GOVERNMENT POLYTECHNIC, DHENKANAL

LECTURE NOTES

ENTREPRENEURSHIP AND MANAGEMENT & SMART TECHNOLOGY

5TH SEMESTER

PREPARED BY

ANCHAL SUNDAR RAY

Entrepreneur :-

The people who have ability to see and evaluate business opportunity together the necessary resources to take advantages of them, and to initiate opporopriate to get sucess.

* Action Oriented
* Influencer
* Highly motivated
* Entrepreneur estabilish and economy activity for the development of wealth in the society

Activity Performed by Entrepreneur:-

1. studies market situation
2. Explose Profitability
3. Awake about the product
4. Study about the machinary
5. Explore about new technology and process.
6. Finance series ability and compares before making it final decission.

* A succesful entrepreneur contineously modifies his or her goals on the basis of feedback he or she receive from his envirnment.
* An entrepreneur is a person who initiate and estabilish and entreprise entrepreneurship refers to the decissions he takes in setting up and running a new entreprise.

Entrepreneurship Involves a few major decissions:

* Decissions to become entrepreneur
* Identification and selection of an opportunity
* Bussiness plan formullation and its simplification.
* Entrepreneur contineous.

Needs of Entrepreneurship:-

Indivisual needs:-

1. Indivisual need to prove oneself.
2. To be independent.
3. To do something unity
4. To utilize skill.
5. To excel.

National needs:-

1. Development of rural and backward areas.
2. Development of small scale industries.
3. Improving industrial culture.
4. To get quality products.
5. To nature the culture of entrepreneurship.
6. self employement.

Qualities of Entrepreneur:-

1. Need to achieve a higher goal.
2. ~~Present~~ Perseverence → (work hard to complete his project successfully)
3. Take modestry.
4. Ability to find and explore opportunity.
5. Does not take emotional attitude,
6. Likes to have immediate feed back office performance,
7. Has confidence in his ability to face uncertain situations.
8. Responsible for his own decission (Independent)
9. Flexibility (open minded)
10. Planning → Things in future plans and exicuit to work,
11. Live to work with ~~def~~ different type of people (entrepreneur skill)
12. Motivator
13. Capacity to work for long hours.
14. Capacity to stress.
15. Always positive thinkings.
16. Source high levels of future

Characteristics of Entrepreneur:-

1. Self Confidence.
2. Task result oriented.
3. Risk taker
4. Leadership
5. Originality.
6. ~~Futre~~ Future oriented.

Imp

Function of An Entrepreneur:-

1. Idea generation and choosing best idea
2. Determination of objectives of the bussiness.
3. Market research and product analysis.
4. Selection of form of owenership organisation.
5. Investigative project report and feasiblity analysis.
6. Completion of registration, ~~finanace~~ licenceing, promotional.
7. Arrangement of necessary finances.
8. Procurement of machines, tooling and other assets.
9. Procurement of raw material and component.
10. Requirement and training of man power.
11. Undertaking and management of bussiness operation.

Imp

* 13 types of function depend upon the size type and setting of an enterprise can be catagorised by Peter kilby are as follows.

1. Perceiving ~~Mat~~ market opportunities.
2. Gaining command over scarce resources
3. Purchasing inputs.
4. Marketing of the products and responding to compitition.

Exchange relationship

5. Dealing with the public bureaucrsey (consesoin, tasks, lincences)
6. Managing human relationship within the firm;
7. Managing customers and supliers relationships.

Political Administration

8. Managing finance.
9. Managing product's (maintaining retain resources, supervision, co-ordinating the other products)

managment concern

10. Aquaring and overseeing assembly other factory.
11. Industrial engineering (minimising inputs with a given production process)
12. Upgrading process and product quality.
13. Introducing new product technique.

Technology

Barriers To Entrepreneurship :-

1. Lack of viable concept which can be overcum by increased market contacts.
2. Lack of market knowledge which can be overcum by taking help of local incubator companies and market contacts.
3. Lack of technical skills which can be overcum by recruiting capable local man power or technical education.
4. Lack of speed capital which can be arranged from suplier, local venture and Bankers.
5. Lack of "business know-how" which can be overcum through entrepreneur education and study of sucessful role models.
6. Complencency and lack of motivation which can be overcum by entrepreneur education and inspiration from sucessfull role models.
7. Social stigma/aspects against business which can be overcum study of sucessfull role models.
8. Time pressure & distraction.
9. Legal constraint and regulation.
10. Monopoly and protectionism (protecting own Countries industries by tasking foreign goods)

(11) Inhibition due to patents.

Imp

Entrepreneur	Manager
(1) He will setting up the entire interprise by its own for his personal gratification.	(1) He will work under his bass.
(2) Owner of interprize.	(2) Employee
(3) He bears all the risk and uncertainty.	(3) No risk involved.
(4) Highly uncertain profit.	(4) Fixed salary.
(5) Inventor or discover new Techniques.	(5) follow the techniques invented by Entrepreneur.

Imp

Solo Proprietorship :-

In solo proprietorship, the sole owner arranges the capical, takes all the risks of business and manage it. In this the business is taken care by one person. There is little risk of failure. This requires small capital to start the business and run it.

Characteristics :-

(1) One owner. (or single owner)
(2) one man effort.

3. All risk are coovered by one ~~owen~~ owner
4. All profits being to the proprietor
5. Minium legal formalities to start and run the business.
6. Owanership & management have no separate entry.
7. Unlimited liability (Responsible for everything)

Advantages:-

1. Simplicity
2. Easy to estabilish & run the business.
3. Flexibility in management.
4. Easy decission making.
5. All profits belongs to the owner,
6. Full control of business activities.
7. Operation are less Complicated.
8. Wide potential for self-employment.
9. Nepotism.

Dis-advantages:-

1. Limitation of resources.
2. In case of failure there is unlimited liability of owner and the same is not Covered by anybody else
3. Limitation ~~and~~ of management skills, one man cannot have excellence in all spheres.

④ discontinuity in business.
⑤ Absence of specialized knowledge.
⑥ stressfull / work pressure more.
⑦ Complex operations.
⑧ Limited Checks & Controls.
⑨ Volume of production is less.

Partnership Firm :-

~~Partern Part~~

Partnership is the relation between persons who have agreed to share the profit ~~et~~ ~~##~~ or loss of business carried out by all or any them acting for all.

* The no. of owners are more than 1 but less than 20.

* Partnership firms are suitable to carry out moderate size business in service system as well as manufacturing systems.

Ex:- Petrol pump, law firms, transport agency leadership etc.

Characteristics:-

① The liability of partnership is proportional to their share.

② The no. of partners are more than 1 but less than 20 for banking sector, upper limit is 10.

3. ~~Partn.~~ Partnership is governed by partnership deed the agreement may be written ~~as~~ oral or implied.

4. The deed ~~beco~~ become null & void in case of death or indisposition of any one partner. Then a new deed is required.

5. The share of one partner can be transferred only after all other partners agree.

6. Each partner may act as representative or agent of the partnership firm.

7. There should be full trust & honesty among partner.

8. The duration of partnership from depends upon to "will" of the partners.

Types of Partners :-

(1) Participation :- Active or working partners, who were fully involved in the conduct of business.

(2) Profit sharing :- ~~Do~~ not invest in the capital nor take part in the daily management activities. nor share the loss. They have share in profit only these partners are minors.

(3) Liabilities :- Take part in daily activities of the business. Invest in capital.

(4) Conduct :- Publically behaves as a partner. Does not share profit but covers practical liability of the firm.

Advantages :-

1. Partnership firm can be easily formed by a agreement on partnership deed.
2. Large financial Resources (If the no of partners many).
3. The various partners can share their managerical skill & capabilities
4. Business decission taken collectively so easy to take dicission.
5. Their is flexibility
6. Active Interest taken by each participants in business.

Dis-Advantages:-

1. In case of death, bankrupry or demand of a partner, there is risk & uncertainty of a continuation of the __
2. Loss has to be shared by all.
3. Differences of opinion of partners.
4. Maintaining the secrecy is difficult
5. At any moments, the members can with draw.

Types of partnership firms :-

1. General Partnership
2. Limited Partnership.

1. **General partnership :-**

The action of one member can affect the other member. Each member has full executive power & act as an individual proprietor & can bind the partnership.

2. **Limited Partnership :-**

The partners who have liabilities, The partners can share profit but donot invested in capital interfere with the management of the business.

Joint Hindu family Business :-

→ Family business governed by Hindu law.
→ Only male members can become the co-partner in family.
→ Business membership is automatically granted after the birth of a child.
→ There is no need for registration of family business.
→ Any members can ask from his/her share of account.
→ The family business (or property) is handled by the "karta" (who is the head of the family). This

system of inheritance is called "Mitakrshara"
in W.B it is called "dayapbhaga".
→ The business in Continuously run generation after generation

Joint stock Company :-

→ It is a association of many persons who contributes money.
→ It has separate legal Existance.
→ The proportion of capital is entitled share of each members - shares are transferable.
→ Suitable for large scale production system.
→ No limitation of capital & management.
→ It is run by elected representatives known as directors.
→ Company can managed efficiently & professionally by experts.
→ Good stability
→ Large financial Resources can be connected.

Disadvantages

1. Time consuming legal formalities.
2. Lack motivation (as many member work together).
3. Lack of sense of responsibility.
4. May be heavy specalations in the share market

~~Cop~~ Cooperative Organization (or society)

→ It is formed under the Indian Cooperative Societies Act, 1912.

→ It is a voluntary organization

→ It is ~~p~~ formed by economically weaker sections of society.

→ No open membership.

→ It works on the principle of on person-one vote

→ It has separate leagal entity.

Advantages :-

1. Formed easily with minimum 10 members & no upper limit of membership.
2. Any person irrespective of caste, creed, gender or religion can become the member of the Society.
3. Stability & continuity.
4. members get addition share with profit generated for additional ~~capital~~ capacital generation.
5. Limited risk to the members.
6. Objective of the society is the welfare of the members.

Disadvantages

1. Limited capital.
2. Lack of management competency
3. Lack of ~~Good~~ Coordination among members
4. Lack of interest in running the society due to low return on investment
5. No secrecy of the business activities.

DIC (District Industries Centre)

It is a district level entity that assists in the estabilishment of small business in the rural area of Indian & it began in 1978 as a goverment initiative which provides a large number of jobs in remoate & semi-urban business-

DIC assists an interpreneur in the DIC Programs & guarantees continuous support during the estabilishment of their business.

DIC offers young business owners that allows them to settle their business related problems quickly.

DIC encourages the expansion & developement of many manufacturing industries in rural & urban communities.

DIC provides self-employed individuals with machinary & tools to help them with their businesses.

DIC carries out a periodic assessment of implementation & operation.

Schemes Under DIC :-

① Prime minister's Employment Guarantee program (2003) → To assist educated but jobless person in rural & urban regions.

② DIC Loan Scheme :-

This scheme is available in rural areas having a population of less than 1 lakh and capital investment less than INR 2 lakhs.

③ Seed money scheme:-

This scheme asists the self-employed engaged in self employement ventures (Loan under the scheme under Rs.25 lakhs - 3.75 lakhs.

④ District award scheme:-

This scheme enhance the confidance of yound & achieving entrepreneurs by honouring them with district level awards.

⑤ Entrepreneurship development training programme:

This scheme trains the educated people and encourage the unemployed people for employment

Eligibility criteria for DIC :-

→ Applicants must be above 18 years of age.
→ Applicants must be passed the 8th standard.
→ The manufacturing project must be above INR 10 lakh more than INR 5 laks.

Roles of DIC :-

→ DIC assists the DIC programs & ensures that the scheme are functioning properly.
→ DIC arranges loans for MSME (micro small & medium interprise) under the stand up India scheme for intrepreneurs.
→ DIC conducts survey frequently of their schemes & programs to check their implementation & functioning.

NSIC (National Small Industries Corporation) :-

It offors support & works for the growth & developement of micro, small & medium enterprises (MSME) nationwide.

It works under the ministry of MSME for the promotion of these Enterprise.

It provide 3 major credit facilities.

(1) Raw material Asistance (RMA) against Bank Guarantee.

(2) Credit facilitation through bank.
(3) Bill Discounting.

NSIC Offers ~~intrest~~ interest rate to MSME under RMA against bank Guarantee ~~sh~~ scheme from 7.50% to 9.00% per annum

Eligibility Criteria :-

→ MSME falling under the turnover ranging bet? Rs. 5 crore ~~as~~ or more & upto Rs. 250 crore.
→ Enterprise in sucessful operation for the last 3 years.
→ Banks require comprehensive detail of the business.
→ Past loan repayment record, if applicable.

OSIC (Odisha small Industries corporation) :-

The main objective of OSIC is to asist & promote the MSMEs in the state for their growth & developement to improve or speed up the industrialization process. It is established on 3rd April, 1972 by the Corporation of ~~ko~~ Goverment of Odisha.

It makes many initiatives like :- Green Industry compaign, Clean India campaign, Best employee, Award, Launching of Innovation ~~fo~~ fund, ~~la~~ Lunching of fund of brand marketing, business. Tie-up with World Trade centre, initiation of MSME-SIDCO etc.

SIDBI (Small Industries Development Bank Of India):-

The objective of SIDBI is to transform All India Financial Instituation to Create an integrated credit & development support role for the Bank by adopting a credit-~~puts~~ plus approach.

It was estabilished under an Act of the parliament in 1990.

SIDBI is engaged in promotion, financing & development of MSMEs sector & coordination of the functions of the various institutions ~~enge~~ enagaged in similar activities.

It help Banks & other lending institution in asisting MSMEs & SSI, to avail funds for business expansion purposes & to meet working capital requirements.

NABARD (National Bank for Agriculture and Rural Development):-

It was formed by a special parliamentary act. The main objective of the organisation was the advancement of rural India by enhancing the flow of upliftment of agricuture as well as the rural non-agricultural sectors.

It provides rural & agricultural financing.

Function of NABARD:-

→ It has specific departments that work towards the desired goals to build an empowered & financially inclusive rural India. These departments can be collectively catagorized in to 3 major units:-

① Financial ② Developement ③ supervision;

→ It give financial support to build rural infrastucture

→ Preparation of district level credit by NABARD are used to guide & motivate the banking industry to achieve required targets.

→ It also supervise the coopratefive bank & the regional Rural Bank (RRB) along with developing their banking practices & integrated them to the core banking solution platform.

→ It provides marketing platform for selling of products for handicraft artists.

→ It has ~~pt~~ partnered with various leading global organisations & institutions affiliated with the word Bank that have played a role in ~~t~~ transforming agriculture.

KVIC (khadi & Village Industries Commission):

It comes under the ministry of MSME to promote, facilitate, organise, estabilish & development of khadi & village industries in the rural areas, Its head offices are located in Delhi, Bhopal, Bengaluru, Kolkata, Mumbai & Guwahati.

khadi means hand-spun & hand woven cloth or products. The raw material may be cotton, silk or wool which are spun into enreads on a charkha.

The objective is to provide employment in rural areas. They implement various schemes & programs such as :- prime minister's Rojgar Yojana (PMRY), Interest subsidy eligibility certification scheme (ISEC), Rebate scheme.

CH:- 02

MARKET SURVEY AND OPPORTUNITY IDENTIFICATION (BUSINESS PLANNING)

BUSINESS PLANNING :-

Planning :-

It is a process of selecting a course of action from available alternatives and then implementing the selected course of action.

planning of business is very important because entrepreneur has limited resources in terms time, finance and man power, he puts all his effort to make resonable profit, if he make any mistake then it will cost him time, money and mental pace. Business planning needs for the following aspects.

① **Survival in Dynamic situation :-**

If you plan previously then you can survive or can handle any critical situation

An entrepreneur has to plan to face any fast changing situation.

The risks of business can be reduced by contineous planning and replanning.

② Right Direction:-

planning helps the position of an entrepreneur to lead his in right dir^n.

③ Limited Resources:-

Planning ~~maken~~ make the entrepreneur organism and to coordinate the limited resources properly.

Also the entrepreneur must have pre-knowledge of all steps involves in implementing and running his enterprise.

④ Anticipation of problems:-

planning helps the entrepreneurs to identify the problems in business also planning helps to solve the problems and findout the solution for the problems. planning makes the entrepreneur capable of thinking alternatives actions.

⑤ Time management:-

Time play a very important role in any business. planning helps the entrepreneur to fine his actions in terms of time then ~~to~~ he can plan his priorities & effectively utilise and co-ordinate his resources.

Areas of planning

① start:- start planning by defining the resources available to him, what goal can be achieved with the available resources, co-ordination & ~~mob~~ mobilisation of the resources to achieve the goal in shortest possible time etc.

② Internal- Entrepreneur should know his present strengths and weakness and availability of internal resources.

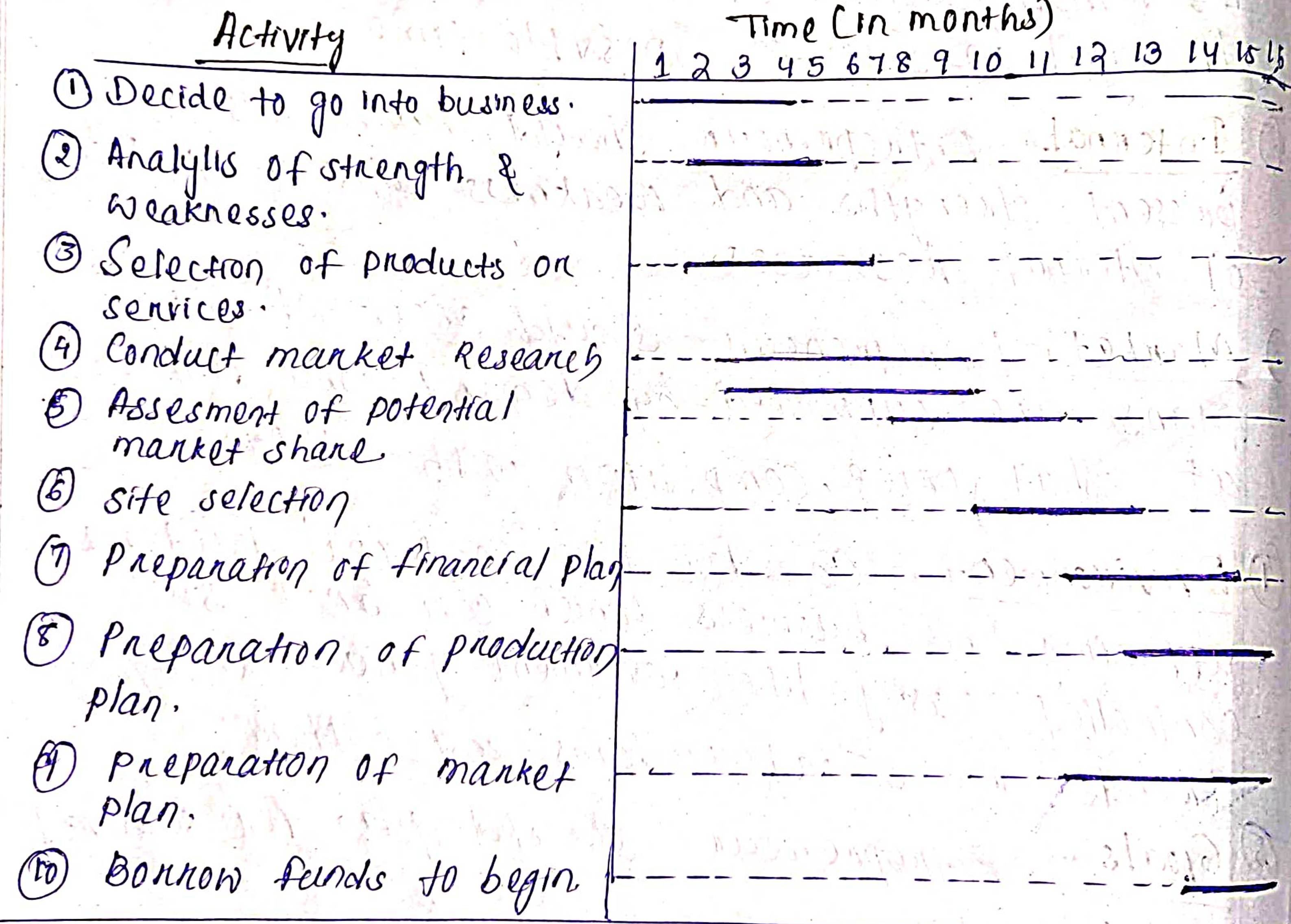
③ Market:- Entrepreneur should check if his plans are supported by demand who will buy at what price, competition with others

④ Environment:- Consider the external factors affecting his business which can not be controlled easily like government policies, changing trends in social customs and culture

⑤ Goals:- Entrepreneur should plan for survival and profit.

Time schedule for starting a business:

The enterpreneur should make or prepare schedule in such a manner that the business should work effectively and complete the project sucessfully. Time schedule can be represented in network diagram or a Bar chart which contain all that tasks that are involved in business, their order, time of starting and completion.



AGENCIES FOR PROJECT IMPLEMENTATION

REQUIREMENT	AGENCY PERSON	REMARKS
Construction of firm		
→ Proprietorship	Legal Advisor	No legal obligation
→ Partnership	Legal Advisor resistor firm	Agreement to be with registor of firm.
→ Company (Pvt. Ltd)	CA/company secretary resistor of company	Incorporation of company with the resistor of companies in state
Registration		
→ For SSI, cottage industry	DIC, Dept. of industries dist. khadi and village industries.	Temporary registration, permanent registration after estabishment
→ Subsidy	DIC / IIC office	Registration for subsidy for state level central level.
→ Sales Tax (state and control)	Sales Tax Dept. legal advisor	Registration for sale tax. no for state and interstate transactions.
→ Production licence	DGTD	For unit other than SSI
→ Excise	Dept of Exise or customs	Registration for exise for scheduled industries
→ Factory Act	factory Inspector leagal Advisor	Factory Act Registration
→ ~~Pa~~shop and Estabilisment/ Enstallment Act	office on shop and Estabilishes	For non-manufacturing activities.
→ Patents and Trade	Legal Autorities Trades mark registry	For exllusive right over use of mark or design
No objection certificate (NOC):-		
→ Location and construction	Local Autorities (municipality, Gram panchayat, collector) Industrial development corporation	NOC for construction or manufacturing
→ Water and air ~~pol~~ pollution control	Water and air pollution control board	NOC

REQUIREMENT	AGENCY/PERSON	REMARKS
Licences and permissions :-		
→ Production on programmer	DI, SISI, DI, Drugs and cosmetics	Specified industries like electronics of development commissioner in registration before establishment.
→ Raw material and machinery	DIC, DI, SIDC	Registration for quota after SSI Registration
→ Import licence	SIC/MMTC/controller	—
→ Building plans and construction	DIC/LA	—
→ Special permission.		
→ Storage	Fire brigade, Police dept	For explosives & highly inflammable materials.
→ Maintenance	Chief Boiler Inspector DI (Inspector of weight & measures)	Boiler operation, all weights to be stamped and verified before use
→ Regulation of raw material, price distribution etc.	Legal Adviser	Flour mill, salt, wood, food, Fertilizers, oil, Rubber, Rice mills, Insecticides, jute, mining arms etc

Small Scale Industry (SSI):-

Small scale industries comes under the minstry of MSME. SSI are these industries in which the manufacturing process, production process and servicing process are done on a small scale. In SSI investment done for only one time and total investment does not exceed 1 crore.

But Large scale industries require huse capital, techinical skill and management abilities. LSI gives Large output and there is high rate of economic growth.

SSI defination varies from one country to another, depending upon the ~~growth~~ pattern and ~~its~~ stage of development.

To promot SSI govt. of India set up the Central small scale Industries Organisation and SSI Board. SSI divided into 5 type as follows:-

1- Manufacturies industries which are producing complete articles for direct consumption and also processing industries.

2- Feeder Industries specilising in certain types of products and services; ex:- Casting, welding etc.

3- Servicing industries to maintain mechanical equipment

(4) Ancillary to large industries producing parts and components.

(5) Mining or quarring.

* Small scale unit are catagorize to 4 types:-

(1) SSI

(2) Ancillary unit
→ This unit sells not less than 50%-of its manufactures to one or more industry.

(3) Tiny units
→ Invest ment limit is 25 Lakh, location is in small towards.

(4) service sector Unit
→ Provide services such as hotel and hospital services.

Preservation and Benefits to SSI:-
The list of industries may be reserved for public sector or for exclussive manufacturing These industries must have industrial licensing (which is compulsary).
These industries give benifits to our society for their growth and development

Assessment of Demand and supply in potential areas of Growth:- We can achieve the demand and supply assessment by doing ~~make~~ market research

Market Research :-

1. Market research helps to understand the consumer acceptance of product before developing and manufacturing it.
2. Market research is otherwise known as technical research which is carried out continuously to ensure the vitality of a business.
3. Market research is an organised approach to solve marketing problems.
4. Market research is gathering, recording & analysing the marketability of a product.
5. Market research includes collection of information, nature of competition, methods of marketing and other aspects of distribution of products, from production to consumer.
6. Market research promots marketing dicission.
7. Market research is helpfull together data an carry out analysis to discover the market share of products.
8. Market research give idea abouts product demand and price studies.
9. Market research keeps a business in touch with its markets.
10. market research explores new markets and help in developing new products.

(11) Market research guides sales promotion efforts
(12) The sources of information for market research can be :- (i) Published literature
(ii) Government sources.
(iii) Consultants.

Scope of Market Research:-

Some benefits we will get from doing market research and those are as follows :-

1. Measurement of market potential
2. Determination of market characterstics.
3. Market share analysis.
4. Competetive products studies.
5. New product acceptance and potential
6. Share and long range forcasting.
7. Studies of business trends.
8. Establishment of scales quatas.
9. Testing of existing products.
10. Studies of ~~business trends~~. advertisement effectiveness.
11. ~~Studies of~~ Media Research
12. Pricing studies.

(13) Plant and warehouse location studies.
(14) Packaging research.
(15) Distribution Channel studies.

Procedure for Market study :-

① Define the problem clarity.
② Develop a clean set of research objectives.
③ Analysis the collecting data from existing.
④ Extract meaningfull information from the collected data.
⑤ Prepare on report presenting the major finding and recommendation from the study

Techniques Used for Market Research :-

1) Desk Research

In desk research the data is collected from the published information by the company on outside source e.g. (Government agencies, trade associations etc)

(a) Sales Analysis :-

By analysing the sales of products like past sales, fluctuation in sales, promotional expenditure (Advertisement cost giving free sample), economics of order size (no. of order) etc)

(b) Correlation studies :- Relation bet^n two or more variable

Ex:- Relation bet^n, no of new cars produces, no of car batteries car tyres soll.

(c) Ratios :-

Relation bet^n sales and stock or earning and capital etc

(2) Postal Questionnaire :-

Questionnairs are prepared and posted to a selected sample of respondents for collecting specific and statistical questions.

(3) Telephone Interviews :-

Personal Interviews are conducted at a personal level with a selected sample of people for collecting their opinions.

(4) Personal Interviews :-

Personal interviews are conducted on a simple question and answer basis such interviews give that best results with greater reliability

(5) Observational method :- People will observed silently to collect the desired information

Ex :- Standing outside on a wine shop and the brands more frequently purchased can be found out

⑥ **Statistical Methods :-**

statistical methods analyse large collected data and conclude the market investigations. This method use bar chart, histogram, frequency, polygon, frequency distribution curve, the concept of average median and standard deviation.

IDENTIFICATION OF BUSINESS OPPORTUNITY :-

Business opportunity and entrepreneurial response to it together from the foundation of a new ventures, selection of business opportunity is one time decission. The following steps are involved for identification of business opportunity.

① **Identification**

An entrepreneur is an opportunity seekers should identify, explore and select to right opportunity.

Opportunity is an attractive idea which an interpreneuer accepts as a basis for his investment decissions. "Possibility" is different from "business opportunity".

A good business opportunity must have two major constituent.

(a) good market scope i.e. gap bet? present & likely demand and supply.

(b) An attractive return on investment

The business opportunity should viable technically, manufacturing commercially and managerially which are inter-linked to each other.

② The process of selection:-

The following steps are taken for selection process:-

(a) Understanding one's own capabilities, strengths, limitations and preferences.

(b) Exploring all possible and suitable opportunities available with in the existing conditions and environment.

(c) Venture selection of business opportunity is one time decission. The following steps are involved for identification of business opportunity.

① Identification:-

An entrepreneur is an opportunity seekers, he should identify, explore & select the right opportunity.

Opportunity is an attractive idea which an entrepreneur accepts as a basis for his investment decissions.

"possibility" is different from "business opportunity". A good business opportunity must have two major constituent.

(a) good market scope i.e. gap between present & likely demand & supply

(b) An attractive return on investment the business opportunity should be viable technically manufacturing commercially & managerially which are interlinked to each other.

2. The process of secection:-

The following steps are taken for selection process:-

(a) understanding one's own capabilities, strengths, limitations & preferences.

(b) Exploring all possible & suitable opportunities available with in the existing conditions & environment.

(c) The business of opportunity may be for manufacturing a product or for providing services, start with one line of activity

(d) Comparative analysis of opportunities available.

(e) Project idea was generated by:-

(i) New product/services which is not existed in the town

(ii) Developing existing products/services available in the market

(iii) selection of products/services already manufactured

(f) High risk involved in first group of ideas new intrepreneur start their busines with 3rd group.

3/ Exploring Opportunities :-

It is a very important process to identify the opportunities which requires large efforts specialised skills.

Some guidelines will help to identify & assess opportunities :-

(a) Environment :- Features of area & its resources, population, its composition, socio-economic background etc

(b) Current business scene :-

pattern of trading & business activities new demand for consumption of goods and services etc.

(c) Technology change :-

Anticipating new opportunities arising due to technology change ~~etc~~ like computers etc

④ Sources for identifying Business Opportunities :-

(a) Resources ~~bast~~ best Ideas :-

Industries based minerals, agriculture, waste based products such as agro-waste, wood-waste ~~& forward integration from existing lines of manufacture,~~ metal waste etc.

(b) Linkage Based Ideas :- Industries arrising out of various types of linkages such as backward and forward integration from existing lines of manufacture.

→ Ancillary developement projects
→ Industries base on substitution i.e. component obtained from outside the regions or from abroad.

(c) Export/Import related Ideas :-
→ Import substitution.
→ Export products

(d) Market shift or growth released Ideas :-
Consumer and industrial product increase in demand due to increase in population or change in the composition of population, purchasing power etc.

(e) Special product Ideas :-
* Research and convention-based products.
* Skill/knowledge based products.
* Products purchased by institutions.
* foreign collaboration.

(f) Sevice sector
* ~~Re~~ Repair and maintenance.
* service facilities.

(g) Goverment Policies :-
The entrepreneur should prepare on inventory of various project ideas.
Identify business opportunities on the basis of available data and information.

Process of final product selection :-
It involves the following steps :-
Step-1 Understanding the board Industry Group :-
① Types of Industries :-
→ Primary Industry based on raw materials such as mining, agriculture etc

→ Secondary industry based on manufacturing a product.

→ Tertiary industry based on services. Also the industries can also be grouped as:-

(i) Engineering industries where goods are manufacture for the use of other industries or white goods for the consumer.

(ii) Process industries which process a material for a consumable good.

The industries can manufacture:-

(a) Consumer product

(b) Intermediate goods for manufacture of other products.

(c) Capital goods needs for further processing to get final products.

② Present environment and industrial ~~ct~~ cilmates.

③ Technical capabilities and familiarity and of the entrepreneur,

Step-2

Selection of specific project:-

① Size of the project:-

It can be decided on the basis of investment capacity of the entreprenomuer and possibilities of getting fianancial loans.

Ex:- Investment capacity of entrepreneur : 8 lakh
loan from financial institution : 10 lakh

Size of project 18 lakh

② Goverment Policy :-

→ Types of special permission and licences.
→ Regulation and price controls for ~~??~~ raw materials.
→ Banned list of the government.

③ Strength and Limitations of the Enterprenuer :-

The entrepreneur should know his strength and limitations (weakness) to undertake the specific project.

④ Comparison of Relative Advantages and Disadvantages ages :-

* The future scope and fisibility study.
* Complexity of technology.
* Return on investment.
* Market Potential.

Step-3

Final selection of the project :-

The final selection is based on the assessment of techical, financial, marketing and commercial viability of the project

CHAPTER-3 (PROJECT REPORT PREPARATION)

Project Report

It is a report prepared after examining various aspects like economic, technical, financial, products and managerial aspects.

Project report is submitted to the institutes and then it is analysed by these institutes.

Project report contains the determination of profitability of the project and how to minimize the risks in the execution of the project.

3 stages of Project Report:-

① Preliminary project report (PPR)

② Techno economic feasibility assessment

③ Detailled PR.

PR must be prepared by the interprenuer.

① PPR:-

Preliminary project report is a brief outline of the project justifying its viability. It is simple, brief data sheet which include the following aspects:-

① Required and materials required for project

② Types of machine required.

③ Source of technology (What are the technology used and its sources)

Advantages of PPR:-

① PPR contain sufficient data by ~~which~~ the help of this data you can plan & ~~ex~~ execute the work

2- PPR contain raw materials details and production programme

3- ~~PPR~~ The data we get from PPR are helpful for preparing PR.

4- PPR helps to identify infrastructural requirement for the project

5- PPR helps to build confidence in intrepreneur and also they get motivated to start a project.

6- PPR take less time while PR consume more time.

Preparation of preliminary project Report :-

PR contain details of all the items selected but PPR is very short costly.

PPR should be prepared systomatically. The information needed could be collected and presented quickly.

② **Techno- Economic Feasibility Report :-**

The techno economic feasibility depends on the following aspects.

① **Location**

Location should be decoded on the following basis :-

* Availability of raw materials
* " of labour
* " of market outlets (purchase)
* Cost of transportation of raw materials & finished goods.
* place self owned/rented/ industrial areas
* Requirement of size of land.

② Educational Qualification and Experience :-

Background information of entrepreneurs

③ Production programme :-

It is worked out on the basis of data and information obtained from market survey and market research.

Source of information of DIC, Consulting organization,

④ Plant and machinary :-

It is also based on data collected by market survey information about power requirements. The cost of machinery include ex-work cost, transportation, handeling, insurance, taxes etc.

→ 20% cost may be added to the quated prince for rough estimate of the cost of plant and machinery

⑤ Plant capacity :-

Qunatity of goods produced, equipment & machinery capacity, manpower used etc.

⑥ Sales Revenue :-

Sale price should be decided on the basis of ~~mak~~ market prince of the produce minus commission & discount etc.

⑦ Raw materials :- Raw materials for production, paking, maintenance & testing. The details can be collected by market survey.

⑧ Utilities :-

Electricity, coal, furnance, oil, disel/petrol, compressed air, water etc.

⑨ Manpower Requirements :-

Manpower requirements for :- operating machinery, assembly of final product (packing and supervisors), selling/marketing staff, office work,

⑩ Market study :-

Market survey report should be attached to the ~~...~~ PPR.

⑪ Cost of Project and Profitability :-

This calculation include :-

→ The cost of purchase and installation of plant & machinery.

→ Cost of land.

→ Technical cost, expenses towards preparation of PR, market survey etc.

⑫ Working Capital :-

This includes :-

→ The stock of raw materials (depend on annual production capacity).

→ Stock of finished goods ~~or goods under process~~ (depends on ~~production cycle)~~ requirement of layer ~~→ Semi finished goo~~ transportation).

→ semi finished goods or goods under process (depends on production cycle)

→ Receipts from customers against orders.

→ Cash to meet day to day expenses

13/ Project Cost :-

Total project cost = fixed capital + working capital

14/ Finance of sources :-

→ 75 to 80 % of fixed capital can be financed by central & state financial corporations in the form of long-term loan

→ 60 to 75% of working capital come from commercial banks as loan.

15/ Project Profitability :-

Manufacturing expenses = Cost of raw materials + utilities + man power

Selling & distribution expenses = Commission payable to salesman + expenses towards advertisment + public expenses.

Administrative expenses = expenses on postage + stationery + telephone + telegraph charge

Two parts of interest :

① Interest on Term loan

② " " working capital.

Interest on term loan → can be 12.5% to 14.5% depending upon quantum to loan, scheme of loan.

Interest on working capital Loan → Can be 13.5% to 16.5% -

depreciation → 15% of value of machinery & 5% of value of building.

→ Miscellaneous expenses, total cost & sales revenue is calculated.

→ Gross profit = Total sales revenue − Total cost

→ Tax should be calculated from current tax adviser

→ Net profit = Gross profit − Tax

16. The details of the promoters are relevant to financial institutions.

DETAILED PROJECT REPORT (DPR):-

It is an important document to process assistance from financial institution & to full fill other formalities for the execution or implementation of the project

Detailed project report by the entrepreneur himself is helpful to him by running the business.

Contents of Detailed Project Report:-

DPR used for:-

→ Cash flow priorities

→ Helps to realise the resources for the implementation of the project.

→ Gives a general idea of resource requirement

→ shows the feasibility and probability of achieving profit

→ Indicates likely returns & benifits from the unit

→ Helps to visualise financial rewards, needs, commitments and actions.

Project report is a written document & it consists of :-

1. **Assumptions/Estimates :-**

for production, sales, raw materials consumptions, man power, needs, prices etc.

2. **Projections :-** Financial, production, sales etc

3. **Information :-** On technology, competition, price

4. **Calculations :-** On cost, profitability, cash flow.

5. **Documents :-** Machinery, raw material price quotations, constitutional information, land, building etc.

PROJECT VIABILITY :- It is a part of DPR, It includes :-

~~Assume ext estimating~~

① **Profitability calculations :-**

Assume estimating profitability for three years.

SL NO	Description			
1	Sales Revinue			
2.	Estimated prodn expenses			
3	Prodn profitability (S.1 + SL.2			
4	Other income			
5	Profit before tax (SL.3+SL.4)			
6	Expected income tax to be ~~SL.3~~ paid			
7	Net profit (SL.5 – SL.6)			
8	Net cash return (SL.7 + depreciation allowance)			
9	percentage of net profit (i) On sales (SL.7/SL.1 ×100) (ii) On sale			

2. Break-Even Point Calculation:-

$$\% \text{ Of Break even} = \frac{\text{Fixed Expness}}{\text{Expected contribution}} \times 100$$

where contribution = Income from sales - variable expenses.

3. Cash Flow:-

SL NO.	Description	1st year	2nd year	3rd year
1 (a)	Financial inflow:- Net profit (income tax and interest added but depreciation subtracted)			
2	Own investment			
3	Depreciation.			
4	Investment allowance			
5	Long-term Loan			
6	short-term loan			
7	Other income			
(b)	Financial out go			
1	Preliminary & pre-operative expenses.			
2	fixed investment.			
3	Increase in current assets.			
4	Reduction in long term loan			
5	Reduction in short-term loan			
6	Interest			
7	Income tax			
8	Total			

(c) Repayment of loans

SL NO	Description	1st year	2nd year	3rd year
1	Net profit (income tax debitated)			
2	Enterepreneurs drawings.			
3	Available profit (SL1-SL2)			
4	Amount to be returned to financial institution			
5	Interest ~~institute~~ on funds ~~avail~~ avalid from state corporation & works.			

4. Project Implementation Planning:- (in a works):

→ Preliminary survey at product.
→ Market research.
→ Preparation of PR.
→ Loan application, preparation and sanction.
→ Selection of site and other necessary formalities
→ Order for plant and machinery
→ Construction of factory.
→ Installation of plant & machinery
→ Selection of personnel.
→ Application for electricity fuel.
→ Other ~~a~~ necessary licenses and sanction letters for project.
→ Electrification in factory
→ Trial production.

→ Commercial production
→ Training of personnel
→ Inaguration of factory prepare for chart, diagram

5. Enclosures :-

→ Education certificates.
→ Experiences.
→ Licence & permission letters.
→ Drawing of factory building, rent receipt.
→ Quotation of machinery & equipment.
→ Letters from raw materials suppliers.
→ Partnership deed or other documents.

6. Financial features :-

SL.NO	Description	Own Investment	Long term Loan	Short term Loan
1	Load and building			
2	Plant and machinery.			
3	Working capital			
4	Preliminary and pre-operative expenses.			
5	Total			
6	Expected total fixed expenses			
7	Profitability			
8	Expected net profit (less income tax)			
9	Break even point (%)			

7. Precautions :-

→ Always estimate cost on high side and income on lower side.

→ Use only personally verified cost and prices.

→ Data taken from other is PR must be updated.

→ Deplanning period and implementation period survey

→ Take 50% to 60% capacity utilisation in 1^{st} year, 80% in 2^{nd} year.

→ PR should be done personally.

→ Counter check all calculation.

→ Take advice and opinion of experts.

8. ~~Res~~ Reasons of failure of PR :-

→ Over estimation of capacity utilization.

→ Under estimation of provision.

→ Under estimation of electrification.

→ Under estimation of handling and time loss.

→ Unrealistic report to present

→ Without updated and relevant information.

→ Over-estimation of income and under-estimation of expenses.

(Chapter-4) MANAGEMENT PRINCIPLES :-

Management

It is an art of getting things done through people. management is a distinct process which consisting of activities like Planning organizing, leading and controlling to achieve results.

Managerial skills are required to exploit the resources like money, materials and machines and each profit and ensure long survival of an enterprise.

Principle of Management :-

① Division of work :-

It promotes efficiency and it ensure work to be executed in time.

② Authority and responsibility :-

Both should always go together

③ Discipline :-

Poor performance is due to lack of desciplinе which means obedience, application, energy and respect.

④ Unity of common :-

A subordinate should take orders from one supervisor only.

⑤ Unity of Direction :-

Each management objective should have one head and one plan

(6) Sub ordination of Individual Interest:-
Interest of organization is higher than interest of individual.

(7) Remuneration of personnel:-
~~Payent~~ payment to workers should by fair (Proper method of payment)

(8) Centralization:-
There should be one central power in the organization with power and control of overall work.

(9) Order:-
A place for everyone and everyone in place,

(10) Equity:-
kindness and justice creates loyality & deviation among employes for the management.

(11) Stability:-
Stability ensures efficiency

(12) Initiatives:-
Planning before execution of work.

Function of management:-

(1) Planning:- Planning is thinking before doing. before doing any work decide what is to be produced, how much is to be produced how to be produced ~~how~~ when to be produced and who will produce

Planning eliminate wastage of material, machinery and capital.

2. **Organizing :-**

After completion of planning, the next step is to arrange the material, money and work for actual executation on production. It consists of material organization and human organisation. ~~and human~~ o.

3. **Staffing :-**

Recruiting and selecting employes for positions within the company.

4. **Directing :-**

The next step is directing the plan into operation. The person must have dynamic leadership for giving direction and guidenance. The instruction must be simple, clear, completes and reasonable in writing.

5. **Controlling :-**

All the functions must be performed perfectly. The management must control so that actual performance matches with the plans with any defect. It include quantity control, cost control, material control, production control.

Level of Management:-

It means the line of direction that exist betn various managerial position is the organisation. Level of management depends the size of the company and workforce. if the size of company and workface increases then i.e. of management increases.

→ Levels of management can be generally classified into three principle catagories, all of which direct managers to perform different functions.

→ In this article, we will explore the specific defn of these levels, as well as the roles & responsibilities of the managers that fall into these catagories.

Administrative, Managerial or Top level management:-

→ The level of management consists of an ~~or~~ organisation board of ~~direction~~ directors and the chief executive or managing director. It is ultimate source of power and authority, since it overseas the goals, policies and produces of a company. Their main priority is on the strategic planning & execation of the overall business sucess.

→ The roles and responsibilities of the top level of management can be summarized as follows:-

(i) Laying down the objectives and board policies of the business enterprise.

(ii) Issuming necessary instruction for the preparation of department-specific budgets, schudules etc

(iii) Appointing the executives for middle level management i.e. department managers.

(iv) Preparing stratengic plans and policies for the organization.

(v) Estabilishing controls of all organisational departments.

(vi) Since it consists of the board of Directors, the top management level is also responsible for communicating with the outside world and is held accountable towards an organisation's share holders for the performance of the enterprise.

(vii) Providing overall guidance, dirn & encouraging harmony and collaboration.

② Executive or Middle level management :-

→ The branch and department managers from this middle management level. These people are directly accountable to top management for the functioning of the their respective departments. devoting more time to organizational & directional functions. For smaller organizations, there is often only one layer of middle management, but larger enterprises can see senior and junior levels within this middle section

→ The roles and responsibilities of the middle level of management can be summarized as follows :-

(i) Executing the plans of the organization in accordance with the policies and objectives laid out by the top management level.

(ii) Forming plans for the sub-units of the organization that they supervise.

(iii) Participating in the hiring and training processes of lower-level management.

(iv) Interpreting & explaning the policies from top-level management to lower level-management.

(v) Sending reports and data to top management in a timely and efficient manner.

(vi) Evaluating the performance of juniour managers.

(vii) Inspiring lower-level managers towards improving their performance.

③ Supervisory, Operative, or Lower Level of Management :-

→ This level of management consist of supervisors, foreman, ~~selectio~~ section officers, superintendents, and all other executives whose work must do largly with the HR over shight and the dirⁿ of operative employes. simply put, managers at the lower level are primarily concerned with the execution and coordination of day-to-day workflow ~~that~~ that ensure completion of projects and deliverable are met

→ The roles and responsibilities of the lower level of management can be summarized as follows:-

(i) Assigning jobs and tasks to various workers.

(ii) Guiding and instruction workers in day-to-day activities.

(iii) Overseeing both the quality and quality of production

(iv) Maintaining good relations within layer levels of the organization

(v) Acting as ~~medot~~ mediators by communicating the problems suggestions and recommendatory appeals etc of workers to the higher level goals and objectives to workers.

→ Helping to address and resolve the grievances of workers.

→ ~~Ad~~ Supervising and guiding their subordinates

→ Taking part in the hiring and training processes of their workers.

→ Arranging the necessary materials, machines, tools and resources etc necessary for accomplishing organizational ~~task~~ tasks.

→ Preparing periodical reports regarding the performance of the workers.

→ Up holding discipline, decorum and harmony within the workplace

→ Improving the enterprise is image in a whole, due to their direct contact with the workers.

Chapter-5

PRODUCTION

→ It is the process of conversion of raw materials into finished products.
→ It is the organized activities of an orgainization through which a raw materials with the help of other inputs are transformed into finished goods.

Production Management:

→ It aims to achieve the optimum utilization of the available resources.
→ It is the branch of management which look after all the activities relating to the manufacturing of good & services of an organization.
→ management, of production helps to achieve cost reduction through economical measures in the utilization of resources.
→ It is essential to reduce, wastage cost & max^m earning

Planning:-

→ It is the process of forecasting and deciding in advance a future course of action.
→ Planning involves the selection of the best alternative among the alternatives available.

Production Planning :-

→ It is the process of forecasting or deciding in advance as to when by whom and how the raw material should be converted into finished products.

Control :-

It involve checking and earning the plans that carried on as per expectation, actual performance

Production Control :-

It guides the flow of production so that the product of desired quality at produced at appropriate time in economical manner

Importante of Production planning and control :-

(i) It helps to increase productivity, ensure speed of the production economical factor and efficient use of all available research.

(ii) It minimize the cost of converting the raw materials into finished.

(iii) It arranges the production process in sequence manner, so that target can be achieved in time

iv) It is essential for cost control purposes.

v) It ensure optimum utilization of men, machines, materials, moneys.

vi) It helps in regulating production and maintain quality.

vii) It controls the production activityies & ensure the flow of material from one process to another orderly.

viii) It helps in gainning higher productivity, delivery of goods to customers in time, qualitative production, low cost of production & higher profits.

Steps in Production planning & control:-

(1) Planning

→ It is the first step in production planning & control programme.

→ It helps to prepared to board plan for the production activities of the organization

→ It decides the ingredientes raw materials, size, colour, designs, shape, quality, specification quantity of production, cost of production etc.

→ It also decides the requirement of men, machines, materials, methods, process, infrastructures etc.

(ii) Routing :-

→ It determines the way through which all the raw materials will flow from one process to another process untill its completion as finished products.

→ It decides the path over which the work will flow one stage to another.

→ It also decides which work shall be done by whom and in which manner.

→ The main aim of routine is to ~~finding~~ findout the best and cheapest way of production.

(iii) Scheduling :-

→ After routing the next step is scheduling i.e. a list or time table for the ~~pro~~ production activities.

→ It involves fixation of time and date for starting and completion of each operation and the entire operations.

→ It include the determination of total time required for completion of each operation and the entire operation.

→ It provides a time table for manufacturing & all the other activities starting from the procurement to the delivery of finished goods to the customers as per scheduled.

(IV) Loading :-

→ It is associated with the quantity of work assigned to a machine or worker to be doned on performed by that machine or indivisual.

→ It is essential for proper distribution of duties as per the capacities of the department or machines or indivisuals.

(V) Dispatching :-

→ It involves the actual initiation of work to carry on the production and ensure that the target in schedule is achieved well in time.

→ It includes actual execution of the plan in the prescribed manner, issue of order and instruction to carry on the work per plan.

→ It include issue of necessary materials to different indivisual, process, departments, section.

→ It helps on allocation of appropriate ~~lab~~ labour force

→ It helps for issuing ~~necessary~~ + necessary tools, equipments and acessories.
→ It helps for ~~checking~~ taking action to make the process in appropriate manner.

(vi) Follow Up:-
→ It involves checking the progress of work and see whether the work is being performed as per plan.
→ It ensure the ~~progres~~ process of checking the progress of work and ensure that they are being done as per plan and ~~shed~~ scheduled.
→ It helps to maintain proper record at all the work carriedout at different stage of production.

(vii) Inspection:-
→ It is the last stage of production planning and control.
→ It involves checking the quality of goods produced and ensure that they confirmed to the standard.
→ It include the appointment of inspector at various point where the chances of deviation are very high

Inventory

→ Inventory means mantaining a record about the stock of any materials.

→ Inventory includes stock of raw materials, purchased parts, spare parts, tools equipments, consumbales, stationaries, semiprocessed materials, finished goods, packaging materials and miscellaneous supplies.

→ Inventory helps in carrying out production activities and smooth functioning of an organization

→ An organization can not survive on zero inventory.

→ It includes dicission relating to the quantities of various materials to be procured, stored, issued and used in an organisation to avoid ~~harism haras~~ harassment and to achive economy as well as efficiency.

Importanke of Inventory Control:-

① It helps to maintain the flow of production activities by timely supply of various items to different department and sections.

② It helps to increase operational efficiency and helps to achieve production target in time

(3) It helps to avoid delay in delivery to customers (maintain ~~con~~ customer ~~commitments~~ commitments)

(4) It helps to avoid the delay in the production of finished goods at different points.

(5) It helps to avoid shortage and scarcity of inventories in an organization.

(6) It helps to maintain perfect level investment in inventories.

(7) It helps to achieve effective utilization of all the inventories.

(8) It helps to regulate the cost of maintaining inventories by proper management of the inventories.

(9) It helps to check the loss of inventoryies during storage, receive, issue, mishandeling, wastage, theft, usage etc.

(10) It helps to increase the productivity and maintain better control over the movement of inventories.

(11) Better inventories control takes the advantage of bulk purchases and price ~~flucation~~ flucturate

(12) It helps to ~~acit~~ achieve economy in production and sales.

Need for maintaining Inventory :-

1) To carry ~~and~~ the detail activities of production process
2) To keep customer commitment
3) To meet the current and new demand of the people in time,
4) To meet the growing market needs and to face competitions.
5) To beat the uncertainities of the availability of materials.
6) To maintain efficiency and effective utilization of the available resources.
7) It helps to maintain the work in progress, detail of finished good, men and machines working.
8) For better management of the entire organization.

Economic Order Quantity (EOQ):-

→ Best e commence traders and retail operators are driven by a prudent rationale to keep away from stockouts.

→ Utilizing deterministic inventory management models- like the economic order Quantity (EOQ) model - will assist you with processing an ideal request amount that limits stock expenses (and keep away) from the most dreaded part of eCommerce).

→ The EOQ is a recipe that figures the most ~~dreaded part of eCommerce)~~. prudent number of things a business should request to limit costs and boost esteem when reloading stock.

$$EOQ = \frac{2DS}{C}$$

D = Annual Demand

C = Carrying Cost

S = Ordering Cost

* Inventory Production Quantity:-

→ Also called economic production Quantity, or EPQ, this kind of inventory management model is discloses to you the number of items your business should arrange in a solitary cluster, in order to diminish holding expenses and arrangement costs.

→ It expects that each request is conveyed by your provider in parts to your business, instead of in one full item.

→ This model is an augmentation of the EOQ model. the distinction between the two models is the EOQ model expects providers are conveying stock in full to your client or business.

→ Here is how to calculate your inventory production quantity:

$2KDh(1-x)$

K = setup (order) costs

D = Demand Rate

h = Yearly Holding cost per product

P = Yearly Production Rate

X = D/P

→ Take the square root of (2SD)/production cost (1−X)

→ S is your setup (order) costs.

→ D is your Demand rate (units)

→ X is your Demand Rate/ Production Rate.

This model could be the best choice for your business if:-

* Your business will generally request inventory from providers in parts as opposed to one full request, for example, for an automotive organization.

* Interest for items is consistent over various periods of time.

ABC Analysis:-

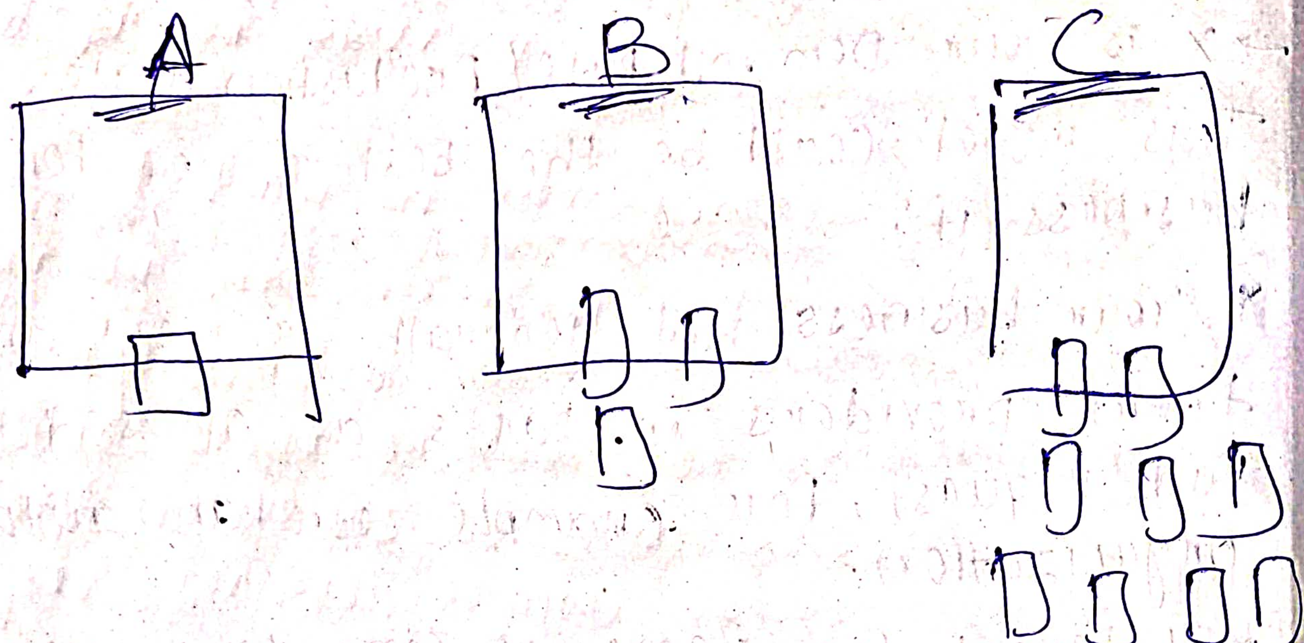
→ The more cash explicit inventory presents to you, the more significant it is to you.

→ ABC examination arranges your inventory dependent on degrees of significance.

→ By realizing which stock is the main, you realize where to concentrate.

→ To be best, ABC Analysis is often utilized with other inventory management models, like the Just in Time (JIT) technique

Stock is sorted into either bunch A, B, or C.



13.12.2022

Finance Management :-

→ It is the branch of management which looks after the finance function of an organization,

→ As we know that, in a business organization. there is regular inflow and outflow of money. so thats why there is the need of putting control over financial activities of an organization.

→ Management of finance is the most important element in the management of ~~ora~~ an organization

→ Financial management includes many activities like planning, procurement, utilization and controlling of financial resources.

→ It also include management of cash, bank balance, details of debitors and creditor, capitals, incomes, expenditures, borrowing, lending, investoring, sale and purchase, ~~tax~~ ~~taxes~~ taxation etc

Importance of financial Management :-

→ It require to run the business sucessfully.

→ It helps for the development and growth of an organization.

→ It is a contineous activity which carriedout on daily basis.

→ It should be maintain ~~b~~ very carefully.

→ It bring perfection to the act of managing the finance function of organization.

→ It is responsible for the systomatic efficient-effective and appropriate, management of the financial activity of an organization.

→ It helps to increase the profit of an organization

→ It ensure effective utilization of all the financial resources.

→ It helps to achieve the goal of an enterprise through proper planning.

Function of Financial Management :-

→ It maintain the financial activities carried out in an organization.

→ It ensure proper implementation of financial plan like the details of shareholdes, investors, employees, lenders, creditor, debitors, customers etc.

→ Forecast the inflow and outflow of finance of an organization.

→ It involve decission making processes at all the level and all the department.

→ It take decission like

(1) Weather money shall be invested in the proposed project ?

(2) If yes, decide the sources of found to finance the proposed project. ?

(3) Weather the proposed project shall be able to generate, adequate return on the investment to pay back the interest as well as the

capital within the fixed period of time ?

Management of Working Capital :-

Double Entry Book Keeping

→ It is the process of maintaining the finance record of a business in this all the financial event and transaction must be recorded, so the maintainance of record of financial transaction is known as book keeping where book mean record keeping means maintain.

→ So book keeping mean record keeping on record maintaining every business has to be maintain record of its financial transaction in a systomatic manner to known the profit and loss generated by the business.

→ It include a number of account such as cash A/c, salary A/c, Rent A/c, interest A/c, Raw material A/c, Finished goods A/c, Machineries A/c, Bank A/c,

Account :-

→ It is a method of keeping record of all the cash details of any transaction.

→ All business organisation maintain there financial record double entry system that mean all A/c have two sides each.

→ The left side A/c known as debit side (Dr. side) and the right side of A/c B known as credit side (Cr. side)

→ All the account are divided vertically into 2 side from the middle of the account.

→ A/c maintain by a business divided into 3 catagory

(1) Real A/c
(2) personal A/c
(3) Nominal A/c

① Real A/c :-

→ It refers to all the real things which are visible such as cash, machineries, buildings, furniture, materials, tools, equipment etc.

② Personal A/c :-

It refers to all the account of different individual or ~~person~~ person as well as artificial person like companies, bank corporate bodies like LIC, SBI etc, with whom the business has credit transaction both credit and credit purchase including loans or borrowing

③ Nominal A/C :-

→ It refers to all a account related to different incomes and expenses and gain (the items which are not visible).

Dr. Cr

Date.	Particulars	J.F	Amount.	Date	Particular	JF	Amount

~~Specificati~~ (Specimen of an A/C)

Rules of Debit and Credit :-

While in a business transaction we have to maintained a record of cash flows.

Real Account :-

Debit → What comes in

Credit → What goes out ~~thase me~~

That means if anything comes into the business. will be recorded in the debit side of that account.

For example :- If two accounts involve that are machinery account & cash account the machine is a real thing & cash is a real thing -

→ Machine is coming into the business & cash is going out of the business. so the purchase of the machine for cash on the debit side & cash shall be recorded in the credit side.

Personal Account :-

Debit → The receiver

Credit → The Giver

Ex:- If any one is receiving anything, it will be recorded on debit side of his account & if someone is giving anything, it should be recorded on the credit side of his ~~acbt~~ account.

Nominal Account :-

Debit → All expenses & losses

Credit → All incomes & gains.

Ex:- All expenses are retained on the debit side & all incomes retained on the credit side

Journals :-

All the transaction are recorded in the journals and for that all the entries made in journal format are known as journal entry.

Rent A/c Dr. . - - - - Rs 500

To cash A/c - - - - - Rs 500

(Format of Journals)

Ledgers:-

→ All the transactions are recorded in journal
→ ~~All the~~ At the end of the day all the entries in the journal are transfered to the respective accounts is known as ledgers.
→ The transfer of entries from journal to ledger is known as posting.

Cashbook:-

→ It is also known as cash account.
→ It is a register which contain two sides divided vertically from the middle of the register the left side is debit side which is also called the receipt side & the rightside is called credit side which is called payment side.

Dr. Cr.

Date	particular	JF	Discount in rupee	Cash in rupee	Date	particular	JF	Discount in rupee	Cash in rupee

Petty Cash Book :-

It is an addition to the main cashbook which records rupees 100. So all cash transaction of Rupees 100 and less are recorded in petty cash book. So that the main cash book is devoted for big transaction only.

→ It is divided into 3 types

1. Ordinary system of petty cashbook or Simple petty cashbook.
2. Impresd system of petty cash book.
3. Analytical petty cash book.

(1) Simple petty cash book:-

→ Under this method the petty cashier receives some amount of money from the cashier and goes on spending the amount.

→ The amount receipt is recorded in the debit side of the petty cashbook & on the ~~rid~~ right side (credit side) contain all the petty expenses are recorded along their voucher number

(2) Impresed system of petty cashbook :-

→ Under this system the petty cashier is given a definite amount of money at the beginning of ~~en~~ the ~~passed ex~~ month or weak

→ The amount given to the petty cashier is called float and this float amount is fixed depending on the passed expenditure.

(3) Analytical petty cash book :-

→ Under this system the petty cashbook has many coloumn. i.e. separate from each ~~other~~ head of the expenses.

→ It provides separate amount coloumn for each head of petty expenses.

Balance sheet :-

→ It is a statement & not an account.

→ It is a statement of all the asset and liabilities held by the business on that particular day on which the balance sheet is prepared.

→ It reflects how much belongs to the business, how much to the owner & how much to the outsider on that particular ~~to~~ day

→ It has 2 side, the left side is liability side and the right side is assetside.

→ Balance sheet maybe true may not be true

Break-even Analysis:-

→ Maintainance of accounts helps us to know the profits and loss of an organisation at the end of a specific period of time. so, only when things are over one is able to know how much is the profits or Loss.

→ Break-even analysis will be helpful to the management to know ~~shee~~ wheather the business is running on profits.

→ It also is helpful to forecast the profits at various levels of production.

→ For the purpose of break-even analysis, cost is divided into two categories such as fixed cost and variable cost

Fixed cost:-

Fixed cost are those cost (expenses) which remain fixed in total and do not increase or decrease in production. Fixed cost has to be incurred or spent even if there is no production.

Variable Cost:-

→ Variable cost are the cost or expenses which vary and not remain fixed. variable cost vary in total in direct proportion to the volume of output.

→ So variable cost is directly proportional to the volume of production. The examples of variable cost are: cost of raw materials, manufacturing wages, royalty, excise duty etc.

Break-even point :-

The break-even analysis helps us to find out the Break-even point. Break even point is a point where the total cost is equal to total revenue

→ Break-even point is also known as the point of no profit and no loss.

→ At this point the total expenses is equal to the total incomes.

→ At this point the total expenses is recovered leaving nothing extra as surplus or profit. ~~The production~~

→ The production level at which there is no profit or no loss is known as Break even production.

→ Similarly, sales at the point is known as breakeven sales.

Mathematical Calculation of Break-even point :-

Abbreviation used

BEP = Break even point
FC = Total fixed cost
SP = Selling price per unit
MC = Marginal cost
VC = Variable cost
S = Total sales in value
P = Total profit.

Formulas for calculation of some elements :-

Contribution = Fixed cost + profit or Contribution = S - VC

Marginal cost per unit = Cost of manufacturing a marginal unit

$\frac{P}{V}$ ratio = $\frac{\text{Contribution}}{\text{Sales}}$

Margin of safety = $\frac{\text{Profit}}{\text{P/V ratio}}$ or (Actual sales - Break-even sales)

Formulas for calculation of Break-even point :-

1. BEP = $\frac{\text{Total fixed cost}}{\text{Selling price per unit} - \text{Marginal cost per unit}}$

or

2. BEP = $\frac{\text{Total fixed cost}}{\text{Contribution per unit}}$

or

3. BEP = $\frac{FC \times S}{\text{Contribution}}$ or BEP = $\frac{FC \times S}{FC + P}$

or

4. BEP = $\frac{FC \times S}{S - V}$

or

5 = $\frac{FC}{\text{P/V ratio}}$

Illustration-1 From the following information find out the break-even point of a manufacturing concern:

Fixed cost Rs. 1,20,000

Selling price Rs. 18 per unit

Variable cost Rs. 12 per unit

Soln

$$BEP = \frac{\text{Total fixed cost}}{\text{Contribution per unit}}$$

Contribution per unit = selling price per unit − Variable cost per unit.

= Rs. 18 − Rs. 12 = Rs. 6

Hence, $BEP = \frac{1,20,000}{6}$ = 20,000 units

So breakeven point is 20,000 unit.

Break even sales is ~~20x100~~ 20,000 x 18 = Rs. 3,60,000.

Illustration-5:- A manufacturing organisation has provided the following information.

Total fixed cost Rs = 1,80,000

Selling price per unit = Rs. 40

Contribution per unit = Rs. 25

Yo are required to calculate:-

(a) P/V ratio

(b) Break-even point

(c) Sales value to earn a profit of Rs. 1,20,000

Soln

(a) $\frac{P}{V}$ ratio = $\frac{\text{Contribution}}{\text{Sales}}$

$= \frac{\cancel{25}5}{\cancel{40}8} = \frac{5}{8}$

(b) $BEP = \frac{\text{Total fixed cost}}{\text{P/V ratio}} = \frac{1,80,000}{\frac{5}{8}} = 2,88,000$

(c) Expected sales = $\frac{\text{Total fixed cost + Desired profit}}{\text{P/V ratio}}$

$= \frac{1,80,000 + 1,20,000}{5/8}$

$= \frac{3,00,000 + 1,20,000}{5/8}$

$= \frac{3,00,000 \times 8}{5} = 4,80,000$

Illustration-6:- From the given information find out sales volume in units if the company wants a profit of Rs. 1,50,000

Total fixed cost = Rs. 2,000,000

selling price per unit = Rs. 50

Marginal cost per unit = Rs. 15

Soln

Sales volume in units = $\frac{\text{Total fixed cost + Desired profit}}{\text{selling price per unit - Marginal cost per unit}}$

$= \frac{2,00,000 + 1,50,000}{50 - 15}$

$= 10,000$ unit

So, to achieve a desired profit of Rs. 1,50,000 the company should sell at lest 10,000 units of the product.

Illustration-7:- From the following information, find out the profit if the company sells 60,000 units in a year also find out ~~the profit if the company sells 60,000~~ the BEP :-

Fixed cost = Rs. 3,00,000
Variable Cost per unit = Rs. 10
Selling price per unit = Rs. 30

Solⁿ:-

Contribution per unit = Selling price - variable cost
= Rs. 30 - Rs. 10
= Rs. 20

Total Contribution = Rs. 60,000 X Rs. 20
= Rs. 12,00,000

Fixed cost + profit = Contribution

Rs. 3,00,000 + Profit = Rs. 12,00,000
Profit = Rs. 12,00,000 - Rs. 3,00,000
= Rs. 9,00,000

So if the company sells 60,000 units in a year the profit shall be Rs. 900,000.

Subsequently, BEP may be calculated as follows.

$$BEP = \frac{\text{Total fixed cost}}{\text{Contribution per unit}}$$

$$= \frac{3,00,000}{20}$$

$$= 15,000 \text{ units}$$

So the break even point shall be 15,000 unit.

Market :-

Market is a place where buyers and sellers often meet together to decide the terms and Conditions of purchases and sales. ~~It is~~

→ It is also the place where the actual exchange of goods and services takes place.

→ According to Harry L. Hansen, " Marketing is the process of discovering and translating consumers ~~~~ needs and wants into products and services and then in turn expand their demands"

Importance of Marketing Management :-

1. Marketing management helps to create demand and needs in the mind of the people for the goods and services of the organization.
2. Marketing management helps to identify markets and prospective market. It is helpful to create markets for the goods and services of the organization.
3. A good marketing management helps to create customers and helps to maintain a cordial relation between the producer and consumers, goods and its users, customers and the middlemen, producer and the middlemen, company and society etc.

4. Marketing management is responsible for increase in goods and services by the people. Due to this people purchase more, stock more and use more. Increase in the consumption habits of people gives rise to increased demand.

5. Marketing management focuses on increased consumer's satisfaction so that consumers create consumers in large numbers. It always tries to win the confidence of the consumers to retain them and attract new consumers.

6. Marketing management helps to study the market and market conditions to keep changing the marketing policies to stay in the market. It helps to maintain a perfect market information system for the ~~to~~ purpose ~~to~~ of decision making so far marketing management is concerned.

7. A perfect marketing management helps the management to gather courage to face competition boldly. It is helpful to decide the policies and plans the ~~mor~~ competitors in the market.

8. Marketing management is helpful to the management to decide the production programme to produce goods and services as per the situation in the market and design them as per the suitability of the market.

9. Marketing management makes possible the forecasting of demand which is essential to decide the marketing mix, marketing stategies and marketing plans.

10. It is useful to win the confidence of the users by assuring them active after sales service which gives birth to long lasting relation of the product and users.

11. A good marketing management reduces the risk of business. It ensures attractive rate of returns on investment, a sound and secured future, enhanced good will and health of the organization.

12. Marketing management focuses on the reduction in the cost of marketing thus reducing the total cost and increasing the profit margin.

13. Marketing management helps the sales management to achieve its objectives.

14. Marketing management helps to achieve the goals of the organization one of which is the maximizating of profit

15. Marketing management lays the foundation for the survival and growth of an organization in the market for a long run

Product Policy :-

Product is the most Important component in the marketing management. All the decissions in the marketing management should be centered around the product

Types of Products :-

Products can be divided into many categories such as, agricultural goods and industrial goods, consumer goods and producer goods, durable goods and non-durable goods, perishable goods and non-perishable goods, necessary goods and luxury goods and many more.

Pricing :-

→ Price of a product is related to its value. Price of a product should be equal to the expectation of the consumers and take care of the post-purchase experience, then only the price is justified.

→ So pricing is the fixing of the value of a product to be sold in the market.

→ Price is also the amount at which the seller is prepared to sell the product to the consumers.

→ It can also be expressed as the compensation payable to the seller to detach himself from the ownership of the goods and ready to transfer the title of the goods to others.

* The major objectives of a pricing policy are:
  1. Higher rate of return on investment
  2. Maximisation of profit.
  3. Stabilisation of prices.
  4. Acquiring higher market share,
  5. Facing the competition,

6. Protecting the long run interest of the firm.
7. Protection of consumers interests.
8. Maintaing Product image for introduction of new products in future.

Techniques used for marketing :-

① Sales Promotional Techniques :-

sales promotional techniques are meants to enhance the sales volume of a product through various sales promotional measures.

→ Such measures may be designed depending upon theproduct, customers, dealers, market, market condition etc.

→ sales promotional measures motivate the dealers to buy more, stock more and sell more. It encourages the sale force to enhance the sales volume through various measures and ultimately convince the buyers to buy more.

→ sales promotion techniques are the measures through which the manufacture increases the sales volume of a product temporarily and can convert ~~to~~ his existing stock of goods into cash.

→ sales promotional measures adopted by the manufacturers depend upon the product, customers, market, company and market conditions.

→ There are various sales promotional techniques which can be grouped into three broad categories ~~such~~ such as dealers promotion, sales force promotion and ~~custom~~ consumers promotion.

② Advertising And its Media:-

→ Advertising can be ~~bo~~ defined as the activities through which communication is sent ~~to~~ to a targeted group of people for promotion of exchange of goods and services.

→ According to American marketing Association, marketing may be defined as "any paid form of non-personal presentation, marketing may be defined as "any paid form of non-personal presentation and promotion of goods and services on ideas by an identified sponsor.

→ According to P. Kotler, "advertising is non-personal form of communication conducted through paid media under clear sponsorship."

① Indoor Advertisement

Under this method of advertisement, the prospective customer stay inside his home and message reach him through various modes, such as

(a) Newspapers and magazines
(b) Televisions
(c) Radios
(d) Films
e) Video
(f) Suplements and Leaflets inserted inside the pages of newspaper etc.

2. Outdoor Advertising :-

Under this method the advertisers inform the prospective buyer outside his ~~home~~ home. such method includes :-

(a) Posters
(b) Painted displays.
(c) Electric signs (usually at market place, railways station)
(d) sky writing (flying baloons, kites etc)
(e) sandwitchman.
(f) Travelling bus, trains
(g) cloth banners
(h) Decorative gates.

3. Direct Advertisement :-

It includes direct contact with the prospective buyers which includes

(a) Promotional booklets.
(b) Catelogues
(c) Sale letters
(d) Use of loud speakers to announce.
(e) On tickets, post cards, match boxes and others.

4. Display Advertising

It includes the following :-

(a) window display
(b) Counter display
(c) show-case display

(d) show rooms
(e) Exhibitions & Trade fairs.

Concept of 4Ps :-

Marketing mix is the combination of tools technology activities which a ~~mat~~ marketer use as the right place, right time and as the righ ~~ptr~~ price to reach their target.

- 4Ps
  - Product
    - Tangible (something which we can touch & feel)
    - Intangible (something far which can experienced or feel)
  - Price
  - place
  - Promotion.

Product:- It is a composition of all the things as like ingredients by which a marketer persue it is objectives

Price:- It is combination of cost & profit which can be easily changed in the comparision of quality & quantity & features of the product.

place:- It is a virtual or real place where buyers & sellers exchange their needs (products / goods)

Promotion:- It is a very important component of marketing mix which helps to boost brand image increase sales & many more