIC is set up in each district. The DIC provides and arranges a package of assistance and facilities for credit guidance, supply of raw materials, marketing etc..

## **7. Explain how to plan for corrective measures in small business. Discuss the corrective measure techniques and guidelines in detail. (Apr 14)**

### **1. Elements of caring leadership**

Caring about the work

Caring about people

Both come together in the corrective action process

### **2. Establish just, reasonable rules based on core values**

Caring confrontation based on the core values of the organization

Work rules should be established

Employees should be involved in rule making

### **3. Communicate rules to all employees**

Rules should be explained to new employees

Published in employee handbooks

The number of rules should be limited

Rules should be reviewed annually

### **4. Provide immediate corrective action**

Immediate correction and penalties are more acceptable and effective

If there is an association between misconduct and swift corrective action, repetition of the offense is less likely to occur

**5. Create a system of progressive corrective measures for violation of rules**

Progression of penalties

Final warning issued prior to actual discharge

Gives the leader a chance to help the employee improve

**6. Provide an appeal process for corrective action:**

Ensures fair treatment of employees

A procedure for review can help correct a wrongful disciplinary action

**7. Preserve human dignity**

Corrective action should take place in private

Balance correcting the problem and developing the employee

Criticize the act, not the person

Consider all sides of the problem

If you are in error, admit it

End corrective action on a positive note

**8. Do not charge a rule violation without knowing the facts**

Burden of proof and fairness is on the accuser

Be sure that:

The rule is enforced consistently

The employee was informed of the rule

The employee broke the rule

It can be proved that the employee broke the rule

Corrective measures are fair

**9. Obtain agreement that a problem exists**

If you cannot get an agreement, then inform the employee it is unlikely employment will continue

**10. Avoid negative emotions**

Relax before meeting your employee; remain calm

Once corrective action is taken, clean the slate

Avoid double standards

Rules and standards of conduct should be the same for all people

Should be enforced equally

**8. What is Diversification? Discuss the basis of diversification in entrepreneurship. (Apr 14, 15, 19)**

**Definition** A risk-reduction strategy that involves adding product, services, location, customers and markets to your company's portfolio

**Factors to consider when weighing diversification**

Although diversification into new markets and production areas can be an exciting and profitable step for small business owners, consultants caution them to "look before they leap." As entrepreneur Steven L. Marks remarked in *Inc.*, when presented with opportunities to diversify,

"we view them against our focus criteria: Is the idea consistent with our mission statement? Will it dilute our current efforts? How will it affect our operations?" Indeed, many factors should be considered before a small company launches a course of diversification:

### **Financial health**

This is the most basic consideration of all. Business owners should undertake a comprehensive and clinical review of their present fiscal standing—and future prospects—before expanding a business into a new area.

### **Cost of entry**

This factor is closely linked to a business's examination of its fundamental financial health. Diversification, whether through expansion or acquisition, typically requires financial outlays of significant size. Does your company have the means to meet those requirements while simultaneously keeping the existing business running smoothly?

### **Attractiveness of the industry and/or market**

Analysts attach varying level of importance to this factor. Obviously, diversification into an industry or market that is flagging, whether because of general economic conditions or local problems, can result in a significant loss of income and security. As Mint berg and Quinn observed, though, some businesses attach little significance to this, relying instead on vague beliefs that the industry or market is a good fit with its existing operations, or that the industry or market is headed for an upturn. "Another common reason for ignoring the attractiveness test is a low entry cost," they added. "Sometimes the buyer has an inside track or the owner is anxious to sell. Even if the price is actually low, however, a one-shot gain will not offset a perpetually poor business." Finally, some businesses mistakenly interpret recent market or industry trends as indications of long term health.

### **Work force resources**

When considering diversification, companies need to analyze the ways in which such a step could impact their current employee work forces. Are you counting on some of those employees to take on added duties with little or no change in their compensation? Will you ask any of your workers to relocate their families or their place of work as a consequence of your business expansion? Does your current work force possess the skills and knowledge to handle the requirements of the new business, or will your company need to initiate a concerted effort to attract new employees? Business owners need to know the answers to such questions before diversifying.

### **Access to distribution channels**

A company engaged in introducing a new product or service into the marketplace should first ensure that it will have adequate access to distribution channels within the targeted market. "The more limited the wholesale or retail channels for a product are and the more existing competitors have these tied up, obviously the tougher entry into the industry will be," wrote Michael E. Porter in *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. "Existing competitors may have ties with channels based on long relationships, high-quality service, or even exclusive relationships in which the channel is solely identified with a particular manufacturer. Sometimes this barrier to entry is so high that to surmount it a new firm must create an entirely new distribution channel."

### **Regulatory issues**

Governmental regulatory policies at the local, state, and national level can also have an impact on the diversification decision. For instance, a successful restaurateur may want to open a bar and grille in a certain area, only to learn that the city council has imposed an indefinite

moratorium on granting liquor licenses in the area in question. "Government can limit or even foreclose entry into industries with such controls as licensing requirements and limits on access to raw materials," confirmed Porter, who added that regulatory controls on air and water pollution standards and product safety and efficacy should also be weighed. "For example, pollution control requirements can increase the capital needed for entry and the required technological sophistication and even the optimal scale of facilities. Standards for product testing, common in industries like food and other health-related products can impose substantial lead times, which not only raise the capital cost of entry but also give established firms ample notice of impending entry and sometimes full knowledge of the new competitor's product with which to formulate retaliatory strategies." Many of these regulations, while enormously beneficial to society, can have a bearing on the ultimate wisdom of a diversification strategy.

## **MG 8091 ENTREPRENEURSHIP DEVELOPMENT**

### **VERY IMPORTANT UNIVERSITY QUESTIONS**

#### **UNIT 1(Entrepreneurship)**

##### **PART A**

1. Define entrepreneur **(Or)** who is an entrepreneur? (Apr-14,15,17,18,19 Nov-18,19)
2. Types of entrepreneur? (Apr-11,14,18,19 Nov-14,18)
3. Define the term of entrepreneurship?(Nov-13,Apr-14)
4. Explain David mc clelland's "need for achievements" relevance to entrepreneurship?(Nov-16)
5. Define intrapreneur with example?(Nov-16,18,19)
6. Differentiate entrepreneur and intrapreneur?(Apr-10,15,17)
7. Differentiate between an entrepreneur and a manager?(Apr-13)
8. Mention any four triggering factors for a person to become an entrepreneur?(Apr-09)
9. Suggest suitable jobs for persons having high need for achievement?(Apr-09)
10. How does an entrepreneur called as innovator?(Apr-13)
11. Define Intrapreneur with example?(Nov-16)

##### **PART B & C**

1. Bring out the Schumpeter's views on entrepreneur. Explain the different types of entrepreneur in the society **(Or)** Classify entrepreneur as suggested by different behavioral scientists. Mention names of entrepreneurs (Indian or foreigners) kin the typology identified by you? **(Or)** Discuss the types of entrepreneurs? **(Or)** Briefly explain the types of entrepreneurs. **(Or)** Who is an entrepreneur? Discuss the importance &types of entrepreneurs in details.(Apr-08,10,Mar-13,Apr-14,15,Nov-16)
2. Describe how innovation is important as a dimension of entrepreneurship?(Nov-09)
3. Differentiate between entrepreneur and intrapreneur?(Nov-14,Apr-18,19 Nov-18,19)
4. Explain the main functions performed by the entrepreneurs. (Nov/Dec 2013,Apr-15,Nov-16)
5. Discuss the cultural, economic, political and personality factors that affect entrepreneurial growth? **(Or)** Explain the factors affecting entrepreneurial growth? **(Or)** State and explain the factor affecting entrepreneurial growth in our country?(Apr-08,10,18,19 Nov-18,19)
6. Discuss the role played by entrepreneurs in the economic development of tamilnadu in particular and India in general? **(Or)** Explain how entrepreneurship has influenced the economic development of nations in recent year **(Or)** Entrepreneur is the catalyst in the process of economic development? In the right of this statement, explain the role of entrepreneurship in the economic growth of a country.(Nov-08,09, 19, Apr-09,10,17)

## UNIT II (Motivation)

### PART A

1. Need for achievement motivation on entrepreneurship development (or) summaries the psychological factors of entrepreneurial motivation?(Apr 08,18)
2. State the main objectives (Or) aim of Entrepreneurship Development Program's (EDP's)? (Nov-08 18) (Apr-12,13, 14,17,19)
3. Explain how motivations can be transformed into acceptable performance by employees?(Apr 09)
4. What incentives are offered to set up SSI units? (Apr 09)
5. What situations have led to intrapreneurship in organization? (Nov 09)
6. Why do small businesses become sick? (Nov 09)
7. Define stress?(Apr-10,Nov 16, 18, 19)
8. What is Thematic Apperception Test? With examples?(Apr-10,11,17,18, Nov 19)
9. What are the sources of idea generation?
10. Define self rating?(Apr 14,Nov 14, 16)
11. Discuss the need of entrepreneurship development program?
12. Identify different phases of EDP's?(Nov 13)
13. State the objective of Entrepreneurial Motivation Training(Apr 08, 13)
14. What is business game?(Apr 15,19)

### PART B & C

1. What do you understand by achievement motivation? How can achievement motivation be developed?

(Or)

Bring out the model for entrepreneurship development and discuss the role of achievement motivation in Entrepreneurship development.(Apr-11,Nov13,14,16,Apr-18)

2. Define the term motivation. What are the special motivational techniques for entrepreneur?(Apr-14)

3. Write an amount of business games and explain its importance for entrepreneurs? (Or) What is business game? State its objective, needs .define in basket training. Why in basket training is essential to entrepreneurs? Give reason?(Apr-11,13)

4. How did mc clelland's experiment correlate the Thematic Apperception Test and the three motivations? Illustrate your answer with a situation known to you describe the profile of an entrepreneur in terms of the three needs identified by mc clelland?

(Or) Explain the aims and objectives of thematic appreciation test. Discuss the application and uses.(Apr 14,19 Nov 18)

5. Define stress. Discuss the various stress management technique to overcome work stress? **(Or)** What is meant by entrepreneurial stress? State and explain the causes of stress among entrepreneurs and the measures to be followed by them to overcome stress. **(Or)** Define stress. Explain the symptoms of stress. How to overcome the stress.(Apr 08,14)

6. Discuss the need and objectives of Entrepreneurship Development Program (EDP's)? **(Or)** What are the objectives of entrepreneurship development program? How far they are successful in India? **(Or)** What is entrepreneurship development? What are the methods of preparing a entrepreneurship development program in details? (Apr 08, Nov 19) **(Or)** What is entrepreneurship development program? Provide the various sources of EDP.(Apr 12,15,18) (N 16)

7. Explain the major motive influencing an entrepreneur with examples.(Nov 14,18, 19) (Apr 18,19)

### **UNIT III (Business)**

#### **PART A**

1. What are the steps involve in the process of a market research survey?(Apr 08)
2. State the advantage and disadvantage of partnership firm?(Nov 08, 19)
3. Differentiate between equity and debt, which form of capital is better suited for entrepreneurial business?(Apr 09) (Nov 14)
4. List out any four sources of finance?(Nov 09)
5. Define SME (small & medium enterprises)?(Apr 10)
6. What is techno economic feasibility **(Or)** techno economic evaluation? (Apr 10,12) (Nov 13,18,19)
7. What is non-probabilistic sampling?(Apr 12)
8. How to prepare preliminary project report & classify projects?(Apr 11,14,19) (Nov 16)
9. Discuss the characteristics of small enterprises & problem based by small enterprises?(A13,17)(N 16)
10. Why is calculating BEP important for entrepreneurs?(Nov 09)
11. What is the function of SSI? List the importance of SSI?(Nov 13,14)(Apr 18)
12. Define industrial clusters (Nov 14)
13. What are the steps in identifying business opportunities (Apr 19)
14. Define co-operation?
15. Define sole proprietorship?
16. Define SSI? Classification of SSI? (Apr 15,18)

#### **PART B & C**

1. What are the different ownership structures available to entrepreneurs? Describe the advantage and disadvantage of different ownership structure? **(Or)** Discuss the ownership structure of small business?(Apr11)



2. Discuss the ownership structures of small business.(Apr 12,19) (Nov 14)
3. Discuss the classification and characteristics of small business?(Apr 10, 15)
4. Discuss the steps involved in setting up a business with suitable example? (Apr 10, 12,14, 15) (Nov 18)
5. Discuss the factors that are involved in the identification and selection of business opportunity and the guidelines which help to identify and Asses opportunities? (Nov 08) (Apr 15)
6. Indicate the appropriate tools of market survey and methods of research to introduce new service facility in particular residential locality densely populated by software professional's .how do you Asses their needs foe the service offering? **(Or)** Describe the elements of a marketing plan and how they relate to the market survey and research? (Apr 09) (Nov 14, 18,19)
- 7.Explain the major components of feasibility plan? **(Or)** Write a note on the techno economic feasibility plan and method of project appraisal? (Apr 13,14,17,18,19) (Nov 13, 19)
8. What is the business environment? Discuss the various methods for external environment before formulating a business strategy? (Apr 14)
9. What is meant by detailed project report? What are the precautions that an entrepreneur should take at the time of preparation of detailed project report? Tabulate the estimate profitability and financial ratios with illustrations. (Nov 08, 16) (Apr 13, 17)
10. What is a preliminary project report? State the advantage of preliminary project report? How and why do you prepare it? (Apr 11, 17,19) (Nov 13, 16)

#### **UNIT IV (Financing and Accounting)**

##### **PART A**

1. Explain the following
  - A) Opportunity cost (Nov 19)            b) secondary cost (Apr 08)
2. Distinguish between PERT and CPM? (Apr 08, 15)
3. Mention types of ownership structures suitable for entrepreneurial firms?
4. What is meant by trade credit? (Apr 09)
5. Write a note on excise duty & sales tax?(Apr 19)
6. What is working capital and its significance? (Apr 12, 13, 14,16, Nov 19)

7. What is loan? And classify the term loans? (Apr 12, 18, 19)
8. State the need for tax benefits for SSI **(Or)** purpose of Taxation? (Apr 13) (Nov 16)
9. What is Break Even Point (BEP) **(Or)** Break Even analysis (BEA)? And its benefits? ( A 10,11,15,18)
10. What are the sources of finance?
11. Point out the components of working capital. What are its kinds? (Nov 08)
12. State the uses and limitations of break-even analysis? (Nov 08) (Apr 14,18)
13. Briefly explain the different types of start-ups? (Nov 09)
14. Define Venture capital? (Nov 14)

### **PART B & C**

1. Explain how capital is raised by entrepreneurs at various stage of business development, through an example. Trace the growth of venture capital in our country? (Apr 10)
2. What are the all functional risks faced by small business? Discuss the reason for bankruptcy and remedial actions against them. (Apr 10)
3. Discuss the sources of finance for an entrepreneur. Also provide the strategies for the suitable capital structure for a calculated risk business? **(Or)** what are the different sources of finance for a business? Explain. (Apr 12, 15,19) (Nov 18, 19)
4. What are the All India Financial Institutions that meet the financial needs of the entrepreneurs? (A13)
5. Describe the sources of short term finance and long term finance. (Apr 13, 15, 17) (Nov 13, 16)
6. Explain about working capital. Discuss the sources and the management of working capital (or) Imagine that you are an entrepreneur planning to set up an establishment catering to everyday provision needs a hard core steel manufacturing company. How would you solve your working capital requirement? State and explain the main sources of working capital financing that you may use and why? **(Or)** Explain the role of financial institutions, development banks and support agencies in the promotion of entrepreneurship in India? **(Or)** Describe the need for institutional support to small scale industries. What is a DIC? Explain its functions? (Apr 08, 11, 13, 18) (Nov 18)
7. How should an entrepreneur use the PERT and CPM technique in selecting a project when more than one project is available? **(Or)** Explain the importance and objective of network analysis techniques with examples? **(Or)** What do you mean by network analysis? Explain its need and the nature of network techniques and network planning? **(Or)** Explain the different techniques of PERT and CPM. State their advantages and limitations?
8. How do you assess the working capital required to run a small scale industry? What sources do you tap for meeting this requirement?

## UNIT V (SUPPORT TO ENTREPRENEURS)

### PART A

1. Define merger? Types of merger? And merits (Apr 10, 11, 17,19) (Nov 13)
2. What is sub-contracting? What are the factors can be covered? List any two advantages of sub-contracting? ( Apr 08, 10, 13, 15) (Nov 18)
3. What are the causes of slow growth of industrial entrepreneurship in India?( Nov 18)
4. Define venture capital. Mention any two sources from which it can be received?(Apr 09)
5. Define joint venture? When companies do prefer joint ventures?(Apr 12, 14)
6. State the growth strategies in small industry? (Apr 12)
7. What is BIFR? (Apr 13)
8. Define the term magnitude? (Apr 14)
9. What is expansion? What are the three form of expansion? (Nov 14) (Apr 14)
10. Define industrial sickness? (Apr 19, Nov 19)
11. What is diversification? What are the types of diversification? (Apr 09) (Nov 14, 18)
12. Define franchising? What the type is of franchised?
13. What is an Acquisition?
14. Define incentives (Nov 13) (Apr 17)
15. Define Small Business?
16. Define business environment(Nov 14) (Apr 11)
17. What are business incubators? (Nov 19)

### PART B & C

1. Discuss the various causes and consequences of industrial sickness in India. Suggest measures to curb industrial sickness with special reference to small –scale industry? **(Or)** What do you understand by sickness in small firms? What are its causes? Suggest measures to overcome such sickness? **(Or)** Illustrate the cause and consequences of sickness in small business? (Nov 08, 13, 14, 18) (Apr 09, 11, 15, 17, 18)
2. Explain how to plan for corrective measure in small business? Discuss the corrective measure techniques and guidelines in details? **(Or)** What remedial measures do you think necessary to arrest the growth industrial sickness in India? (Apr 14)
3. Define joint venture. State the reasons behind creation of joint venture. Discuss the partner selection criteria? (Apr 08) (Nov 14, 18)
4. What are the salient features of new small enterprise policy,1991? Discuss the need for policy support to small scale enterprises. Does the governments projective policies beneficial for the development of small scale industrial units? Give your views with examples.(Apr 09, 14, Nov 19) **(Or)** What is the salient feature of new small enterprise policy? How is the government’s protective policy beneficial for the development of small scale industries? (Apr 12, 19)

5. Explain the threads of small industries and the remedial measures to overcome that? **(Or)** Discuss the features of sick industrial companies' act 1985 and the measures taken and suggestion of the act? (Apr 12, 13, 19)
6. Describe the incentives and subsidies offered by the government for the promotion and growth of small industry in India? (Nov 13) (Apr 17)
7. What are the four major types of growth strategies adopted by industrial units? / business firms? **(Or)** Discuss the growth strategies followed or adopted in small industry? (Apr 14, Nov 19)
8. What is diversification? Discuss the basis of diversification in entrepreneurship? (Apr 14, 15,19)



Reg. No. :

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**Question Paper Code : X10730**

B.E./B.Tech. DEGREE EXAMINATIONS, NOVEMBER/DECEMBER 2020 AND  
APRIL/MAY 2021

Seventh /Eighth Semester

Mechanical Engineering

MG8091 – ENTREPRENEURSHIP DEVELOPMENT

(Common to Mechatronics Engineering/Automobile Engineering/Industrial  
Engineering/Industrial Engineering and Management/Mechanical and  
Automation Engineering/Mechatronics Engineering/Production Engineering)  
(Regulations 2017)

Time : Three Hours

Maximum : 100 Marks

Answer ALL questions

PART – A

(10×2=20 Marks)

1. Define Entrepreneurship.
2. List out some of the important characteristics of an entrepreneur.
3. Explain the importance of motivation for an entrepreneur.
4. What is meant by Self Rating ? Why it is needed ?
5. What is meant by market research ?
6. What is a project report ?
7. Define break even analysis.
8. What is meant by working capital ?
9. What is meant by business incubators ?
10. Differentiate merger and acquisition.

PART – B

(5×13=65 Marks)

11. a) Examine various types of entrepreneurs.

(OR)

- b) Discuss the factors affecting entrepreneurial growth in Tamil Nadu with suitable examples.



12. a) Explain some of the stress management techniques in detail.  
(OR)
- b) Entrepreneurship development programs contribute in the growth of entrepreneurs by explaining its need and objectives.
13. a) What are the various steps involved in setting up a business ? Discuss.  
(OR)
- b) What is meant by a small enterprise ? State the types and characteristics of small business.
14. a) Discuss the various source of financial supports that are available to start-ups in India.  
(OR)
- b) Explain the various subsidies and schemes that are available to women entrepreneurs in India.
15. a) What are the causes and consequences of sickness in small businesses ? State the ways of overcoming the sickness.  
(OR)
- b) Enumerate the advantages and disadvantages of some of the Growth Strategies in small businesses.

**PART – C**

**(1×15=15 Marks)**

16. a) Develop a business plan of your choice.  
(OR)
- b) Discuss the need for policy support to small scale industries through the different policy resolutions (IPRS).
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Reg. No. :

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**Question Paper Code : 20892**

B.E./B.Tech. DEGREE EXAMINATIONS, APRIL/MAY 2022.

Seventh/Eighth/Ninth Semester

Automobile Engineering

MG 8091 — ENTREPRENEURSHIP DEVELOPMENT

(Common to Industrial Engineering/Industrial Engineering and Management/Mechanical Engineering/Mechanical Engineering (Sandwich)/ Mechanical and Automation Engineering/Mechatronics Engineering/Production Engineering/Robotics and Automation)

(Regulations 2017)

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. List any two important differences between entrepreneur and intrapreneur.
2. Who is a drone entrepreneur?
3. How to develop achievement motivation?
4. Write any four objectives of entrepreneurship development programme.
5. In what way the small scale industries are classified?
6. Enunciate the concept of project appraisal.
7. Identify any two internal sources of finance available to an entrepreneur.
8. Distinguish between shares and debentures.
9. List the reasons for growth of a small scale venture.
10. What is meant by joint venture?

PART B — (5 × 13 = 65 marks)

11. (a) Elucidate the factors influencing the emergence of entrepreneurship with the help of integrated – contextual model.

Or

- (b) What do you understand by the term 'entrepreneur'? Describe the types of entrepreneurs with suitable examples.
12. (a) As an entrepreneur how will you conduct Thematic Apperception Test? How will you write the interpretation? Give examples.

Or

- (b) Highlight the need for achievement motivation training and also suggest any two business games which motivate entrepreneur to enhance emotional intelligence.
13. (a) Elaborate the various steps involved in setting up a fast moving consumer goods business in Tamil Nadu.

Or

- (b) "Appraisal of industrial and resource development projects involve use of high skills in administration, engineering and other related fields" - is this statement correct? Support your answer with various criteria for appraisal of projects.
14. (a) Elucidate the financial institutions role in supporting and assisting MSME of our nation.

Or

- (b) Describe the special tax benefits available to small scale industries working in rural and backward areas of our nation with latest provisions.
15. (a) Define sickness with regard to small scale business. Explain the causes and consequences of sickness in small scale business.

Or

- (b) Give your own live examples of business expansion and diversification in our nation and explain how it is a boon for the growth of our GDP.



PART C — (1 × 15 = 15 marks)

16. (a) Define a business plan. Prepare a specimen of a project report of your own choice and outline the significance of a project report.

Or

- (b) Imagine yourself as an entrepreneur. How will you estimate and determine the working capital requirements of your business?
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Reg. No. :

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**Question Paper Code : 90895**

B.E./B.Tech. DEGREE EXAMINATIONS, NOVEMBER/DECEMBER 2022

Seventh/ Eighth/ Ninth Semester

Automobile Engineering

MG 8091 – ENTREPRENEURSHIP DEVELOPMENT

(Common to : Industrial Engineering/ Industrial Engineering and Management/  
Mechanical Engineering/ Mechanical Engineering (Sandwich)/ Mechanical and  
Automation Engineering/ Mechatronics Engineering/ Production Engineering/  
Robotics and Automation)

(Regulations 2017)

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. Identify the types of entrepreneurs.
2. List the factors affecting entrepreneurial growth.
3. What do you mean by achievement motivation training?
4. Specify the need for EDP.
5. State the steps involved in setting up a business.
6. Write any two criteria for project appraisal.
7. Give the formula to calculate working capital.
8. Define costing.
9. Point the sickness in small businesses.
10. Write any four examples of recent mergers.

PART B — (5 × 13 = 65 marks)

11. (a) Define entrepreneurship. Compile the difference between entrepreneur and intrapreneur. Outline the evolution of entrepreneurship in India.

Or

- (b) Describe the role of entrepreneurship in economic growth of a nation.
12. (a) What are the motives, which influence to become an entrepreneur? Outline the impact of self rating and business games for the success of a businessman.

Or

- (b) Elucidate the various entrepreneurship development programmes.
13. (a) Illustrate the classification of business ownership structures. State the meaning of small enterprise and its classification.

Or

- (b) As an entrepreneur how will, you appraise the business project. Outline the various methods of project appraisal.
14. (a) Analyse the various internal and external sources of finance available for a business venture.

Or

- (b) Summarize the income tax polices and procedures followed in India.
15. (a) Examine the government policies for development and promotion of small-scale industries in India.

Or

- (b) Determine the various growth strategies available for a business venture.

PART C — (1 × 15 = 15 marks)

16. (a) What is capital structure? How do business entrepreneur decide on capital structure? Interpret the special consideration of capital structure in practice.

Or

- (b) Evaluate the types and main purpose of business incubators. How business incubators help entrepreneurs. Show the examples of business incubators.

Reg. No. :

**Question Paper Code : 50912**

B.E./B.Tech. DEGREE EXAMINATIONS, APRIL/MAY 2023.

Seventh/Eighth/Ninth Semester

Automobile Engineering

MG 8091 – ENTREPRENEURSHIP DEVELOPMENT

(Common to Industrial Engineering/ Industrial Engineering and Management/  
Mechanical Engineering/ Mechanical Engineering (Sandwich)/  
Mechanical and Automation Engineering/ Mechatronics Engineering/  
Production Engineering/ Robotics and Automation)

(Regulations 2017)

Time : Three hours

Maximum : 100 marks

Answer ALL questions.

PART A — (10 × 2 = 20 marks)

1. What is called as intrapreneurship?
2. List out some of the qualities of a Entrepreneur.
3. Explain the features of International Entrepreneurship.
4. Define Training.
5. What is meant by project profile?
6. How are creativity and innovation related to idea generation?
7. List down the importance of capital budgeting.
8. What is called as inventory management?
9. What should the government do to stop the sick units?
10. What is a technical appraisal?

PART B — (5 × 13 = 65 marks)

11. (a) Who is a social entrepreneur? What is the difference between social entrepreneurs and business entrepreneurs.

Or

- (b) Explain the Characteristics of Successful Entrepreneurs in detail.
12. (a) What is entrepreneurial stress? how can an entrepreneur deal with each type of entrepreneurial stress?

Or

- (b) What is the need for entrepreneurship development programs? Explain the role of family and society in entrepreneurship development.
13. (a) Describe project evaluation. What are the challenges involved in monitoring and evaluation?

Or

- (b) Elaborate the components for writing a business plan. Write the essential requirements of developing a business plan.
14. (a) What is working capital? Why is it important for any enterprise? Explain about it in detail.

Or

- (b) Describe break even analysis. When would an entrepreneur be interested in break- even analysis?
15. (a) What is industrial sickness? Explain the symptoms and consequences of industrial sickness.

Or

- (b) What is small scale business? What are its characteristics? List out the challenges faced by SSB in India.

PART C — (1 × 15 = 15 marks)

16. (a) What is the status of women entrepreneurs in contemporary business? Illustrate with examples.

Or

- (b) Bring out the concept of entrepreneurship. Explain the stages in entrepreneurial process in detail.