

## **MG6071 - ENTREPRENEURSHIP DEVELOPMENT**

### **UNIT I - ENTREPRENEURSHIP**

#### **PART A (2 Marks)**

##### **1. Who is an entrepreneur?**

- A person who is able to identify business opportunities and implement actions to maximize on the opportunities.
- An entrepreneur initiates enterprise creation, undertakes risks, and manages resources to establish and operate a business enterprise that is capable of self-sustenance.

##### **2. Who is an intrapreneur?**

- Intrapreneur is an employed staff (e.g. manager who innovates for the company and takes risks only on behalf of the employer.
- They are creative people usually working together as teams, who function as entrepreneurs within corporations.

##### **3. Who is co-preneurship?**

- Copreneurs is a subset of family business and is the fastest growing segment of small business activity.
- Married couples who share ownership, management and responsibility for a business known as co-entrepreneurial couples.
- Co-preneurs have committed relationship based on emotional ties and trust with a marked division of labor and responsibilities.

##### **4. What is Intrapreneurship?**

- This is the development within a large co-operation of internal markets and relatively small autonomous business units producing products, services or technologies that employ the firms resources in a unique way.
- It gives managers of the co-operation the freedom to take initiatives and by new ideas.

##### **5. Who are ultrapreneurs?**

- Today entrepreneur needs to have a different mindset about establishing and operating a business. This mindset is called ultrapreneuring.
- Ultrapreneurs identify business opportunity, determine its viability and form a company
- They require assembling super competent management team, who then develop, produce and market the product or service in the shortest optimum time period.
- They create business and then sell out, merge or combine.

##### **6. List out the entrepreneurial contributions to economic development.**

- Utilization of local resources
- Promotion of Technology
- Capital formation

- Creation of employment opportunities
- Promotion of an entrepreneurial culture
- Export Promotion
- Favorable balance of payment

**7. List out the factors to be considered before becoming an entrepreneur?**

- Business Idea
- Skills (Technical/Managerial)
- Market
- Capital (Opening, Working or Long Term)
- Machinery (Technology)
- Raw Materials
- Location (Strategic)
- Legal Issues
- Competition

**8. What the characteristics/traits of an entrepreneur?**

- An eye for opportunity
- Independence
- An appetite for hardwork
- Self-confidence
- Discipline
- Judgment
- Ability to accept change
- Focus on profits
- Risk bearing
- Locus on control
- Creative and Innovators

**9. Difference between entrepreneur and entrepreneurship.**

<b>Entrepreneur</b>	<b>Entrepreneurship</b>
Entrepreneur is a person who is willing to launch a new venture or enterprise and accept full responsibility for the outcome.	Entrepreneurship is one who undertakes innovations, finance and business acumen in an effort to transform innovations into economic goods.
Entrepreneur is an individual who take upon himself the risk of going into business with the aim of making profit	Entrepreneurship is the combining of all factors of production which include LAND,LABOUR and CAPITAL
Entrepreneur one who undertakes and operates a new enterprise and assumes some accountability for the inherent risks.	The process in which an entrepreneur starts and operates his business enterprise is entrepreneurship.

**10. Difference between entrepreneur and intrapreneur.**

<b>Characteristics</b>	<b>Entrepreneur</b>	<b>Intrapreneur</b>
Primary Motives	Wants freedom, goal oriented, self-reliant, and self-motivated	Wants freedom and access to corporate resources, goal oriented and self-motivated, but also responds to corporate rewards and recognition.
Time Orientation	Uses and goals of 5 to 10 year growth of the business as guides; takes action how to next step along the way	End goals of 3 to 15 years, depending on the type of venture;
Focus of Attention	Primarily on technology and marketplace,	Both inside and outside; sells insiders on needs of venture and market place but also focuses on customers.
Attitudes towards Risk	Likes moderate risk; invests heavily but expects to succeed,	Like moderate risks; generally not afraid of being fired, so sees little personal risk,

**11. Difference between Entrepreneur and Manager**

<b>Bases of Difference</b>	<b>Entrepreneur</b>	<b>Manager</b>
<b>Motive</b>	Start a venture by setting up an enterprise. He understands the venture for his personal gratification.	Render his services in an enterprise already set up by someone else i.e., entrepreneur.
<b>Status</b>	Owner of the enterprise.	Servant in the enterprise owned by the entrepreneur.
<b>Risk Bearing</b>	Assumes all risks and uncertainty involved in running the enterprise.	Does not bear any risk involved in the enterprise.
<b>Qualification</b>	High achievement motive, originality in thinking, foresight, risk-bearing ability and so on.	Possess distinct qualifications in terms of sound knowledge in management theory and practice.

**12. What are the functions of Entrepreneur?**

- Risk-bearing function
- Organizational function
- Innovative function
- Managerial function
- Decision making function

**13. List out the types of entrepreneurs.**

<b>Based on type of business</b> <ul style="list-style-type: none"> <li>• Trading</li> <li>• Manufacturing</li> <li>• Agricultural</li> </ul>	<b>Based on Technology</b> <ul style="list-style-type: none"> <li>• Technical</li> <li>• Non-Technical</li> </ul>	<b>Based on Ownership</b> <ul style="list-style-type: none"> <li>• <b>Private</b></li> <li>• <b>State</b></li> <li>• <b>Joint</b></li> </ul>
<b>Based on Gender</b> <ul style="list-style-type: none"> <li>• Men</li> <li>• Woman</li> </ul>	<b>Based on Size of Enterprise</b> <ul style="list-style-type: none"> <li>• Small-Scale</li> <li>• Medium Scale</li> <li>• Large Scale</li> </ul>	<b>Based on Clarence Danhof</b> <ul style="list-style-type: none"> <li>• Innovative</li> <li>• Imitative</li> <li>• Fabian</li> <li>• Drone</li> </ul>

**14. Innovative Entrepreneur.**

- Innovative entrepreneur is one who assembles and synthesis information and introduces new combinations of factors of production.
- These entrepreneurs sense the opportunities for introduction new ideas new technology, new markets and creating new organizations

**15. Imitative / Adoptive Entrepreneur**

- Imitative entrepreneur is also known as adoptive entrepreneur.
- Simply adopts successful innovation introduced by other innovators.
- Imitate the existing entrepreneurs and setup their enterprise in the same manner.
- They adopt technology, which is already tested, they generate ample employment avenues for the youth and therefore they are treated as agent of economic development.

**16. Fabian Entrepreneur**

- Fabian entrepreneur is timid and cautious.
- They are very much skeptical in their approach in adopting or innovating new technology in their enterprise.
- They love to remain in the existing business with the age-old techniques of production
- They only adopt the new technology when they realize that failure to adopt will lead to loss or collapse of the enterprise.

**17. Drone Entrepreneur**

- Drone entrepreneurs are conservative or orthodox in outlook.
- They always feel comfortable with their old fashioned technology of production even though the environment as well as the society have undergone considerable changes.
- They are laggards as they continue to operate in their traditional way and resist changes

**18. Who is a social entrepreneur?**

- Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems.
- They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change.

**19. Who is woman entrepreneur?**

- Woman entrepreneur defined as a woman or group of women who initiate, organize and run a business enterprise.
- Woman entrepreneurs are confident, innovative and creative woman capable of achieving self-economic independence individually or in collaboration, generates employment opportunities for others through initiating, establishing and running the enterprise by keeping pace with her personal, family and social life.

**20. Problems faced by woman entrepreneurs?**

- Problem of finance
- Scarcity of raw materials
- Limited Mobility
- Lack of Education
- Male dominated society
- Low Risk bearing ability

**21. What are the role entrepreneurship in developing economic society?**

- Rural Entrepreneurship
- Tourism Entrepreneurship
- Agricultural Entrepreneurship
- Social Entrepreneurship

**22. Why many entrepreneurs fail?**

- The goals set are unreasonable and unmeasurable
- Has not made a total commitment to the business
- No experience in the planned business
- No sense of potential threats or weakness to the business
- Not properly collecting information from customer for the proposed product or service.

**PART B (16 Marks)**

1. What do you understand by the term 'entrepreneur'? Give the main characteristics of an entrepreneur.
2. Explain the main functions performed by the entrepreneurs.
3. Explain the types of entrepreneurs.
4. Briefly explain the concept of entrepreneur. How does an entrepreneur differ from a manager?
5. What is meant by Intrapreneur? How will you distinguish intrapreneur from entrepreneur?
6. Write notes on a) Innovative Entrepreneurs  
b) Intrapreneur  
c) Imitative Entrepreneur
7. What are the Barriers of entrepreneurship?
8. Explain in Brief the factors affecting the growth of entrepreneurship.
9. Explain how non-economic factors help in developing entrepreneurship.
10. Give a brief account of the origin of the entrepreneurial concept

**UNIT –II - MOTIVATION****PART A (2 Marks)****1. List the major motives influencing on entrepreneurs.**

- Self-Actualization Motives
- Work Motives
- Autonomy and Power Motives
- Status Motives
- Application Motives
- Doentic Motives

**2. What are the motivating factor influencing people to become entrepreneurs?**

- Educational Background
- Occupational experience
- Desire to work independently
- Family Background
- Assistance from Government
- Assistance from financial institutions

**3. What is need for achievement motivation in entrepreneurship?**

- Achievement Motivation is an inner spirit that activates an entrepreneur to strive for success.
- This achievement motivation can be developed through training and experience.

**4. How to develop achievement motivation?**

- It is first developed by an individual who has an extreme interest in accomplishing a task, therefore, is determined to put to forth an effort in accomplishing the task if one desires to.
- There are people who take on the role of achievement motivation in a different manner.
  - There are some who are motivated to achieve their goals only if there performance is evaluated and an award is given.
  - There are some who are motivated to achieve their goals because of their fear of success or failure

**5. Features of Achievement Motivation.**

- Setting self-goals and goal achievement
- Emulating models of achievement by constant watch and alertness.
- Attainment of clear and frequent feedback
- Planning more realistic goals through self-performance appraisal
- Reshaping of ideas as opportunities through positive self-assessment and day dreaming.

**6. What are the push and pull motivational factors to drive entrepreneurial intention?**

<b>Factors</b>	<b>Push</b>	<b>Pull</b>
Main Purpose	Getting away from the current situation	Orientation towards future gains
Motives	<ul style="list-style-type: none"> <li>• Ending unemployment</li> <li>• Avoiding unemployment</li> <li>• Get out of an emergency situation</li> <li>• Dissatisfaction with own vocational situation</li> </ul>	<ul style="list-style-type: none"> <li>• Seize of opportunity</li> <li>• Gain decision latitude</li> <li>• Take initiative</li> <li>• Become one’s own boss</li> <li>• Gain independence</li> <li>• Do interesting tasks</li> <li>• Implement one’s own idea</li> <li>• Gain better income</li> </ul>

**7. What is self-employment?**

- Self-employment owns their own business alone or in partnership with others or with members of their family.
- It is the alternative to wage employment.

**8. What motivates individuals to do self-employment?**

- A person chooses to be self-employed if he/she has a particular interest in the trade or business
- Follows a family tradition
- Perception of own necessary skills and abilities
- Availability of role models
- Fear of failure and its personal, social, and financial consequences

**9. List the major advantages of self-employment.**

- Lead rather than follow
- Be creative and implement ideas
- Have the potential for increased income with hardwork
- Be independent
- Take initiative, make own decision at own pace
- Continue to learn more about business each day and this could provide an opportunity for self-fulfillment

**10. List the exercises and games for Entrepreneurial Motivation Training (EMT).**

- Micro-labs
- Thematic Apperception Test (TAT)
- Achievement Planning (APO) exercises/Boat Making Exercise
- Tower Building
- Creating Games
- Convice and Crown

### 11. What is Thematic Apperception Test?

- **Thematic Apperception Test (TAT)** is a projective psychological test developed by McClelland.
- Helps to assess the need profile of technical entrepreneurs
- Helps to determine the existence and level of achievement motivation among entrepreneurs
- Through this test ambition related pictures were displayed to the entrepreneurs and then they were asked to interpret the pictures and what is happening in the picture.
- To emphasize the formation and use of achievement language in day-to-day thinking and action.

### 12. Purpose of Micro-labs.

- **Micro-labs** is a process-oriented package of experience, which is used to prepare entrepreneurs to learn psychosocially
- Helps them to motivate, get involved in the program make them aware of the importance of learning through experience and open their vision for the program in totality.
- Help trainees familiarize themselves with each other.
- Build up and break and trainees expectations about the program.

### 13. What the major causes of stress faced by entrepreneurs?

- Competition
- Unrealistic goals
- Limited Capital
- Meeting expectations
- Growth and expansion issues
- Change and Challenges

### 14. What is self-efficacy?

- Self-efficacy is defined as people's beliefs about their capabilities to produce designated levels of performance that exercise influence over events that affect their lives.
- Self-efficacy beliefs determine how people feel, think, motivate themselves and behave.

### 15. What is locus of control?

- Locus of control is the degree to which people believe that they have control over the outcome of events in their lives, as opposed to external forces beyond their control.
- It is one's belief about contingency relationships between one's action and outcome.

### 16. What is entrepreneurial competency?

- Entrepreneurial competency is defined as the individual characteristics including attitude and behavior, which allows the entrepreneur to achieve business success.
- Entrepreneurial competencies include entrepreneurial traits, motives, self-image, attitude, behavior, skills, and knowledge.

- Entrepreneurial competencies are considered a higher-level characteristic encompassing personality traits, skills and knowledge, and therefore can be seen as the total ability of the entrepreneur to perform a job role successfully.

**17. Difference between competence and competency.**

Competence	Competency
Skill Based	Behaviour Based
Standard attained	Means of Behavior
Helps what is to be measured	Helps how the standard is achieved

**18. List the major competencies of successful entrepreneurs.**

- Pro-activity
  - Initiative
  - Assessiveness
- Achievement Orientation
  - Sees and acts as opportunity
  - Efficiency orientation
  - Concern for high quality work
  - Systematic Planning
- Commitment to Others
  - Commitment to work contract
  - Recognizing the importance of business relationships

**19. What is Entrepreneurship Development Program (EDP)?**

- EDP is to help an individual in strengthening his entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively.
- It is necessary to promote this understanding of motives and their impact on entrepreneurial values and behaviour for this purpose.

**20. Need for Entrepreneurship Development Program.**

- Creation of Employment Opportunities
- Capital Formation
- Balanced Regional Development
- Use of Local Resources

**21. What are the objectives of Entrepreneurship Development Program?**

- Develop and strengthen the entrepreneurial quality, i.e. motivation or need for achievement.
- Analyse environmental set up relating to small industry and small business.
- Understand the process and procedure involved in setting up a small enterprise.
- Acquire the necessary managerial skills required to run a small-scale industry.
- Appreciate the needed entrepreneurial discipline.

**22. What are the basic criteria to access the effectiveness of Entrepreneurship Development Program (EDP)?**

- Activity level of respondents
- New enterprises established
- Total investment made
- No. of people employed
- No. of jobs created
- Increase in profit
- Increase in sales

**23. What are the phases of Entrepreneurship Development Program (EDP)?**

- Pre-training EDP
- Training Phases
- Post training phase (Also Follow up)

**24. What are the entrepreneurial dimensions to be assigned to become potential entrepreneurs?**

- Achievement Motivation
- Risk propensity
- Personal efficacy
- Leadership quality
- Commitment to task
- Planning and organizing ability

**25. What the various methods to be employed in assessing potential entrepreneurs.**

- Thematic Apperception Test (TAT)
- Ring toss game
- Locus of control questionnaire
- Group planning exercises
- Application blank analysis
- Personal interview

**PART B (16Marks)**

1. What is Entrepreneur Motivation? Explain the nature and process of motivation.
2. Explain Maslow's theory of motivation.
3. What is achievement motivation? Do you consider an essential ingredient of entrepreneurship?
4. 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.
5. What are the causes of stress? Explain.
6. What do you mean by EDP? Explain the need and objectives of entrepreneurial

development programmes.

7. Explain the model of business game
8. What is self rating? State some self rating questions.
9. Discuss the ways in which people may overcome the negative consequences of stress.
10. Explain the evaluation and process of EDP's

### **UNIT –III - BUSINESS PART A (2 Marks)**

#### **1. What is small scale unit?**

- Small scale unit has fixed investment in plant and machinery, whether held on ownership basis or lease basis or hire purchase basis not exceeding Rs. 1 crore.

#### **2. What is Ancillary unit?**

- Ancillary unit are industrial undertakings having fixed investment in plant and machinery not exceeding Rs. 1 crore engaged in or proposed to engage in.

#### **3. What are the objectives of small scale industries?**

- To create more employment opportunities with less investment.
- To remove economic backwardness of rural and less developed regions of the economy.
- To reduce regional imbalances.
- To mobilize and ensure optimum utilization of unexploited resources of the country.
- To improve standard of living of people.
- To ensure equitable distribution of income and wealth.

#### **4. Types of small scale industries.**

- Manufacturing industry
- Cottage industry
- Village industry
- Ancillary industry
- Service industry
- Mining and Quarrying
- Feeder industry

#### **5. What is a micro enterprise?**

- **Micro enterprise** is an enterprise where investment in plant and machinery (original cost excluding land and building and the items specified by the Ministry of Small-Scale Industries vide its notification No. S.O. 1722(E) dated October 5, 2006) **does not exceed Rs. 25 lakh;**

**6. What is small enterprise?**

- A small enterprise is an enterprise where the investment in plant and machinery (original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification No. S.O. 1722(E) dated October 5, 2006) is **more than Rs. 25 lakh but does not exceed Rs. 5 crore.**

**7. What is medium enterprise?**

- A medium enterprise is an enterprise where the investment in plant and machinery (original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification S.O. 1722(E) dated October 5, 2006) is **more than Rs. 5 crore but does not exceed Rs. 10 crore.**

**8. What are the essential characteristics of small scale industries?**

- Labor intensive
- Flexibility
- One-man show
- Use of indigenous raw materials
- Localized operation
- Lesser gestation period

**9. What are the differences between micro and macro enterprises?**

<b>Competitive</b>	Micro enterprises cannot compete with macro enterprises in certain circumstances and in selected products. Examples of such enterprises/ industries are bricks and tiles, fresh baked goods and perishable edibles, preserved fruits.
<b>Supplementary</b>	Micro enterprise can fill in the gaps between large scale production and standard outputs caused by macro enterprises.
<b>Complementary</b>	Micro enterprises have been a complementary to their macro counterparts. Many micro enterprises produce intermediate products for macro units.
<b>Initiative</b>	Attracted by the high profits of macro units, micro units can also take initiative to produce the particular product. If succeeds, the micro unit grows to macro over a period of time.

**10. List the rationale behind micro and small enterprise development in the country.**

- Employment argument
- Equality argument
- Decentralization argument
- Latent resource argument

**11. What are objectives of developing micro enterprises?**

- To generate immediate and large scale employment opportunities with relatively low investment.
- To eradicate unemployment problem from the country.

- To encourage dispersal of industries to all over country covering small towns, villages and economically lagging regions.
- To promote balanced regional development in the whole country.

**12. What are the various rationale arguments behind micro and macro enterprises.**

- Employment argument
- Equality argument
- Decentralization argument
- Latent resources argument

**13. How society helps and cooperates with enterprise / business?**

- Society offers business inputs like raw materials
- Society provides business different types of resources such as human resources, financial resources, technological resources
- Society creates market for the products or services of business
- In the forms of various acts, laws and regulations, society also monitors and protects business to run in a desired manner.

**14. What are problems faced by micro and small enterprises?**

- ***Problems in procuring raw materials*** due to scarcity, poor quality and high cost.
- ***Problems of finance*** due to weak economic base, poor financial assistance from commercial banks and financial institutions.
- ***Problem of marketing*** by comparing products unfavorably with the quality of products of large scale industries
- ***Problem of under-utilization of capacity*** because of poor power supply, cannot afford to go for alternatives like large-scale industries.

**15. What are the steps in setting up of a small business enterprise?**

- Information collection
- Information organization
- Acquiring required / vocational skills
- Financial requirements
- Market assessment
- Provision of Crisis

**16. What is a business plan?**

- Development of a written document that spells out like a roadmap where you are, where you want to be, and how you want to get there.
- It is a formal written expression of the entrepreneurial vision, describing the strategy and operations of the proposed venture.

**17. List the contents of business plan.**

- General information
- Promoter
- Location
- Land and building
- Plant and Machinery
- Production Process
- Utilities
- Transport and Communication
- Raw material and Manpower
- Products and Market
- Requirements of working capital and funds

**18. What is project formulation?**

- It is the process of examining technical, economic, financial and commercial aspects of a project.
- It is the process and steps through which an opportunity becomes a project in which the entrepreneur is willing to invest his time, money and other resources.

**19. Need for project formulation.**

- Knowledge About Government Regulations
- Absence of External Economies
- Non-Availability of Technically Qualified Personnel.
- Resource Mobilization
- Selection of Appropriate Technology

**20. What are the elements of project formulation?**

- Feasibility Analysis
- Techno-Economic Analysis
  - Estimation of demand or market potential
  - Selection of Technology
- Project Design and Network Analysis
- Input Analysis
- Financial Analysis
- Social Cost Benefit Analysis
- Pre-investment Appraisal

**21. What are the stages/process of project formulation/development?**

- General information
- Project Description
- Market Potential
- Capital Costs and sources of finance
- Assessment of working capital requirements
- Other financial aspects
- Economic and social variables

- Project implementation

## 22. What is techno-economic feasibility of the project?

- 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 individuality and sets the stage for detailed design development.

## 23. What the contents of feasibility report?

- Objectives and scope of the report
- Product characteristics, i.e. specifications, uses and application, standards, quality etc.
- Market position and trends
- Raw material requirements, prices, sources and properties of raw materials
- Manufacturing processes, selection of process, production schedules and techniques.
- Requirement of land area, building, construction schedule
- Financial implications, i.e. fixed and working capital investment, project cost and profitability
- Marketing channels, their trading practices and marketing strategies.

## 24. Factors to consider while preparing feasibility report.

- **Technical considerations**
  - Employment, ecology, infrastructure demands, capital services, balance of payments
  - Description of product, selected manufacturing process
  - Determination of plant size and production schedule
  - Selection of machinery and equipment
  - Identification of plant location and design
- **Economic considerations**
  - Identifying the market potential in terms of current demand
  - Cost and project at different price levels
  - Competitors both direct and indirect to be analyzed
  - Data related to per capita income, level of consumption expenditure, inventories, new orders etc.
- **Financial considerations**
  - Assessment of total cost, initial capital requirements and cash flows
  - Financial analysis showing return on investment, return on equity
  - Details regarding equity shares, preference shares, debentures, long term loans, bank loans etc.
- **Managerial competence**
  - Activity analysis involving anticipated work flow and activities involved in project
  - Grouping of activities into tasks which employees perform
- **Implementation Schedule**
  - Helps when to apply for term loans, procurement of land site, construction of factory shed, getting water and power connections, purchase of plant, recruitment of human resources, trial production etc.

**25. What is a project report?**

- A project report may be defined as a document with respect to any investment proposal based on certain information and factual data for the purpose of appraising the project.
- Project report is an essential document for procuring assistance from financial institutions and for fulfilling other formalities for implementation of the project.

**26. What are the objectives of project report?**

- It facilitates business planning and planning the future course of action.
- It enables an entrepreneur to compare different investment proposals and select the most suitable project.
- It provides a SWOT analysis, wherein the strengths, weaknesses, opportunities and threats involved in the projects as shown
- The project report enables the entrepreneur to ensure that he is proceeding in the right direction.
- It facilitates project appraisal

**27. Importance of project report.**

- It helps the entrepreneur in establishing techno-economic viability of the project.
- It helps in getting term loan from banks and financial institutions
- It helps in approaching bank for getting working capital loan
- It helps in securing supply of scarce raw materials also

**28. What are requisites of an ideal project report?**

- Project report should be prepared with the help of an expert team
- Assumptions in the project report should avoid extremities.
- Project report is the means and not the end
- Product demand, capital resources, raw material availability, labour resources etc. must be estimated properly after considering varied factors.
- The end result should be to receive finance and to get the project implemented.
- Complete satisfaction of the entrepreneur/promoter should be ensured before the report is submitted to the financial institutions.

**29. What are the problems faced in the preparation of project report?**

- Strict condition of promoter's contribution may dampen the enthusiasm of entrepreneurs.
- All lending institutions demand a lot of documents before credit is granted.
- Problems regarding working capital assessment due to unrealistic assumptions
- Time overrun will lead to cost overrun.
- Lending institutions expect strict specifications with regard to size of the land, buildings, sources of machinery, their costs etc.
- A number of clearances have to be obtained from the government departments. This causes strain and wastage among entrepreneurs.

**30. What is project appraisal?**

- Project appraisal means the assessment of a project
- It is made for both proposed and executed projects
- In case of former, project appraisal is called '*ex-ante analysis*' and in case of latter '*post-ante analysis*'
- Appraisal helps to select the best project among available alternative projects.

**31. What are the methods of project appraisal?**

- Economic analysis
- Financial analysis
- Market analysis
- Technical feasibility
- Management competence

**32. What the various forms of ownership in small scale enterprises?**

- Sole Proprietorship
- Partnership
- Company
  - Private Limited company
  - Public Limited company
- Co-operative

**33. What are the criteria for selection of an appropriate form of business ownership?**

- Nature of business
- Area of operations
- Degree of control
- Capital requirements
- Extent of risk and liability
- Duration of business
- Government regulations

**34. What is sole-proprietorship?**

- Oldest form of business ownership
- The enterprise is owned and controlled by one person
- It is simplest and easiest to form
- It does not require legal recognition and attendant formalities.

**35. List the main features of company form of ownership?**

- Artificial legal person
- Separate legal entity
- Common seal
- Perpetual existence
- Limited liability
- Transferability of shares

- Separation of ownership from management
- Number of members

### 36. What is co-operative ownership?

- Co-operative form of organization is based on the philosophy of self-help and mutual help.
- Aims at rendering services in place of earning profits
- It is a society which has its objectives of promotion of economic interests of the members in accordance with cooperative principles.

### 37. What is market research?

- The systematic objectives and exhaustible search for the study of facts relevant to any problem in the field of marketing.
- It is the careful and objective study of product design, markets and such transfer activities as physical distribution, warehousing, advertising and sales management.

### **PART B (16 Marks)**

1. Briefly explain the classification and characterization of small scale industry
2. Explain the importance of SSI and its merits and demerits
3. Distinguish the difference between small scale and Large scale industries
4. What are the different ownership forms available to entrepreneur? Discuss each form in brief.
5. Briefly describe advantage and disadvantage of different forms of business organization.
6. What do you mean project? Explain the content of project report
7. Explain the various steps in identification of Business opportunity.
8. What is project formulation? Describe its significant.
9. Describe the planning commission guidelines for project formulation/ feasibility report of industrial project
10. Give a format for preparation of preliminary project report
11. 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 ratio with illustrations

## **UNIT IV - FINANCING AND ACCOUNTING**

### **PART A (2 Marks)**

#### **1. What are the classifications of financial needs**

##### **Based on Performance**

- Fixed Capital
- Working Capital

##### **Based on period of use**

- Long term capital
- Short term capital

#### **2. What are the sources of Finance?**

- Internal sources
- External sources

#### **3. What is internal source of finance?**

Internal sources of finance are funds found and raised inside the organization. Examples are owners own money (capital) also called as equity, partners or directors loan or deposit etc.

#### **4. Why entrepreneurs need finance?**

- To start an Industry.
- For acquiring Fixed Assets.
- Developing Product.
- Developing Men and Machine at Work.
- Encourage Management to make Progress.

#### **5. Name the institutions providing financial support to entrepreneurs.**

- National Small Industries Corporation Limited (NSIC)
- Small Industries Development Organization (SIDO)
- Small Scale Industries Board (SSIB)
- State Small Industries Development Corporation (SSID)
- Small Industries Service Institutes (SISI)
- District Industries Centres (DICs)
- Industrial Estates
- Specialized Institutions
- Technical Consultancy organizations (TCOs)

### **5. Functions of National Small Industries Corporation Limited (NSIC)**

- Provides financial assistance by way of hire-purchase scheme for purchase of machinery and equipment, required for the setting up industries.
- Provides various equipments on lease basis
- Assists in marketing of the products of SSIs.
- Helps in the development and upgradation of technology and modernisation of the industries.
- Undertakes construction of industrial estates.

### **6. Functions of Small Industries Development Organization (SIDO).**

- To formulate policies regarding the promotion and development of SSI at national level.
- To coordinate the activities of all departments, institutions and agencies involved in promoting the SSI.
- To render all way support and encourage the entrepreneurs to set up and sort out the hurdles.
- To conduct regular and *ad hoc* training courses through SISI's, Branch SISI's and extension/production centers;
- To secure reservations of certain products to be manufactured only by SSI's.

### **7. Functions of District Industries Centres (DICs)**

- Acts as the focal point of the industrialisation of the district.
- Opportunity guidance to entrepreneurs.
- Manpower assessment with respect to skilled, semi-skilled workers.
- Assessment of availability of infrastructure facilities like quality testing, research and development, transport, prototype development, warehouse etc.
- Provides information about various government schemes, subsidies, grants and assistance available from the other corporations set up for promotion of industries.
- Acts as a link between the entrepreneurs and the lead bank of the district.

### **8. What is an industrial estate?**

An industrial estate is a place where necessary infrastructural facilities are made available to entrepreneurs. Industrial parks, industrial zone, industrial area, industrial township are some of the other terms used to denote industrial estates.

### **9. Objectives of industrial estate.**

- Ensuring well planned and structured industrial development.
- To provide the necessary infrastructure.
- To provide common facilities to a number of industries.
- To promote development of clusters.
- To enable small units to source products from one another.
- To enable dispersal of industries.
- To promote balanced regional development.

**10. What is term loan?**

Loan which has to be repaid in regular intervals over a predefined time limit and also has a fixed or a floating rate of interest.

**11. What is capital structure?**

It is defined as the composition of debt and equity by which the organization funds its overall operations. Simply it is the mix or composition of debt and equity in the firm's capital.

**12. What is optimum capital structure?**

It is defined as the best debt equity mix/ratio/composition of a firm which maximizes the value of the organization. It will change based on the business conditions.

**13. Mention the factors determining capital structure?**

- a. Firm's Size
- b. Nature of the business that the enterprise deals with
- c. Leverage effect
- d. Cash Flow
- e. Tax rate
- f. Reasons for financing
- g. Future usage.

**14. What are sources of term loans?**

- Issue of debentures
- Issue of shares
- Loan from financial institutions
- Loan from commercial banks
- Public deposits
- Retention of profits.

**15. What are the types of term loans?**

- Short term loans
- Long term loans.

**16. What is Long term loan?**

Long terms loans are taken for long period of time (over one year) to match the financial needs of the firm.

**17. What are the types of shares?**

- Preference share
- Equity share.

**18. What is preference share?**

Preference shares are given priority over the ordinary share holders while paying dividends.

**19. What is Equity share?**

Equity share is not given any priority. The dividend and capital of equity share holders are paid only after the payment of preference shares.

**20. What is debenture?**

- A debenture is a medium to long-term debt instrument.
- It is used for raising funds from the public.
- Debenture includes debenture stocks, bonds and any other securities of the firm.

**21. What are the categories of institutional finance?**

- Commercial banks
- Other financial institutions.

**22. What is working capital?**

Working capital is the capital of the firm which is required and used to carry out the day-to-day business operations.

**23. What are the factors influencing working capital?**

- Character of business
- Size and volume of business
- Length of processing period
- Turnover
- Terms of purchase and sales
- Seasonal variation
- Importance of labor
- Cash Flow
- Stock
- Cyclical fluctuation

**24. What are two concepts of working capital?**

- Net working capital
- Gross working capital.

**25. What is Net working capital?**

Net Working capital= Current Assets- Current Liabilities.

Net Working capital of a firm is arrived by subtracting current liabilities from current assets.

**26. What is gross working capital?**

Gross Working capital is the aggregate value of all the current assets.  
 Gross Working Capital=Total current assets.

**27. What is break even analysis?**

- **Break even analysis mentions** the position of the firm, at which there is neither profit nor loss.
- Breakeven point is point is one at which the firm's Total Revenue and Total cost are equal.
- It is a tool of financial analysis whereby the impact on profit position of the changes in volume, price, costs and mix can be estimated definitely and accurately.

**28. Advantages of Break-Even analysis.**

- It helps to take investment decision
- It serves as a useful tool for cost controls
- It assists in the formulation of price policies
- It is useful for determining costs and revenue at different levels of activity

**29. What is the basis of charge of income tax**

- Income tax is an annual tax on income
- Income of previous year is taxable in the next following assessment year
- Tax rate are fixed by the annual finance act
- Annual finance act shall be amended every year
- Tax is charged on every person
- Tax is charged on total income of every person

**30. What is an allowance?**

- Allowances means 'any amount or sum allowed regularly'
- Allowances are given in cash along with salary by the employer

**31. What are the classifications of allowances?**

- **Fully exempted allowances**
  - Foreign Allowance
- **Fully taxable allowances**
  - Dearness Allowance
  - City Compensatory Allowance
  - Lunch Allowance
  - Tiffin Allowance
  - Marriage Allowance
- **Partially Taxable Allowance**
  - House Rent Allowance
  - Helper Allowance
  - Academic Allowance

- Conveyance Allowance
- Travelling Allowance
- Entertainment Allowance

**32. What are the components of income?**

- Profits and gains
- Dividends
- Value of any benefit or amenity whether convertible into money or not
- Any capital gain
- Profits and gains of any business
- Any sum received by the assessee as his employees contributions to any provident fund etc.

**33. What are the pre-requisites taxable for all employees on income?**

- Rent free house
- Concessional Rent house
- Obligation of employee met by employer
- Amounts paid by employer club bill, gas and electricity, education bill of children

**34. What are the pre-requisites exempted for all employees on income?**

- Free medical facilities
- Free refreshments
- Free recreational facilities
- Provision of telephone
- Free meals
- Free education, training or refresher course
- Goods sold at concessional rates
- Rent free house given to an officer of parliament
- Conveyance facilities to judges of supreme court or high court

**35. How gross total income computed?**

- Gross total income means aggregate of income computed under the following five heads.
  - Income from salaries
  - Income from houseproperty
  - Profit and gains of business or profession
  - Capital gains
  - Income from other source

**36. What is salary?**

- Salary includes the following amounts received by an employee from its employer. It includes:
  - Wages
  - Any annuity or pension
  - Encashment of earned leave

- Compensation for retirement
- Any gratuity
- Any fees, commission, bonus, allowances prerequisites or profit in lieu of salary
- Any advance salary
- Provident Fund

**37. What are four kinds of provident fund?**

- Statutory Provident fund
- Recognized Provident Fund
- Unrecognized Provident Fund
- Public Provident Fund

**38. List out the various deductions under section 16.**

- Standard deduction
- Entertainment deduction
- Tax on employment

**39. What is capital gain?**

- Any profit earned from the transfer of a capital asset.

**40. What the types of capital gains?**

- Short term capital gain – Capital asset held by an assessee for not more than 36 months immediately before the date of transfer
- Long term capital gain – Means a capital asset held by an assessee for more than 36 months preceding the date of retirement.

**41. What is a sales Tax?**

- Sales tax is a levy either on purchase or sales of goods under the basic scheme of taxation of India.
- State Government will get revenue from Sales Tax including Tax on inter-state purchase or sales of goods, excise on liquor and tax on agricultural income.

**42. What is excise duty?**

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

**43. Kinds of excise duty.**

- Basic Excise duty
- Special duties of Excise
- Additional Excise Duty in lieu of Sales tax
- Less of excise duties leviable on certain specified commodities under various act

**PART B (16Marks)**

1. Abbreviate the need for finance in a business enterprise. What are the various sources available to a small scale enterprise to raise funds?
2. Define Capital structure. What factors do determine the optimum capital structure? Explain
3. Briefly explain the various financial institution that extending financing assistance to entrepreneur
4. What a meant by the term Working capital? Distinguish between gross working capital and not working capital.
5. What are the concepts of Working capital? What are the major determinants of working capital requirements of an enterprise?
6. What are the various types of Working capital?
7. Explain about Working capital. Discuss the sources and the management of Working capital
8. Distinguish between PERT and CPM
9. What is sales tax? Explain the types of Sales taxation in India
10. Define Excise Duties and what are the kinds of Excises Duties?

**UNIT –V**  
**SUPPORT TO ENTREPRENEURS****PART A (2 Marks)****1. What is Industrial Sickness?**

Any industrial company (being a company registered for not less than five years) which has, at the end of any financial year, accumulated losses equal to, or exceeding, its entire net worth and has also suffered cash losses in such financial year and the financial year immediately preceding such financial year.

**2. What is a sick unit?**

A sick unit is that which has incurred a cash loss for one year and is likely to continue incurring losses for the current year as well as in the following year and the unit has an imbalance in its financial structure.

**3. List the process of industrial sickness?**

- Normal Unit
- Tending towards sickness
- Incipient Sickness

**4. What are the important signals of industrial sickness?**

- Decline in capacity utilization
- Shortages of liquid funds to meet short term financial institutions
- Inventories in excessive quantities
- Non-submission of data to banks and financial statements
- Irregularity in maintaining bank accounts
- Frequent breakdown in plants and machinery
- Decline in technical deficiency
- Frequent turnover of personnel in the industry

**5. What the important symptoms which characterize industrial sickness?**

- Persisting shortage of cash
- Deteriorating financial ratios
- Widespread use of creative accounting
- Continuous tumble in the prices of the shares
- Frequent request to banks and financial institutions for loans
- Delay and default in the payment of statutory dues

**6. Mention the various causes/factors of industrial sickness?**

- External causes (or) Exogenous factors
- Internal causes (or) Endogenous factors

**7. What are the external causes influencing industrial sickness?**

- Changes in industrial policies framed by government time to time
- Inadequate availability of necessary inputs like raw materials, power, transport and skilled labor
- Lack of demand of the product
- Recessionary trends prevalent in the economy
- Shortage of industrial resources especially working capital
- Natural calamities like drought, floods etc.

**8. What are the various consequences of industrial sickness?**

- Huge financial loss to the banks and the financial institutions
- Loss to employment opportunities
- Emergent of industrial unrest
- Adverse effect on prospective investors and entrepreneurs
- Wastages of scarce resources
- Loss of revenue to the Government

**9. What are the various corrective measures to curb industrial sickness?**

- Identification and detection of sickness at the incipient stage is the first and foremost measure to detect and reduce industrial sickness.

- In view of limited resources at the disposal, a fewer number of sick units may be picked up for revival/rehabilitation and a larger number of weak units may be combined together to prevent sickness.
- The attitudes of three different sets of a unit-management, financial institutions and labour do not converge as they view the problems of industrial sickness quite differently.
- It will be better to open a separate division in **BIFR** (Board for Industrial and Financial Reconstruction) to deal with sickness in small-scale industries because small-scale industries are characterized by different sets of problems and prospects as compared to medium and large-scale industries.
- Provide for managerial efficiency, marketability of products, adequate availability of power and raw material in the rehabilitation programmes.
- Banks and financial institutions should periodically review the accounts of small-scale industries borrowers to identify units which are becoming sick or are prone to sickness.
- Necessity to impart necessary knowledge to the entrepreneurs in various functional areas through the training programmes like Entrepreneurship Development Programmes (EDPs).

#### 10. What is a business incubator?

- A **business incubator** in business speak is a company that helps new and startup companies to develop by providing services such as management training or office space.
- It is an organization designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services.

#### 11. Benefits of business incubators.

- Creating jobs and wealth
- Community revitalization
- Identifying potential opportunities
- Encouraging women or minority entrepreneurship
- Business creation and retention
- Accelerating growth and local industry clusters
- Diversifying local economies
- Technology commercialization

#### 12. Classification of business incubators

##### On the basis of type of sponsorship

- Government Sponsored
- Non-profit organization sponsored
- University of academic institutions sponsored
- Privately sponsored

##### On the basis of Objectives:

- General purpose incubators
- Technology incubators
- Specialist incubators

**13. Mention the various services provided by business incubators.**

- Help in project report preparation
- Provide the following business advice
  - Developing business idea
  - Business and strategic planning
  - Proactive support
  - Financial and legal advice
  - Management
- Provide the following business services
  - Book Keeping and word processing
  - Photocopier, fax and postage services
  - Conference and meeting rooms
  - Reception and telephone answering
  - Secretarial services
- Provide an environment where small business are not alone; thereby reducing the anxiety of starting a new venture.

**14. List the various government policies for development and promotion of small scale industries.**

- Industrial Policy Resolution (IPR) 1948
- Industrial Policy Resolution (IPR) 1956
- Industrial Policy Resolution (IPR) 1977
- Industrial Policy Resolution (IPR) 1980
- Industrial Policy Resolution (IPR) 1990

**15. What is Industrial Policy Resolution (IPR) 1948?**

- This policy accepted the importance of small-scale industries in the overall industrial development of the country.
- Particularly suited for the utilization of local resources and for creation of employment opportunities.

**16. What is Industrial Policy Resolution (IPR) 1956?**

- IPR 1956 provides continuing policy support to the small sectors.
- During this period 'Rural Industries Projects' and 'Industrial Estates Projects' were started to strengthen the small-scale sector in the country.
- IPR 1956 for small-scale industries aimed at "Protection plus Development."
- Also initiated the modern SSI in India.

**17. What is Industrial Policy Resolution (IPR) 1977?**

- This new industrial policy will be on effective promotion of cottage and small-scale industries widely dispersed in rural areas and small towns.
- Provide self-employment on a large scale especially on cottage and small scale industries
- Provides reservation of 504 items for exclusive production in small-scale sector.
- Set-up 'District Industry Centre' (DIC) to serve as a focal point of development for small-scale and cottage industries.

**18. What is Industrial Policy Resolution (IPR) 1980?**

- IPR 1980 facilitates an increase in industrial production through optimum utilization of installed capacity and expansion of industries.
- Introduces the concept of nucleus plants which promotes the maximum small-scale industries there.
- Promotion of village and rural industries to generate economic viability in the villages.

**19. What is Industrial Policy Resolution (IPR) 1990?**

- Gives increasing importance to small-scale enterprises to serve the objective of employment generation.
- 836 new items were reserved for exclusive manufacture in small-scale sectors.
- Improve the competitiveness of the products manufactured in the small-scale sector;
- Programs of technology up gradation will be implemented under the umbrella of an apex Technology Development Centre in Small Industries Development Organisation (SIDO).
- Gives greater emphasis on training of women and youth under Entrepreneurship Development Programme (EDP) and to establish a special cell in SIDO

**20. What is new small enterprise policy 1991?**

- New Small Enterprise Policy is to impart more vitality and growth impetus to the sector to enable to contribute fully to the economy, particularly in terms of growth of output, employment and exports.

**21. What the salient features of small enterprise policy 1991?**

- Increase the investment limit in plant and machinery of tiny enterprises from Rs. 2 lakh to Rs.5 lakh irrespective of the location of the enterprise.
- Introduce a limited partnership act.
- Introduce a scheme to integrated infrastructural development (including technological back-up services) for small scale industries
- Introduce of factoring services to help solve the problems of delayed payments to small sectors.
- Setting up of an Export Development Centre in the Small Industries Development Organization (SIDO).

**22. What is Micro Small and Medium Enterprises Development (MSMED) Act, 2006?**

The **MSMED Act, 2006** defines the Micro, Small and Medium Enterprises based:

1. On the investment in plant and machinery for those engaged in manufacturing or production, processing or preservation of goods and
2. On the investment in equipment for enterprises engaged in providing or rendering of Services.

**23. What are the strategies used for the growth of small-scale enterprise?**

- Expansion
- Diversification
- Joint Venture
- Mergers and Acquisitions
- Sub-Contracting and 6. Franchising.

**24. What is sub-contracting system?**

Sub-contracting system is a mutually beneficial commercial relationship between the two companies. This is known as Ancillarization in India and more generally as ‘sub-contracting.’

**25. Advantages of Sub-Contracting.**

- It increases production in the fastest way without making many efforts
- The contractor can produce products without investing in plant and machinery
- Sub-contracting is particularly suitable to manufacture goods temporarily.
- It enables the contractor to make use of technical and managerial abilities of sub-contractors.

**26. Difference between Franchising, Distributorship and Agency**

- **Distributorship and agency** – have the more traditional forms of distributing goods or services. Under these, the principal is not allowed to exert the real control over the distributor or agent.
- **Franchising** differs from the distributorship and the agency in the sense that it allows the franchisor to exercise a higher degree of control over the franchisee.

**27. What are the types of franchising?**

- Product Franchising
- Manufacturing Franchising
- Business-Format Franchising

**28. What are the reasons for the buyer to merge?**

- To increase the value of the enterprise’s stock.
- To increase the growth rate and make a good investment.
- To improve the stability of its earnings and sales.
- To balance, compete or diversify its product line.
- To reduce competition.

**29. What are the reasons for the seller to merge?**

- To increase the value of the owner’s stock and investment.
- To increase the growth rate.

- To acquire resources to stabilize resources.
- To benefit from the tax legislation.
- To deal with top management succession problem.

**30. List down the types if Mergers & Acquisitions (M & A)(.**

- Horizontal M & A
- Vertical M & A
- Concentric M & A
- Conglomerate M & A

**31. What is diversification?**

- Diversification is evolved to overcome the limitations of business growth through expansion
- Diversification may be defined as a process of adding more products/markets/services to the existing one.
- Diversification helps an enterprise make more effective use of its resources.

**32. What are the types of diversification?**

- Horizontal Diversification
- Vertical Diversification
- Concentric Diversification, and
- Conglomerate Diversification

**33. Mention the various triggers to make joint ventures effective and successful.**

- Technology
- Geography
- Regulation
- Sharing of Risk and Capital
- Intellectual Exchange

**PART B (16 Marks)**

1. Define Industrial Sickness with special reference to small scale industry.  
Enumerate the signals and symptoms of industrial sickness
2. What are the reasons for sickness of most of the small business enterprises in India?  
What should an entrepreneur do to prevent sickness?
3. Discuss the various causes and consequences Industrial Sickness in India.
4. Discuss the need for policy support to small scale enterprise. Give a resume of government policy towards small scale industries through the different policy resolutions(IPRS)

5. What are the salient features of new small enterprises policy, 1991?
6. Explain the need for growth of a business. What is meant by growth strategy?
7. Explain the stages of business growth
8. Define Industrial Sickness and explain the process of Define Industrial Sickness
9. Why there is need for Government policy for small scale enterprises?
10. What is an Acquisition? Explain its classification, advantages and disadvantages
11. What are the salient features of new small enterprises policy? How is the governments protective policy beneficial for the development of small scale industries?
12. Define Joint venture. State the reasons behind creation of Joint venture. Discuss the selection criteria

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