

**SYLLABUS**  
**ENTREPRENEURSHIP (066)**  
**CLASS-XII (2012-13)**

**THEORY : Total marks:70**

**Unit I: Entrepreneurial Opportunities and Enterprise Creation 20 Marks**

- \* Sensing Entrepreneurial Opportunities
- \* Environment Scanning
- \* Market Assessment
- \* Identification of Entrepreneurial Opportunities
- \* Selection of an Enterprise
- \* Steps in setting up of an Enterprise

**Unit II: Enterprise Planning and Resourcing 20 Marks**

- \* Business Planning - Preparation of a Project Report
- \* Resource Assessment -Financial and Non - Financial
- \* Fixed and Working Capital Requirement, Funds, Flows, Profit Ratios, Break Even Analysis etc.
- \* Mobilising Resources - Sources and Means of Fund, Facilities and Technologies for starting an Enterprise.
- \* Organising/Production of goods and services - quality, quantity and flow of inputs.

### **Unit III: Enterprise Management**

**30 Marks**

- (a) General management: Basic Management functions.
- (b) Managing Market:  
Meaning, Functions of Marketing, Marketing Mix:
  - \* Product
  - \* Price
  - \* Place
  - \* Promotion (advertising and sales promotion)
- (c) Managing Finance - Sources of Long Term and Short Term Finances
  - \* Determination of Cost, Income, Calculation of Profit/Loss.
- (d) Managing Growth and Sustenance -Affecting Change, Modernisation, Expansion, Diversification and Substitution.
- (e) Entrepreneurial Discipline - Laws of Land, Ecology, Consumer's Concept, Adherence to Contract and Credits.

The Question Paper will include value based question(s) to the extent of 4 marks from any of the units.

### **PRACTICAL**

#### **Introduction:**

The main objective of the course in Entrepreneurship is to generate in the students initiative, self-reliance and enthusiasm so as to empower them to become entrepreneurs both in spirit and performance. A number of skills such as observation, evaluation, communication, resource mobilization and management, risk assessment ,team building etc. are also to be developed in the students. Leadership qualities, sensitivity to business ethics and adherence to a positive value system are the core issues that the course highlights while presenting different concepts related to entrepreneurship.

Such a course should necessarily have a strong experiential component in the form of practical work. The objectives of the practical work are:

- 1 To introduce the students to the world of business by developing in them the core skills and competencies required for an entrepreneur.
2. To develop in the students qualities such as leadership, self-confidence, initiative, facing uncertainties, commitment, creativity, people and team building, integrity and reliability.

3. To enable the students to acquire the skills and knowledge needed for conducting surveys, collecting, recording and interpreting data and preparing simple estimates of demand for products and services.
4. To guide the students to prepare a Project Report.
5. To equip the students with knowledge and skills needed to plan and manage an enterprise through case studies conducted and recorded by the students in different fields such as resource assessment, market dynamics, finance management, cost determination, calculation of profit and loss etc.
6. To instill in the students important values and entrepreneurial discipline.

### FORMAT

Total marks: 30

1.	Project Report/Survey Report	10 Marks
2.	Viva-Voce on PW /SR	05 Marks
3.	Case Study	10 Marks
4.	Problem Solving	05 Marks
<b>1.</b>	<b>Project Report/Market Survey Report</b>	<b>10 Marks</b>

**a) Project Report:**

Preparation of a Project Report for an enterprise involving products/services

Students may be provided adequate guidance to choose a project based on their interests and availability of information and authentic inputs in the locality. The specimen proforma of project report given in the textbook may be used for preparing the report. However, mechanical preparation of the report by filling in the information in the proforma should be discouraged. Further, as the students will be required to appear for a Viva-voce on the basis of their projects, sufficient care should be taken by the students to prepare the report after studying the various aspects involved thoroughly. In a nutshell, the project report should lead to viable enterprise.

**b) Market Survey Report**

Market research is the process and technique of finding out who your potential customers are and what they want. The survey may be on products and services already available in the market or students may also conduct surveys for new products and services. The report of the survey should be organised under the following broad headings:

1. Objectives.
2. Methods and tools (interviews ,questionnaires etc.) to be used to collect information.
3. Records of data and information.
4. Analysis of data and information.
5. Interpretation and conclusion.

For example, a survey may be conducted to find out the choice of households in toiletry soap,

tooth paste etc. The data may be analysed to establish a pattern that may be useful to an entrepreneur.

### **Guidelines for assessment of Project Report / Survey Report**

1. Presentation: Format, Clarity, Use of graphs, tables and other visuals, organisation, methodical recording of data and information and general neatness of execution. 5 marks
2. Originality and Creativity 3 marks
3. Authenticity of information and correctness of calculations and general feasibility of the project/ sustainability of conclusion drawn in the survey. 2 marks

### **2. Viva Voce on the Project /Market Survey Report 5 Marks**

The questions should establish that the report is the original work of the student and that the student has a reasonably clear understanding of the work carried out by him/her.

Entrepreneurial qualities such as leadership, self-belief, creativity, originality, initiative etc. may also be assessed by asking a variety of questions related to the report.

### **3. Case Study 10 marks**

A case study is a focused research on an organisation, enterprise, practice, behaviour or person undertaken to highlight an aspect that the study attempts to examine. For instance, a case study may be conducted on the pollution control methods being employed by an industry. Or a successful industrialist may be chosen as a subject of a case study to analyze and understand the strategies that the industrialist adopted :to achieve success.

Ideally, a case study should be conducted on subjects with the objectives of bringing to the fore beliefs, practices, strategies, values etc. that have made them what they are. Such studies help us to understand the way in which great minds think and operate. We may also conduct case studies on failures; why a company collapsed, how a service lost its market etc. From both the types of case study, we learn lessons; how to do something or how not to do something. They also provide valuable insight into the processes involved in an enterprise.

A few topics are suggested for carrying out case studies:

- i) Drawing a profile of a successful entrepreneur.
- ii) Studying a public sector undertaking and highlighting its success/failure, by analyzing the factors responsible.
- iii) Studying a small scale unit in the locality to bring out the procedures and processes adopted by the unit to become a feasible business venture.
- iv) A study of competition in business by choosing two or more rivals in the market and analyzing their strengths and weaknesses.
- v) Take the school itself for a case study and analyze any two aspects of the school plant for chalking out a plan of action: infrastructure, academics, co-curricular activities etc.
- vi) A case study on a thriving fast food shop/restaurant in your locality. What makes it so popular?

- vii) A case study on the ways in which a business unit has mobilised its financial resources.
- viii) A case study on the enterprise management techniques adopted by a business house.
- ix) A case study on the marketing strategies of a successful consumer durable company.
- x) A case study on the financial management of a Public Limited Company.
- xi) A case study on any Specialized Institution that supports and guides the establishment of a small scale unit.
- xii) Studying the balance sheets of two big private companies to assess their trade and credit worthiness.
- xiii) Studying the inventory management of a large manufacturing industry to ascertain the processes involved for optimizing cost.
- xiv) Carrying out a case study on an established industrial house/company to find out the value system of the company and how it fulfils its social commitment/obligations.
- xv) Carrying out a case study on an established industry to ascertain the processes followed to reduce/prevent pollution.
- xvi) Study on environment friendly companies and their contribution to preservation.

#### **Assessment of Case Studies**

- i) Presentation: Format, accuracy, clarity, authenticity and general neatness 7 marks
- ii) Analysis and Conclusions 3 marks

#### **4. Problem Solving 5 marks**

In this session, the students will be required to solve a problem in the form of a written test. The examiner may choose any problem related to the units in class XII Text Book and set it for the class. The problem may be in the following areas:

- a. How to scan the environment to establish the feasibility of a project.
- b. Given certain figures showing the consumption pattern of a product, drawing conclusions that have a bearing on similar products.
- c. Carrying out market assessment for a given product/service to ascertain the feasibility factor.
- d. Assessment of Working Capital.
- e. Calculation of total cost of production.
- f. Calculation of break-even point.
- g. Determining location of a manufacturing unit.
- h. Problems in inventory control (calculation of the Economic Order Quantity and carrying out ABC analysis).
- i. Applying Pricing methods to determine the price of a product or service.

- j. Applying promotion mix to plan a sales campaign for a product or service.
- k. Working out a simple budget for a given task or job.

### **Assessment of Answers**

The examiner may prepare five problems which are solved by him/her before they are presented to the students. The student may choose anyone of the problems and solve it, showing the different steps/different reasons involved in the solution. If the problem does not involve actual calculations, it may not have anyone correct answer. So weightage should be given not only to the final answer but to the entire process of problem solving that the student has followed. Originality and innovative spirit should be rewarded. The students should not be penalized for spelling errors, grammatical mistakes etc. as long as the answer is coherent. Where definite formulas are involved, accuracy should be given due weightage.

### **LIST OF SUGGESTED REFERENCE BOOKS**

01. Entrepreneurship - Class XI - C. B. S. E., Delhi.
02. Entrepreneurship - Class XII- C. B. S. E., Delhi.
03. Udyamita (in Hindi) by Dr. M M.P. Akhouri and  
S.P.Mishra, pub. by National Institute for Entrepreneurship and Small Business Development (NIESBUD), NSIC-PATC Campus, Okhla.
04. Trainer's Manual on Developing Entrepreneurial Motivation, By M.M.P. Aukhori, S.P. Mishra and R. Sengupta, Pub. by (NIESBUD), NSIC-PATC Campus, Okhla.
05. Behavioral Exercises and games - manual for trainers, learning systems, by M. V. Despande, P. Mehta and M. Nandami.
06. Product Selection by Prof. H.N. Pathak, Pub. By (NIESBUD), NSIC-PATC Campus, Okhla.
07. Entrepreneurial Development - Dr. S. Moharana and Dr. C.R.Dash, Pub. by RBSA Publishers, Jaipur.
08. Entrepreneurial Development by S.S.Khanna, Published by S.Chand & Company Ltd., Ram Nagar, New Delhi.
09. Entrepreneurial Development by C.B. Gupta and N.P.Srinivasan, Publisher Sultan Chand & Sons, 1992.
10. Entrepreneurship Development - Principles, Policies and Programmes by P. Saravanel, Publishers Ess Pee Kay Publishing House, Madras.
11. Entrepreneurship, Growth and Development, by Rashi Ali, Pub. by Chugh Publication and Strech Road, Civil Lines, Post Box No. 101, Allahabad-211991.
12. Entrepreneur and Entrepreneurship Development and Planning in India, by D.N.Mishra, pub. by Chugh Publication, Allahabad.

13. Aoudhogik Disha Nirdesh (in Hindi) Pub. by Centre for Entrepreneurship Development, M.P. (CEDMAP), 60, Jail Road, Jhangerbad, Bhopal-462008.
14. Entrepreneur, Industry and Self-employment Project, Part-1 and 2(in Hindi), Pub. by Centre for Entrepreneurship Development, M.P. (CEDMAP), 60 Jail Road, Jhangerbad, Bhopal-462008.
15. Small Scale Industry & Self-Employment Projects, Part-1 and 2 (in Hindi), Pub. by Centre for Entrepreneurship Development, M.P. (CEDMAP),60 Jail Road, Jhangerbad Bhopal.

### **Magazines**

01. Udyamita Samachar Patra,(Monthly, Hind), Pub. by Centre for Entrepreneurship Development, M.P.(CEDMAP), 60 Jail Road, Jhangerbad, Bhopal-462008.
02. Science Tec. Entrepreneur (A Bi Monthly Publication), centre for Enterprenurship Development, M.P. (CEDMAP), 60 Jail Road, Jhangerbad , Bhopal -462008.
03. Laghu Udhyog Samachar.
04. Project Profile by DCSSI.
05. Project Profile by Pub. Centre for Enterpreurship Development, M.P. (CEDMAP), 60 Jail . Road, Jhangerbad, Bhopal-462008.

**SAMPLE QUESTION PAPER  
ENTREPRENUERSHIP (066)  
CLASS-XII (2012-13)  
BLUE PRINT**

Maximum Marks : 70 Marks

Time: 3 Hrs.

**BLUE PRINT**

Objective Form of Questions Content Unit	Knowledge			Understanding			Application			Total		
	E	SA	VSA	E	SA	VSA	E	SA	VSA	E	SA	VSA
Entrepreneurial Opportunities and Enterprise Creation (20 Marks)		3	1 1 1	6	2 4			2		6	11	3
Enterprise Planning and Resourcing (20 Marks)	6				2 2 4			2 4		6	14	-
Enterprise Management (30 Marks) Vb			1 1	6	3 3 3 4			3Vb 3		6	22	2
Sub Total	6	3	5	12	30	-	-	14	-	18	47	5
<b>Total</b>		<b>14</b>			<b>42</b>			<b>14</b>			<b>70</b>	

**There will be a value based question (s) carrying 3-4 marks from any of the units.**

**Summary**

Essay	(E)	No. 3 Q x 6 M	Marks: 18
Short Answer	(SA) I	No. 4 Q x 4 M	Marks: 16
Very Short Answer	(SA) II	No. 7 Q x 3 M	Marks: 21
Scheme of Options		No. 5 Q x 2 M	Marks: 10
Scheme of Sections	(VSA)	No. 5 Q x 1 M	Marks: 5
		<u>24</u>	<u>70</u>

**DESIGN OF QUESTION PAPER  
ENTREPRENUERSHIP (066)  
CLASS-XII (2012-13)**

Time- 3 Hrs

Max. Marks-90

**The weightage to content/Subject units:**

S.No.	Content Unit	Marks
1	Entrepreneurial Opportunities and Enterprise Creation	20
2	Enterprise Planning and Resourcing	20
3	Enterprise Management	30
<b>Total</b>		70

S.No	Forms of Questions	Marks for each question	No. of Question	Total Marks
1	Essay	6	3	18
2	SA-I	4	4	16
3	SA-II	3	7	21
4	VSA-I	2	5	10
5	VSA-II	1	5	5
<b>TOTAL</b>			24	70

**SAMPLE QUESTION PAPER  
ENTREPRENUERSHIP (066)  
CLASS-XII (2012-13)**

**Time Allowed: 3hours**

**Max. Marks: 70**

**General Instruction:**

- 1) *All questions are compulsory.*
- 2) *Marks are indicated against each question.*
- 3) *Question Nos. 1 to 5 are very short answer questions carrying 1 mark each. Answer to each of these should not exceed 15 words.*
- 4) *Question Nos. 6 to 10 are short answer questions carrying 2 marks each. Answer to each of these should not exceed 50 words.*
- 5) *Questions Nos. 11 to 17 are short answer questions carrying 3 marks each. Answer to each of these should not exceed 75 words.*
- 6) *Question Nos. 18 to 21 are short answer questions carrying 4 marks each. Answer to each of these should not exceed 150 words.*
- 7) *Question Nos. 22 to 24 are long answer questions carrying 6 marks each.*

- Q.1** When does a problem become an opportunity? (1)
- Q.2** Market segments can be classified on various basis. Name any two of them. (1)
- Q.3** Devika, student of MBA, was known in her college for 'great taste, sense and style of dressing up'. Off and on her friends and others use to take tips from her. Gradually, Devika started with "Personality Development Consultancy" which was a hit. Which ability of hers is being referred in here? (1)
- Q.4** Define financial ratios? (1)

- Q.5 Name the source that led to the change from the use of a normal blackboard to digital blackboards. (1)
- Q.6 Why is it important for an Entrepreneur to be a keen listener with an inquisitive mind? (2)
- Q.7 Mention any four factors affecting the choice of Product mix. (2)
- Q.8 Find out Economic Order Quantity from the following particulars: (2)
- |   |   |                        |
|---|---|------------------------|
| (i) Annual usage                              | : | 6000 units             |
| (ii) Cost of material per unit                | : | Rs. 20/-               |
| (iii) Cost of placing and receiving one order | : | Rs. 60/-               |
| (iv) Annual carrying cost of one unit         | : | 10% of inventory value |
- Q.9 Explain Variable Pricing Technique. (2)
- Q.10 "An entrepreneur has to work with creativity and improvisation", what will happen if in this process he overboards with creativity? (2)
- Q.11 State the three basic qualities of a good entrepreneur? (3)
- Q.12 State any six steps to be taken to develop a good human resource for an organization. (3)
- Q.13 "Values" occupy the Apex position in Sustainable development. Discuss any two values for budding entrepreneur, in context of present Indian scenario, to follow. (3)
- Q.14 Why is Packaging called a 'silent salesman'? Name, the element of marketing-mix that refers to the use of communication with twin objectives of informing potential customers about a product and persuading them to buy it. (3)
- Q.15 From the following data, calculate: (3)
- |   |           |
|---|-----------|
| (i) Break even point, expressed in amount of sales in rupees. |           |
| (ii) What does "ABC" stand for in ABC analysis?               |           |
| (a) Selling price per unit                                    | : Rs.40   |
| (b) Variable manufacturing cost per unit                      | : Rs. 22  |
| (c) Variable selling cost per unit                            | : Rs. 3/- |

- (d) Fixed factory overheads : Rs. 1,60,000/-  
(e) Fixed selling cost : Rs. 20, 000/-

- Q.16** Differentiate between owner's funds & borrowed funds on the following basis:
- i) Control over management
  - ii) Security of assets
  - iii) Permanence (3)
- Q.17** "Those who will not change will perish". Explain any two activities which can help enterprise to sustain growth. (3)
- Q.18** "Wealth power associated with entrepreneurship, if not self-disciplined, is likely to cause social injury". Why? Give any two reasons. Also give any one example of it from the current affairs of India. (4)
- Q.19** Define a 'Planning Paradigm'. State the steps required for the planning to be done by the entrepreneur at various levels of an enterprise. (4)
- Q.20** Explain the significance of studying about the following parameters to identify a product's/service's feasibility.
- i) Technical complexity
  - ii) Level of operation (4)
- Q.21** **Rohit, an entrepreneur, started manufacturing a car 'REVA', in the rural area of Bihar where people had less productive employment opportunities. This car is available in the market for Rs. 80,000/- which is quite reasonable as compared to its competitors. By doing so, he wants to generate/communicate some 'Values, to the society. Identify any such four 'values'. (value based) (4)**
- Q.22** Arvind wants to start and develop an entrepreneurial venture for which he requires various Human, Material and Financial resources. State the decisions to be taken by him under human and material resources.

**OR**

Name the stages involved in setting up of a Small Scale Industry. State the steps to be followed at stage II after obtaining 'No objection certificate'. (6)

- Q.23** Explain the term "Capital Structure" and any four factors affecting it.

*OR*

Explain the following sources of finance:

- i) Public Deposits
- ii) Discounting of bills
- iii) Equipment leasing scheme
- iv) Venture capital
- v) Retained Earnings
- vi) Personal savings. (6)

**Q.24** Vanni intends to start with a footwear Industry requiring a wide variety of resources both material and human. To execute her project in an organized and systematic manner, help her in drafting a feasibility plan, commenting upon the following areas:

- (i) Executive Summary
- (ii) Objective of the business
- (iii) Marketing Strategies
- (iv) Operational Plan

*OR*

Ajay Pal is planning to manufacture woolens. Help him in drafting a project report by clarifying what is required to be covered under following elements:

- i) Economic Viability and Marketability
- ii) Description of the enterprise
- iii) Technical of the enterprise. (6)



## Marking Scheme

**Ans.1** When there is a creative solution capable of generating something of value, the problem becomes an opportunity. (1)

**Ans.2** Market Segment can be classified on the following basis: (any two)

(a) Geographical

(b) Demographic

(c) Psychographic (½ each)

**Ans.3** Ability to perceive and sense entrepreneurial opportunity.

**Ans.4** Financial ratios are devices for measuring financial conditions of changes. (1)

**Ans.5** Inventions (1)

**Ans.6** By doing so, he will be able to find out the taste, preferences and needs of the people around him, which will help him to develop products that could actually satisfy consumer needs. (2)

**Ans.7** The factors affecting the choice of the product mix are: (any four)

i) Profit and sale growth potential

ii) Better customer service

iii) Cost reduction

iv) Better Capacity utilisation

v) Utilisation of the available know how and other strengths of the company. (½+½+½+½)

**Ans. 8**  $EOQ = \sqrt{\frac{2 \times 6000 \times 60}{2}} = \sqrt{3,60,000}$

$$EOQ = \sqrt{\frac{2 \text{annual usage} \times \text{ordering cost per unit}}{\text{carrying cost per unit}}}$$

Thus as : annual usage = 6000

Order cost = 60

Annual Carrying cost of

1 Unit = 10% of inventory, i.e. =  $\frac{20 \times 10}{100} = 2$

$$EOQ = \sqrt{\frac{2 \times 6000 \times 60}{2}} = \sqrt{3,60,000} = 600 \text{ Units.}$$

**Ans.9** Here, the minimum price is usually decided by the total cost of product and maximum price is determined by the ability of the consumer to pay. Thus, charging different prices from different customers depending upon the situation prevailing in market is called variable price method. (2)

**Ans.10** The environment in which business works is always dynamic, uncertain and turbulent. In such a situation, going beyond the permissible limits of creativity could make this existing, unpredictable environment further more uncertain and disturbed. (2)

**Ans.11** There are some similarities that exhibit the reasons for the success of the ventures. One such reason is a good entrepreneur possessing the following basic qualities: (any three)

- (a) Understanding of the objectives of the business
- (b) Understanding of the business environment
- (c) Clarification of the purpose and goal
- (d) Competency in the area of enterprise (3)

**Ans.12** Steps to be taken to develop a good human resource are:- (any six)

- (i) Recruitment of competent personnel
- (ii) Training of the personnel
- (iii) Motivation for performance
- (iv) Providing appropriate organizational climate
- (v) Scope for performance
- (vi) Feedback and appraisal
- (vii) Scope for development for the aspirants
- (viii) Rewards for performance
- (ix) Retraining
- (x) Providing scope for participation in the management

(1+2)

**Ans.13** So as to develop into a truly successful venture, it is almost mandatory for every entrepreneur to believe and follow certain basic principles or standards of behavior. As an enterprise is a reflection of entrepreneur a good, honest dedicated entrepreneur will create honest enterprise. Thus value form apex of Sustainable development.

(a) Societal concern

(b) Honesty and fair dealings

(2+1½+1½)

**Ans.14** Packaging helps to provide an identification to the product with necessary details, as well as attractive packing encourages like a salesman to people to purchase a product, thus it's called a silent salesman. Like him, packaging makes a product:

- More presentable in display
- Facilitates ease in handling & self-service
- Saves time

- (b) Promotion through its sub components, i.e., advertising, personal selling, sales promotion, publicity help attain twin objectives. (2+1)

**Ans.15** (a) 
$$\text{BEP} = \frac{\text{Fixed Expenses}}{(\text{Selling Price per Unit} - \text{Variable Cost Per Unit})} = \sqrt{3,60,000}$$

$$= \frac{1,60,000 + 20,000}{40 - 25(22 + 3)} = \frac{180,000}{15} = 12,000 \text{ Units}$$

BEP in value = 12000 x 40 = Rs. 4,80,000/-

- (b) ABC stands for always better control in ABC analysis. (2+1)

**Ans.16** (3)

S. No.	Basis	Owner's Funds	Borrowed Funds
1.	Control over Management	It provides the basis to the owners to acquire their right to control over management.	It does not provide the basis to acquire the right to control over management.
2.	Security of assets	It does not require any security of assets.	It requires security of assets i.e., secured loans.
3.	Permanence	It provides permanent capital which is not refundable during the life span of company.	It does not provide permanent capital as the principal amount is repaid as and when due as per conditions.

**Ans.17** The growth and development can be sustained by an enterprise through:

(any one)

- A. Modernization :** By adopting and changing to new processes, technologies, machineries, standards, designs, devises of human resources utilization, etc., in place of outdated, worn-out modes increases product, suitability & reduces its cost thus promoting growth of an enterprise.

- B. Expansion :** An enterprise grows by increasing the volume of its production. Increased investment, a higher turnover, more units at different places, all symbolizes growth.
- C. Diversification :** A dominant sign of growth, characterized by addition of similar products/services to the original ones, or may be in the field of totally new products/services or any other allied area. (3)

**Ans.18** The statement is absolutely true because greed often attracts entrepreneurs to use wealth power for exploiting the same society and environment which once offered resources to materialize his dreams.

At this point, it is the social responsibility emerging from the entrepreneurial discipline that:-

- helps to prevent and control greed in its various forms;
- help entrepreneurs not to indulge in socially undesirable activities;
- ensures longevity of the business and chances to expand & grow.

To quote few examples of ignoring, self-discipline, and getting involved into activities were:

- (1) Dabur company charged with mixing of antibiotics in Honey to promote its sale on pretext that honey cures minor ailments like cough, cold.
- (2) Leading soft drink companies charged with using above permissible limit of BVO salt responsible for growth retardation.

(Or any other correct answer.)

**Ans.19** 'Planning Paradigm' refers to a model, or a general pattern followed by budding entrepreneurs suggesting them how to progress from an abstract idea to achieving sustained stability and the value added services. Planning, an intellectual process of thinking in advance what to do, how to do, when to do, is done by entrepreneurs at various levels of establishment. It is as follows:

- (1) Planning before starting the operation of firm:** At this elementary level, planning comprise of:
- i) All information regarding objectives
  - ii) Legal aspects pertaining to enterprise

- iii) Financial and administrative decisions of the proposed enterprise
- iv) Its stage of preparing project report

**(2) Executive level planning:** This level of planning entails:

- i) Selecting the objectives & Policies of the firm
- ii) Establishing programmes and procedures for firm
- iii) Manufacturing and Marketing locations
- iv) Long term objectives in market

**(3) Operation level planning:** This level of planning deals with:

- a) Planning specific projects, events, processes and programmes of the enterprise.
- b) Budgeting programmes & policies. (1+3)

**Ans.20** A product / service can be identified only after investigating an idea thoroughly to gauge its potential. To attain this, idea is to be tested along with its:-

**(1) Technical Complexity:**

The idea needs to be investigated for being technically possible, i.e.

- technical knowhow and technology required for production & its availability of training required, etc.

**(2) Level of operation:**

- (i) Level of operation denotes the scale of production and nature / type of entrepreneurial set up required.
- (ii) Level of expertise required therein.
- (iii) Type and level of labour wanted.

It is this parameter which decides to start a SSI or large unit or a cottage setup.

## Value based

**Ans.21** By doing so, the following values generated are communicated to the society:

(any four)

- a) Providing employment opportunities in remote area.
- b) Help in developing rural area of Bihar.
- c) Facilitating growth opportunities for other ancillary industries.
- d) Raising the standard of living.
- e) Making proper utilization of local resources.
- f) Promoting self-esteem of a common man.

**Ans.22** (A) Resourcing stands for “to arrange for required inputs to commence an enterprise”.

Any enterprise basically requires, for its success, the following resources:

- (I) Human Resources
- (II) Material Resources
- (III) Financial Resources

### I. Human Resources

“Men” is one of the most important resource as in its absence all other inputs are lifeless. Right man at right job at right time is the basic objective to be attained as production, productivity and profitability all three depends upon “Men”.

Arvind needs to work upon:

- deciding the type of human resources required, i.e., skilled, unskilled, administrative, technical, trained, etc.
- the number required under each category,
- qualification, experience and expertise wanted.

He needs to update himself about:

- prevailing land laws, enactments, legislations, bye-laws, etc., pertaining to labour and industrial rules.

## **II. Material Resources:**

Whether a business enterprise markets products or a service, certain operations are necessarily carried out combining raw material, processing and assembling, using workers, machines, tools & power.

Thus, next Arvind needs to decide about:

(1) Size and location of his plant:

Availability of land, land laws awareness, infrastructural facilities required, scale of production needs a right selection.

(2) Manufacturing Process:

Process of converting raw material into finished products is known as manufacturing process. Out of so many available technologies, Arvind needs to work out:

- which one suits him
- which is cost effective
- Technical complexity involved
- Support system's availability

(3) Identifying and purchasing machinery of his requirement will be the next decision. For this, terms and conditions and genuineness of machinery should not be overlooked.

(4) Obtaining Electricity power from the electricity board will be required.

## **III. Financial Resources:**

Financial resource is the lifeblood of any business. Finance has a cost as it is one of the most scarce resource which is continuously required by the enterprise.

Arvind needs to ensure next that neither his enterprise turns out to be over capitalised nor undercapitalized. For capitalization, he must work out on:

- a) Deciding the amount to be invested .

- b) Term for which finance is required.
- c) Source for generating funds, i.e., through owner's funds or borrowed capital.
- d) Legal complications, time and cost involved in raising funds through different sources.

After planning these resources, Arvind can prepare a preliminary report to obtain Provisional Registration from DIC.

**OR**

**Ans.** Setting up of a Small Scale Industry involves two stages, i.e.:

**Stage I :** The preparatory stage

**Stage II :** The operational stage

The step, involved in setting up small scale enterprise.

- (i) Project Report
- (ii) No objection certificate
- (iii) Obtaining formal sanction of loan
- (iv) Construction of building & installation of machinery
- (v) Detailing Man Power
- (vi) Establishing marketing network
- (vii) Application for permanent registration

At stage II after obtaining NOC, the following steps are to be followed:-

- (i) Obtaining formal sanction of loan - After getting NOC loan application submitted to banks or financial institutions for sanction, once formal sanction of loan is obtained the entrepreneur can arrange seed money through soft loans.
- (ii) Construction of Building & installation of Machinery - The entrepreneur will have decided the location of his unit. Then power connection, water supply should be ensured. Installation of machinery is of importance for

an entrepreneur, for this he must consult expert dealers/suppliers. After installation of machinery proper training must be provided to the workforce.

- (iii) Detailing Manpower - Once machinery is in place & operational, man power should be allotted their works and trial production process should be initiated.
- (iv) Establishing Market Network - The entrepreneur establishes her linkage with different distributors and sellers by showing them the products manufactured.
- (v) Application for Permanent Registration - Once the unit comes into operation the provisional registration certificate has to be converted into permanent registration certificate.

The entrepreneur is required to apply to District Industries Centre (DIC) for obtaining permanent registration of the unit.

**Ans.23** The types of securities to be issued and proportionate amounts that make up the capitalization is known as capital structure.

As it is a ratio between the equity and debt financing, it is worked out keeping the following factors in mind:

**Factors (any four)**

**1. Trading on equity:**

Trading on equity means taking advantage of equity share capital to borrowed funds on reasonable basis. It refers to the additional profits that equity shares earn because of funds raised by issuing other forms of securities, viz:

- Shares
- Debentures

**2. Cost of Capital:**

Careful estimation of the cost of raising finance has to be done.

Before finalizing a source, its cost should be assessed, compared and evaluated against:

- Floatation cost
- Prevailing rate of interest/dividend
- Expected rate of return on investment
- Preliminary expenses there on

### 3. **Stability of sales**

An ideal capital structure is one which duly has been constructed with due attention to sales stability, because of sales being high and regular, paying off the liabilities will not be difficult.

### 4. **Cash Flow ability of the enterprise**

There should be a perfect balance between the inflow and outflow of the company's cash. Cash generation at right time and in right volume can only ensure enterprise's liquidity.

### 5. **Control**

Dilution of ownership and managerial control depends upon the capital structure's planning. With issue of debentures or preference shares, the share holders can retain complete control over company's management and vice-versa.

### 6. **Flexibility**

It is not only the present need of capital to be kept in mind, rather, there should be a due consideration for future expansion, modernization, etc., while drafting the capital structure.

**OR**

**Ans.** The source of finance:

#### **I. Public Deposits**

The is a source of raising medium term finance, exhibiting following the features:

- 1) The depositors are here like ordinary creditors.
- 2) The rate of return is generally higher than that of bank deposits.
- 3) Public deposits cannot be for more than a period of 36 months.
- 4) No rights in management of company are given to depositors.

- 5) As general public is invited to deposit their savings with the company, interest paid is a deductible expenses for company.

## **II. Discounting of bills:**

Discounting of bills is an arrangement, where in the bank encashes, the customer's bills before they become due for payment.

For this bank charges a normal discount. In case of dishonouring of bill on due date, the bank recovers the amount from the customer.

## **III. Equipment leasing scheme:**

This source of financing indirectly finances by providing not cash but by assisting in procuring industrial equipment for modernization expansion & diversification of industries. Under this, entrepreneur can avail of:

- a) 100% financing at very liberal terms with easy repayment schedule
- b) Simple and speedy formalities
- c) Single window system for imported equipment
- d) Tax rebate on full five years lease rental

## **IV. Venture Capital:**

Venture capital is defined as the organized financing of relatively new enterprises to achieve substantial capital gains.

Venture capital is based on:-

- (1) Investment in form of equity participation.
- (2) Investor's return is taxed as capital gains rather than ordinary income.
- (3) Non- participation in day to day company's management.
- (4) It's highly liquid

## **V. Retained Earnings:**

Retained earnings means re-employment or re-investment of undistributed profits within the business.

Retained earnings are marked by the following characteristics:

- (1) It's an internal source of financing.

- (2) Retained profits belong to the owners.
- (3) They are a flexible mode of raising funds.
- (4) No additional liability befalls on company.
- (5) Neither is there any additional cost of raising funds.

## VI. Personal Savings

Personal savings refers to the surplus, i.e., excess of income over expenditure, saved by the entrepreneur personally. It's an accumulation of all minor and major savings done by persons.

Personal savings are into long term, reliable and dependable internal source of raising funds.

**Ans.24** A feasibility plan is a comprehensive business plan that encompasses the entire range of activities being planned in the business.

To execute the project systematically, Vanni should draft carefully:-

(a) Executive Summary:

It's a general synopsis of the proposed enterprise, giving comprehensive picture of the entire business plan. Pertaining to her footwear unit, she should cover up for:

- Objectives of a industry both short and long term
- Plan of action *modus operandi*,
- Proposed marketing strategies,
- Expected results and its impact on the market

(b) Objectives of the business:

Next, Vanni is expected to work out details related to:

- aims and objectives of her footwear enterprise
- the factors motivating the enterprise
- its need both to the individual and to the community

- detailing the background of the people involved in creating and promoting the enterprise

(c) Marketing Strategies;

Any product or service has to be marketed competently. For her footwear enterprise, she should develop an efficient marketing strategy including:

- advertising and other means of promoting sales
- creating a market need for her footwear
- making the footwear available at the reach of the customer
- ensuring quality of the footwear
- ensuring its cost effectiveness and user-friendliness

(d) Operational Plan:

The operational plan is the soul of the feasibility report as it shows the strategy being adopted by the entrepreneur in maximising the production.

Vanni, for a good operational plan, is required to carefully show in it:-

- methods of producing footwear
- the quality concerns
- optimize resources
- cost effectiveness
- leadership and management prudence along with the synergy of her team

She must provided the flow chart of her operational plan providing vital statistics of various elements involved in the footwear production.

**OR**

**Ans.** A project report is a business plan, describing:

- all necessary inputs to the enterprise
- mode of utilization of the resources
- the strategies for projects execution
- desired goals of the proposed goals

As a project report is not only technical but its legal utility altogether makes it drafting tedious, complicated. A project report comprises of 7 major elements.

Ajay Pal to start with his woolen industry should draft the following elements very carefully, covering the following disclosure.

### **I. Economics viability and Marketability:**

Economic viability is a crucial element of project report. This judges that the proposed project will be:-

- economically, i.e. money wise possible and
- capable of earning monetary reward from the market.

The ability to generate income and the possibility of investing the required amount is based upon:

- a) Knowing well the description and use of the product / service, i.e., woolens here.
- b) Work out the financial inputs in terms of raw material resources required.
- c) Decide the market size for the product.
- d) Work out its costing pattern.
- e) Determine the market size for the product.
- f) Study in depth the market trends and the states of competition.
- g) Work out selling arrangements and modes.

### **II. Description of the enterprise**

Ajay Pal should work out under this element a brief description of his proposed enterprise, i.e., woolen unit, by giving the details as follows:-

- the clarity of product and its attributes, to be manufactured

- the sources of raw materials
- the name of the company
- the status of the company
- the utility sectors to be enlisted, i.e., banks, auditor, etc.

### **III. Technical Feasibility**

Next Ajay Pal should carefully draft the technical feasibility for his woolen unit.

Technical feasibility study refers to an in depth scanning of complete technologicaly and technical know-how of converting raw material into finished product.

The complete technical layout of operational process to be followed depends working out the following factors:

- 1) The manufacturing process involved
- 2) Product designs and drawings
- 3) Manpower requirement
- 4) Any specific advantage to be gained through proposed process
- 5) Instruments used for quality controls
- 6) Scope for research and development
- 7) Power supply requirement
- 8) Plant layout designing
- 9) Fixing quality standards
- 10) Training requirement.

